



**CITY OF
LONGVIEW, TEXAS**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

**PREPARED BY THE FINANCE DEPARTMENT
OF THE CITY OF LONGVIEW, TEXAS**

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INTRODUCTION

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P.O. Box 1952
Longview, Texas 75606-1952
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March 25, 2013

To the Citizens of the City of Longview
Longview, Texas

The Comprehensive Annual Financial Report (CAFR) of the City of Longview, Texas, for the year ended September 30, 2012, is submitted herewith. We believe the information, as presented, is accurate in all material respects, that it is presented in a manner designed to set forth fairly, in all material respects, the financial position and results of operations of the City as measured and reported by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain an adequate understanding of the City's financial affairs have been included. It is the responsibility of the management of the City to prepare the CAFR.

The Governmental Accounting Standards Board requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditors' Report.

The CAFR includes all the funds of the City and its blended component units, as well as, the funds of the Longview Economic Development Corporation (LEDCO), a discretely presented component unit.

Reflected in this report is the extensive range of services provided by the City of Longview, Texas. These basic services include public safety, streets, recreation and parks, health and welfare, general administrative services, and utility services as well as the activities of LEDCO.

I believe the report, prepared by the City's Finance Department, based on generally accepted accounting principles, conforms to the standards of governmental accounting and financial reporting principles as promulgated by the Governmental Accounting Standards Board.

ECONOMIC CONDITION AND OUTLOOK

The City of Longview is located in Northeast Texas approximately 60 miles west of Shreveport, Louisiana, 120 miles east of Dallas, and 210 miles north of Houston. Longview serves as the county seat of Gregg County. The Home Rule charter adopted in January 1979 established the Council-Manager form of government with six City Council districts. The Mayor is elected at-large. Longview once was one of the largest known oil fields in the world and the East Texas area continues to have a significant business community that services the energy sector. However, the Longview economy is diversifying with major businesses other than oil and gas whom are contributors to the Longview economy. In fiscal year 1995, mineral values represented 13.7% of the assessed values, while in fiscal year 2012; those values represented just 1% of the assessed values. Health care distribution, retail, food processing and manufacturing have diversified the economic base for the area. The fiscal 2012 taxable value is well diversified and is comprised of 54% residential properties, 18% commercial and industrial properties and 27% commercial and industrial inventories. The residential values (which include residential, vacant lots, real acreage, and farm and ranch improvements) saw an overall 3.25% increase for the year with the most significant increase in multifamily residences of 9.36%. Single family residences increased by 1.78% while farm and ranch improvements increased by 0.88%.

According to the Federal Reserve Bank of Dallas' December 2012 *Regional Economic Update*, "fourth-quarter payroll employment growth clocked in at a modest 2.2% annual rate in Texas, much slower than the 3.8% annual pace seen in the first quarter. Real estate construction continued to strengthen markedly, although energy sector growth decelerated somewhat from its 2012 peak. Employment growth of 2 to 3% for 2013 still seems likely, but there is little evidence that more robust growth is around the corner."

Locally, at his annual State of the City Address in September 2012, Longview Mayor focused on the theme of "Longview, Our Community Moving Forward." He stated that he truly believes that Longview is a community that is continually making progress. In spite of the sluggishness of the national economy, it is the desire of local leadership to continue to move Longview forward. Yet, the FY 2012-2013 budget represents a cautious approach as city leadership remains cognizant that ongoing financial concerns at the state and national level could impact local economic conditions. According to Area Development Magazines' Top 100 Report, the Longview Metropolitan Statistical Area (Gregg, Upshur, and Rusk Counties) is ranked #22 out of #365 MSAs across the country. The study shows that even amid the recessionary gloom, Longview had the economic resiliency to recover faster than other communities.

Moody's Economy November 2012 *Précis METRO* report states that "Longview is on the verge of expansion. Rising natural gas prices are stoking hiring in the Haynesville Shale, and all of the jobs lost in the recession have been recouped. The unemployment rate has stopped falling since the summer, but this is because of the expanding labor force, not job losses. The rate is perched just below 6%, far lower than those of the U.S, Texas and nearby Dallas." The report also states "Longview's recovery will slow going into 2013, but not enough to keep the economy from transitioning to expansion during that time. The slowdown will be brief, and natural gas extraction will drive broader economic growth in the coming years. The thriving economy will lead to steady net in-migration, offering a foundation for solid long-term economic expansion. As a result, Longview will be one of the strongest performers in the country over the forecast horizon."

The Moody's Analytics report noted the following as strength for Longview:

- Positive net in-migration fuels sustainable growth
- Low cost of doing business
- A sturdy platform for growth provided by exposure to energy production and extraction

The report also noted the following weaknesses:

- High employment volatility because of heavy reliance on energy industry
- Relatively low average annual earnings in driving industries
- Shortage of high-value-added jobs

Other economic indicators are the City of Longview's sales tax revenues, reported for the fiscal year 2011-2012 as 0.04% increase compared to receipts in fiscal year 2010-2011. The City of Longview expects this trend to continue and has budgeted accordingly. Single-family housing permits for November 2012 increased by 45.45% compared to the number of permits issued in November 2011. In addition, the annualized average declared construction costs of new homes increased by 45.45% for the same period.

MAJOR INITIATIVES

For the Year

Even with the momentum that has been seen, the Fiscal Year 2011-2012 budget represents a cautious approach. This budget does address some long term goals, but similar to last year, not as aggressively as could be done in better economic circumstances. Focus has been placed on maintaining core services and remaining financially responsible.

Representing 33% of the City of Longview's General Fund, sales tax revenues is an important part of the city's overall budget. In recent years, sales tax revenue has been impacted by local and national economic fluctuations.

Customer service is a priority for Longview City Council and city staff. This year, the city introduced a new customer service tool called CitySend, which is a mobile and online service request system that allows residents to identify issues and report those service requests directly to the City of Longview. Residents can upload a photo or video of a concern and mark the geographic location on a map. Each request can then be tracked for follow up. Requests may be submitted online or using a smartphone. During the first 6 months of use, more than 600 requests were submitted through CitySend. As a result, many potholes have been filled, litter and graffiti have been cleaned, and many other issues have been addressed.

The City of Longview continues to meet the requirements of the Texas Comptroller's Leadership Circle Gold Award for exceptional local government transparency. The City of Longview is committed to providing information about the City of Longview financial operations, especially in an online format. At the City's website, LongviewTexas.gov, visitors can find quick access to City budget information, check register for accounts payable, comprehensive financial report, code of ordinances, and much more.

The Longview Police Department continues to provide excellent service to the community. Over the past five years, Longview has experienced a significant decrease in overall crime. From 2007 to 2011, Longview's crime rate dropped by 29.9% with a reduction in violent crimes of 45.5%. As has been stated before, the Longview community as a whole deserves a lot of credit for this improvement. Residents continue to participate in community policing programs such as Crime Watch, the Citizens Police Academy, Texans Against Crime, personal safety classes, Citizens on Patrol, church-safety seminars, and the crime-free multi-housing programs.

Likewise, the Fire Department has seen increased involvement in all fire prevention related activities such as Citizens Emergency Response Team, Fire Explorers, and fire prevention classes. Additionally, the Fire Department replaced 7 antiquated emergency warning sirens and relocated 2 more for improved reliability. These improvements complete the siren replacement program throughout all of Longview.

Longview's parks and other facilities have been transformed over the past ten years. Multiple new amenities have been completed and many existing facilities have been renovated. In November 2011, a grand opening was held for the Stragent Dog Park, located adjacent to the Paul Boorman Trail. The park is the result of a private / public partnership and includes separate fenced areas for large and small dogs.

In July 2012, a ribbon cutting was also held for Phase 1 of the Jack M. Mann Splash Pad at Lear Park. At 10,000 square feet, the facility is the largest splash pad in East Texas. Phase 1 was funded by a combination of community donations, May 2007 park bond savings, and LEDCO 4B funds. Fundraising is continuing for phase 2 of the private/public project. The park board also approved plans to pursue the addition of a "Miracle League" baseball field to Lear Park. Another public / private project, fundraising for the Miracle League field is being coordinated by the AMBUCS of Longview. The field is envisioned as a "universally accessible" ballpark that will provide a facility for people with disabilities to play.

During fiscal year 2011-2012, the City of Longview also renovated the Rodeo Arena at the Maude Cobb Convention and Activity Complex. The project was not originally part of the budget, but a structural engineering report determined that the facility needed to be closed due to structural failures in the 1940's era grandstands. With council's approval of \$893,231 in funding, the grandstands and announcer's booth were demolished and rebuilt. The Rodeo Arena reopened in time for the next scheduled event in April 2012. The rodeo arena project was funded using existing City of Longview fund balances. Gregg County also assisted with the renovation project by constructing additional adjacent parking.

In November 2010, Mayor Jay Dean created a Streets Task Force to evaluate road improvement needs in the Longview community. The task force evaluated a variety of potential road projects including intersection reconstruction, road repair, and road widening. In May 2011, voters passed a street bond proposition for a \$52.6 million tax bond for street and road improvements. The plan includes street-related projects at locations across Longview. As part of the planning for the Street Bond, the tax impact was estimated to be 1.69 cents per \$100 valuation in 2011, and an additional 0.64 cents per \$100 valuation in 2013. The \$0.0169 tax increase was added to the fiscal year 2011-2012 budget. A full list of the projects and the schedule can be seen in the capital section of the City of Longview's budget document located on the City's website.

For the Future

Users of this document as well as others interested in the programs and services offered by the City of Longview are encouraged to read the City's 2012-2013 Fiscal Year Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. You can find this document conveniently located on the City's website at www.longviewtexas.gov.

During the formulation of the fiscal year 2012-2013 Budget, the City of Longview sought to align the budget with the goals and objectives of the Longview citizenry, City Council, and City Management. Concerned with the current and future financial viability of the Longview community, the Mayor and City Council directed City staff to create a budget proposal that:

- Plans conservatively and remains fiscally responsible
- Reduces costs throughout the budget when possible
- Gives priority to maintaining current level of core services such as police, fire, & public works
- Does not include an increase to the City's property tax rate, except the voter-approved street bond tax increase
- Balances expenses and revenues without heavily relying on the City's general fund reserves

In addition to the directives from City Council, City management utilized a variety of budget assumptions in order to create the budget that:

- Estimates a 2.5% increase in overall appraised property values, resulting in an estimated \$493,654 increase in property tax collections
- Estimates a 1% decrease in sales tax collection, which is an estimated decrease of \$201,460 as compared to the FY 2011-2012 year-end estimate.
- Includes a property tax rate of \$0.5009, which is the same as fiscal year 2011-2012.
- Includes a 3% employee raise
- Proposes increases for water and sewer rates that vary according to water meter size
- Does not include an increase in residential sanitation rates

Similar to the last two years' budgets, this budget includes an increase to water and wastewater rates. The increases are part of an incremental approach to adjusting the water rates to cover expenses. In November 2008, R.W. Beck, Inc. presented a Cost of Service and Rate Design Study to City Council. The study was conducted to assist with determining an appropriate cost of service, to help recover equitable revenue, and to maintain financial integrity of the utility. In terms of financial integrity of the utility, it is vital that the City of Longview water and wastewater fund maintain both healthy fund balance and debt coverage. With the approved increases for water and wastewater rates, it is estimated that the City will meet financial goals established by bond covenants and council policy.

The Longview Firefighter's Relief and Retirement Fund is managed locally by the Longview Firefighter's Relief and Retirement Fund Trustees. Currently, Longview Fire Department employees contribute 15% of earnings and the City of Longview contributes 15% of earnings. Unfortunately, the funding liability ratio is not currently at a satisfactory level according to standard pension practices. To help address the issue, the City of Longview is contributing an additional \$110,000 this fiscal year over and above the normal 15% contribution. However, there will be a need to reevaluate the fund to determine how best to proceed in the future.

As with any organization, it is important to provide competitive pay packages in order to retain existing employees as well as to attract highly qualified new employees. This budget includes a 3% across the board pay raise to be implemented in April 2013. The pay raise will be merit-based. In other words, employees must be in good standing and have a satisfactory evaluation.

LONG-TERM FINANCIAL PLANNING

The City Council created a Comprehensive Plan Committee to update and consolidate the multiple long-term plans that currently exist. A consulting firm will be considered to hold citywide meetings and conduct surveys to provide input to the Comprehensive Plan that will look forward twenty years and create the vision for the City of Longview. Multiple plans, including the Parks Master Plan, Future Land Use Plan, Transportation Plan, among others, will be updated and coordinated based on that vision. Strategies to accomplish the items identified will then be created and implemented by the City Council.

FINANCIAL INFORMATION MANAGEMENT AND CONTROL

A detailed understanding of the financial position and operating results of the City is provided in the CAFR. Presented below is a brief description of financial information, management of financial resources, obligations and information.

Basis of Accounting

The basis of accounting used determines when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. The government-wide financial statements are full accrual basis statements. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenue is recognized when it becomes measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. All proprietary funds and pension trust funds are accounted for using the full accrual basis of accounting. Their revenue is recognized when it is earned, and their expenses are recognized when they are incurred.

Accounting Systems and Budgetary Control

In developing and evaluating the City's accounting control system, consideration is given to the adequacy of internal accounting controls. Accounting control comprises the plan of organization and the procedures and records concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

- Transactions are executed in accordance with management's general or specific authorization.
- Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria, such as finance-related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability for assets.
- Access to assets is permitted only in accordance with management's authorization.
- The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The definition of accounting control encompasses reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived. The benefits consist of reductions in the risk of failing to achieve the objectives implicit in the definition of accounting control.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In accordance with the State Law of Texas, the City has formally established budgetary accounting control for its operating funds. Budgetary control is maintained at the departmental level by the encumbrance of estimated purchase amounts before the release of purchase orders to vendors. Purchase orders that result in an overrun of departmental balances are not released until additional appropriations are made available through transfer from other accounts, either by ordinance of City Council or by administrative transfer. Open encumbrances are reported as reservations of fund balances at September 30, 2012.

The City receives resources from other state and federal agencies under a variety of programs. Resources received from the state government are subject to various specified controls and compliance standards and are periodically audited by the State Auditor's General Office. Resources received from federal agencies generally are subject to auditing according to standards established by the Single Audit Act Amendments of 1996 and other directives prepared by the U. S. Office of Management and Budget. Both state and federal audits require that the City design, implement and monitor an internal control structure that satisfies the conditions of each grant. Audit reports prepared by the state and federal governments related to the City's internal control structure and compliance with applicable laws and regulations are not included in the Comprehensive Annual Report, but are available on request.

Debt Administration

In November 2010, the Mayor created a Streets Task Force to evaluate road improvement needs in the Longview community. The task force evaluated a variety of potential road projects including intersection reconstruction, road repair, and road widening. In May 2011, voters passed a street bond proposition for a \$52.6 million tax bond for street and road improvements. The plan includes street-related projects at locations across Longview. As part of the planning for the Street Bond, the tax impact was estimated to be \$1.69 cents per \$100 valuation in 2011, and an additional \$0.64 cents per \$100

valuation in 2013. Planning for the projects began immediately and construction of some of the projects is already complete. Phase 1 of the oil dirt street reconstruction is complete, High Street and Martin Luther King Boulevard have been repaved, and some of the sidewalks have been added near Foster Middle School. A full list of the projects and the preliminary schedule can be found in the capital section of the City of Longview's budget document located on the City's web site at www.longviewtexas.gov.

A detailed discussion of the City of Longview's outstanding debt is located in the Management's Discussion and Analysis.

OTHER INFORMATION

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Henry & Peters, P. C. was selected by the City Council. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the governmental compliance section.

Awards

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, 2012. This was the seventeenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the City. Each member of the staff has our sincere appreciation for their contribution made in the preparation of this report. Further, we wish to thank the auditing firm of Henry & Peters, P.C. whose competent assistance made this report possible.

The combined support of the City Manager and members of the Council, who remain committed to fiscal integrity and financial leadership, is also appreciated.

Respectfully submitted,



Angela Coen, CPA
Director of Finance

CITY OF LONGVIEW, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2012

PRINCIPAL OFFICIALS

MAYOR

Jay Dean

CITY COUNCIL

John Sims, District 1
Gary Smith, District 2
Kasha Williams, District 3
Wayne Frost, District 4
Richard Manley, District 5
Sidney Allen, District 6

CITY MANAGER

David Willard

FINANCE DIRECTOR

Angela Coen, CPA

WEBSITE

www.longviewtexas.gov

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Longview
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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.



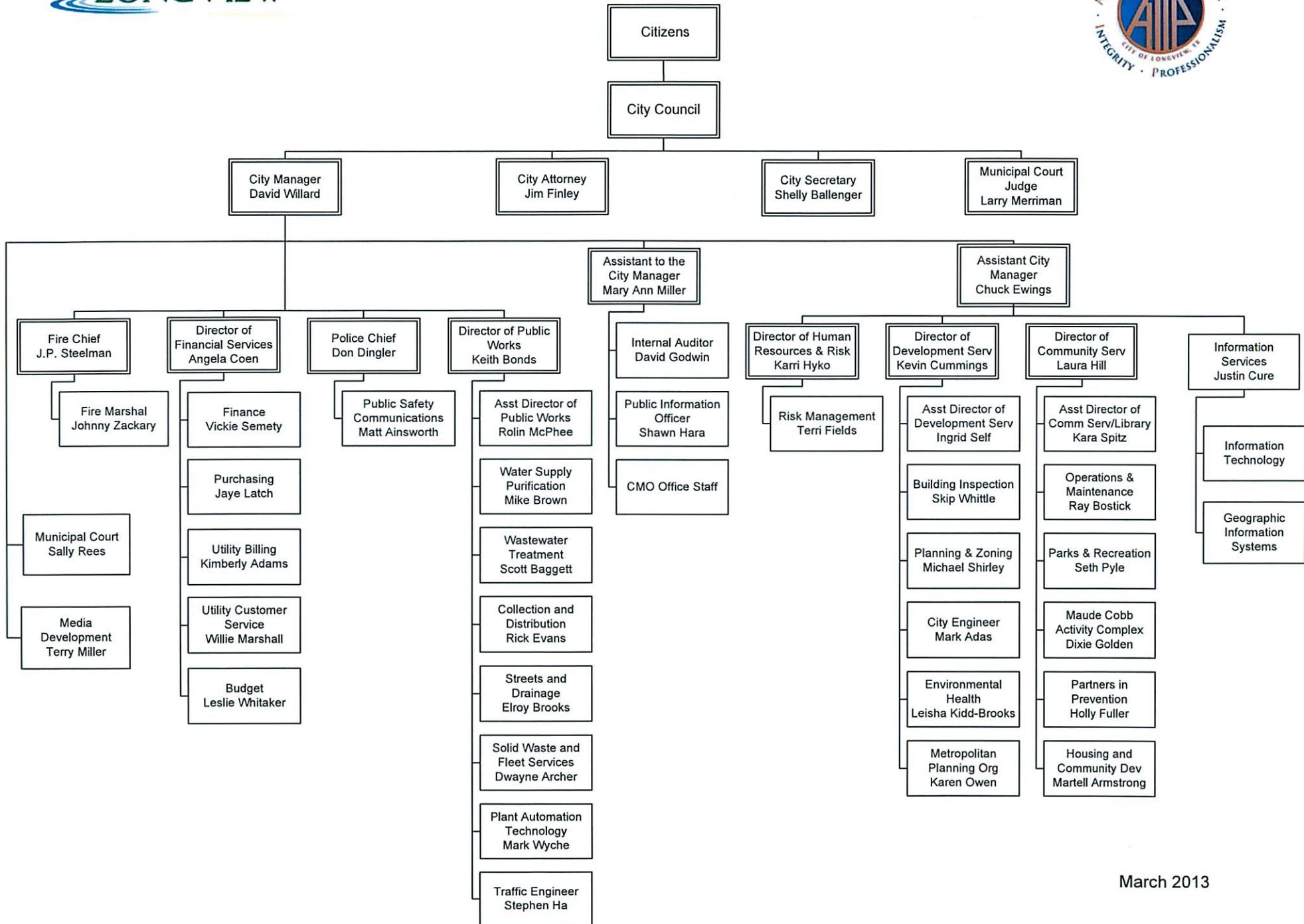
Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

City of Longview Organizational Chart



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FINANCIAL SECTION

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HENRY & PETERS, PC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Longview, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Longview, Texas (the "City"), as of September 30, 2012, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 opinion.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Longview, Texas, as of September 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with auditing standards generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13 and the required supplementary information on pages 74-76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Henry & Peters, P.C.

Longview, Texas
March 25, 2013



MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As Management of the City of Longview, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2012, by \$151,176,338 (net assets). Of this amount, \$39,458,796 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3,173,270 for the year ended September 30, 2012. The increase in net assets can be attributed to several factors.
 - A decrease in sales tax revenue of \$683,055 over the prior year collections was realized, but anticipated in the budgeting process for FY 2011-2012.
 - An increase in other revenue sources were realized in Governmental and Business type activities, such as Hotel Tax, Property Tax and Sanitation Fees.
 - The Water Utility Fund has a lower than anticipated expenditure than budgeted for FY 2011-2012 combined with a planned rate increase to utility customers.
 - Property tax collections exceeded expectations by \$285,554, along with Municipal Court collections of \$609,825 and Building Permits and Fees of \$250,596. The Building Permits and Fees increased due to an expansion of a major medical facility.
 - Prior period adjustments were made to the Governmental Activities. For details on these adjustments refer to page 73.
 - With the expected slow recovery in the economy, city management concentrated mainly on cost reductions, which consisted of removing funding from non-core services, which allowed the city to experience lower expenditures, creating less of an offset to assets.
- As of September 30, 2012, the City's governmental funds reported combined ending fund balances of \$51,397,464, a decrease of \$4,097,492 in comparison with the prior fiscal year. This decrease was mainly due to the following:
 - Use of fund balance for two construction projects, the George Richey Road expansion and major improvements to the City of Longview rodeo facility.
 - The depletion of prior year bond proceeds for scheduled projects, such as street and park improvements.
 - The Drainage Fund (a non-major governmental fund) is funded by sales tax revenues. Postponed projects from the prior year were included, as well as the scheduled projects for FY 2011-2012.
- The General Fund balance decreased by \$1,878,376 mainly due to planned cost savings in response to the uncertain economy and revenue collections, offsetting the \$3.4 million use of fund balance for two construction projects, the George Richey Road expansion and major improvements to the City of Longview rodeo facility.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and 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 Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used compensated absences). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, planning, transportation, streets, developmental services, cultural and parks, and general administration.
- **Business-type activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system, solid waste, and recreation association are reported here.
- **Component units** – The City includes two types of component units in its report. The Longview Economic Development Corporation is reported as a "discretely presented" component unit in the financial statements. The Longview Firemen's Relief and Retirement Fund, Longview Transit Management, Inc., and the Longview Redevelopment Authority, Inc. are reported as "blended" component units in the financial statements. Although legally separate, these component units are important because the City is financially accountable for them. Longview Economic Development Corporation and the Longview Firemen's Relief and Retirement Fund issue separate financial statements which readers may refer to.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- **Governmental funds** – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By

comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City maintains 17 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Capital Projects Fund and Debt Service Fund, which are considered to be major funds. Data for the other 14 governmental funds are combined into a single, aggregated non-major fund 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 City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

- **Proprietary funds** – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's Enterprise Funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The Internal Service Funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities, such as the City's insurance funds, fleet maintenance, and vehicle replacement functions.

The City maintains three Enterprise Funds. The City uses Enterprise Funds to account for its water and sewer services, solid waste services, and recreation services. The funds provide the same type of information as the government-wide financial statements, only in more detail and include some of the Internal Service Fund type activity. The proprietary fund financial statements provide separate information for the water and sewer and solid waste funds, which are both considered major funds of the City. The Longview Recreation Fund is also presented individually, due to there being no other non-major funds, but is considered a non-major fund.

The City's basic governmental and proprietary fund financial statements can be found on pages 17-35 of this report.

Reporting the City's Fiduciary Responsibility

The City is the trustee, or fiduciary, for the Longview Firemen's Relief and Retirement Fund. The City's fiduciary activities are reported in a separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The activities of this fund are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

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 immediately following the basic financial statements on pages 38-73 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to the employees. Required supplementary information can be found on pages 74-76 of this report.

The combining statements and schedules referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplemental information. Combining statements and schedules can be found on pages 77-105 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net assets were \$151,176,338 as of September 30, 2012. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets are \$69,025,811 and the governmental net assets are \$82,150,527. This analysis focuses on the net assets (Table 1) and changes in general revenues (Table 2) and significant expenses of the City's governmental and business-type activities.

The largest portion of the City's net assets (61%) reflects its investment in capital assets (e.g. land, buildings, equipment, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services 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.

TABLE 1

CITY OF LONGVIEW'S NET ASSETS

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current and other assets | \$ 64,053,188 | \$ 66,621,155 | \$ 39,262,224 | \$ 41,173,910 | \$ 103,315,412 | \$ 107,795,065 |
| Capital assets | 101,160,311 | 100,901,404 | 112,063,175 | 113,695,263 | 213,223,486 | 214,596,667 |
| Total assets | <u>165,213,499</u> | <u>167,522,559</u> | <u>151,325,399</u> | <u>154,869,173</u> | <u>316,538,898</u> | <u>322,391,732</u> |
| Long-term liabilities | 71,029,425 | 74,465,927 | 73,640,954 | 79,314,166 | 144,670,379 | 153,780,093 |
| Other liabilities | 12,033,547 | 12,076,885 | 8,658,634 | 8,531,686 | 20,692,181 | 20,608,571 |
| Total liabilities | <u>83,062,972</u> | <u>86,542,812</u> | <u>82,299,588</u> | <u>87,845,852</u> | <u>165,362,560</u> | <u>174,388,664</u> |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 53,447,645 | 51,682,767 | 39,397,519 | 40,333,213 | 92,845,164 | 92,015,980 |
| Restricted | 9,286,870 | 6,762,094 | 9,585,508 | 9,709,561 | 18,872,378 | 16,471,655 |
| Unrestricted | <u>19,416,012</u> | <u>22,534,886</u> | <u>20,042,784</u> | <u>16,980,547</u> | <u>39,458,796</u> | <u>39,515,433</u> |
| Total net assets | <u>\$ 82,150,527</u> | <u>\$ 80,979,747</u> | <u>\$ 69,025,811</u> | <u>\$ 67,023,321</u> | <u>\$ 151,176,338</u> | <u>\$ 148,003,068</u> |

Governmental Activities

The City’s general revenues increased by approximately 0.7% or \$429,600 when compared to the prior year. The primary reason for this increase was the increase in property tax revenue collections. This revenue increased by 6.37% or \$1.584 million over the prior year’s actual collections. Sales tax decreased in collections throughout the year by 2.67%, along with franchise taxes. In contrast, charges for services and fines all increased in FY11-12.

TABLE 2

CITY OF LONGVIEW’S GENERAL REVENUES

| | Governmental Activities | | Business-type Activities | | Totals | |
|-------|-------------------------|----------------------|--------------------------|-------------------|----------------------|----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Taxes | \$ 58,903,999 | \$ 58,051,440 | \$ - | \$ - | \$ 58,903,999 | \$ 58,051,440 |
| Other | <u>2,691,470</u> | <u>3,114,429</u> | <u>168,657</u> | <u>136,831</u> | <u>2,860,127</u> | <u>3,251,260</u> |
| Total | <u>\$ 61,595,469</u> | <u>\$ 61,165,869</u> | <u>\$ 168,657</u> | <u>\$ 136,831</u> | <u>\$ 61,764,126</u> | <u>\$ 61,302,700</u> |

Governmental and business-type activities increased the City’s net assets by \$3,173,270. The key elements in this increase are as follows:

Governmental-type Activities

- Sales tax revenues were less than budgeted revenues by 3.73% due to a slow economic recovery. Anticipated property tax revenues collected were above budgeted totals, as well as the City’s franchise revenues, fines, and charges for services.
- Due to the economic uncertainty, the City continued to anticipate shortfalls in sales and franchise tax revenues in FY11-12. The city took action by focusing on maintaining core services and remaining financially responsible. Like much of the country, the economic recession improved in FY11-12 and revenues began to increase over the course of the fiscal year, creating increased assets for the city.
- In this fiscal year the city concentrated mainly on cost reductions, which consisted of removing funding from many departments, such as Human Resources, Information Technology, Police, Fire, Environmental Health, City Engineering and Parks-Recreations. Due to these budget reductions, the city experienced lower expenditures, creating less of an offset to assets.

Business-type Activities

Revenues of the City’s business-type activities were \$37,428,137 and expenses were \$35,594,304, resulting in a net gain of \$1,833,833 for the fiscal year ended September 30, 2012.

- The net gain to the business-type activities is due to unanticipated increases in revenues due to average rainfall combined with a planned increase to water and wastewater rates. The rate increase was due to increased cost of treating water for safe and healthy consumption, the increased cost of delivering the water to homes and businesses, the increased cost of removing, treating and returning the wastewater to the environment according to government regulations, and because of the increased costs of capital improvement water projects that are necessary for the current and future needs of our community.
- The most significant expenses for Solid Waste Disposal were \$1,324,753 for salaries and benefits and \$642,316 for landfill charges. Fund expenditures slightly increased over prior year.

TABLE 3

CITY OF LONGVIEW'S STATEMENT OF ACTIVITIES

| | Governmental Activities | | Business-type Activities | | Totals | |
|------------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services \$ | 9,877,166 | \$ 8,276,403 | \$ 37,428,137 | \$ 37,807,026 | \$ 47,305,303 | \$ 46,083,429 |
| Operating grants and contributions | 9,305,395 | 9,476,691 | | | 9,305,395 | 9,476,691 |
| Capital grants and contributions | 510,059 | 3,102,336 | - | - | 510,059 | 3,102,336 |
| General revenues: | | | | | | |
| Taxes | 58,903,999 | 58,051,440 | - | - | 58,903,999 | 58,051,440 |
| Other | 2,691,470 | 3,114,429 | 168,657 | 136,831 | 2,860,127 | 3,251,260 |
| Total revenues | <u>81,288,089</u> | <u>82,021,299</u> | <u>37,596,794</u> | <u>37,943,857</u> | <u>118,884,883</u> | <u>119,965,156</u> |
| Expenses: | | | | | | |
| General government | 3,224,548 | 7,539,661 | - | - | 3,224,548 | 7,539,661 |
| Public safety | 39,454,022 | 38,627,890 | - | - | 39,454,022 | 38,627,890 |
| Public works | 11,097,787 | 10,191,221 | - | - | 11,097,787 | 10,191,221 |
| Developmental service | 3,194,264 | 3,481,048 | - | - | 3,194,264 | 3,481,048 |
| Culture and recreation | 11,774,530 | 8,708,583 | - | - | 11,774,530 | 8,708,583 |
| Public transit | 2,110,537 | 1,520,519 | - | - | 2,110,537 | 1,520,519 |
| Public welfare | 7,033,727 | 9,673,465 | - | - | 7,033,727 | 9,673,465 |
| Arts and culture | - | - | - | - | - | - |
| Interest and fiscal cha | 2,695,573 | 2,289,521 | - | - | 2,695,573 | 2,289,521 |
| Water utilities | - | - | 30,054,555 | 29,911,623 | 30,054,555 | 29,911,623 |
| Sanitation | - | - | 4,781,169 | 4,671,050 | 4,781,169 | 4,671,050 |
| Nonmajor - Longview | | | | | | |
| Recreation | - | - | 758,580 | 738,962 | 758,580 | 738,962 |
| Total expenses | <u>80,584,988</u> | <u>82,031,908</u> | <u>35,594,304</u> | <u>35,321,635</u> | <u>116,179,292</u> | <u>117,353,543</u> |
| Increases in net assets | | | | | | |
| before transfers | 703,101 | (10,609) | 2,002,490 | 2,622,222 | 2,705,591 | 2,611,613 |
| Transfers | - | - | - | - | - | - |
| Change in net assets | 703,101 | (10,609) | 2,002,490 | 2,622,222 | 2,705,591 | 2,611,613 |
| Net assets, beginning | 76,285,893 | 76,215,329 | 67,023,321 | 64,759,820 | 143,309,214 | 140,975,149 |
| Prior period adjustment | <u>467,679</u> | <u>81,173</u> | <u>-</u> | <u>(358,721)</u> | <u>467,679</u> | <u>(277,548)</u> |
| Net assets, ending | <u>\$ 77,456,673</u> | <u>\$ 76,285,893</u> | <u>\$ 69,025,811</u> | <u>\$ 67,023,321</u> | <u>\$ 146,482,484</u> | <u>\$ 143,309,214</u> |

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2012, the City had \$213,223,486 (net of accumulated depreciation) invested in a broad range of capital assets, a net decrease (including additions and disposals) of \$1,373,181 from prior year. This decrease is due to construction in progress being completed and beginning to depreciate. The capital assets are comprised of police and fire equipment, buildings, park facilities, roads, bridges, water and sewer lines, drainage improvements, and water treatment plants.

TABLE 4

CITY OF LONGVIEW'S CAPITAL ASSETS

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land | \$ 3,835,232 | \$ 3,846,207 | \$ 755,576 | \$ 755,576 | \$ 4,590,808 | \$ 4,601,783 |
| Buildings | 81,708,002 | 79,168,038 | 21,356,343 | 21,409,659 | 103,064,345 | 100,577,697 |
| Equipment | 44,067,779 | 40,321,499 | 32,313,238 | 31,678,827 | 76,381,017 | 72,000,326 |
| Infrastructure | 117,978,290 | 116,063,791 | 187,185,376 | 182,465,339 | 305,163,666 | 298,529,130 |
| Water and sewer system | | | | | | - |
| Construction in progress | <u>4,588,675</u> | <u>3,418,112</u> | <u>3,649,864</u> | <u>2,229,723</u> | <u>8,238,539</u> | <u>25,059,155</u> |
| Total capital assets | <u>\$ 252,177,978</u> | <u>\$ 242,817,647</u> | <u>\$ 245,260,397</u> | <u>\$ 238,539,124</u> | <u>\$ 497,438,375</u> | <u>\$ 481,356,771</u> |

Current Year Major Additions:

| | 2012 |
|------------------------------------|---------------------|
| Jack Mann Splash Pad | \$ 1,327,046 |
| Wade Creek Interceptor | 1,298,665 |
| 2009 Annexation- Wastewater | 1,100,981 |
| Sabine Street Utilities Relocation | 1,051,929 |
| Rodeo Arena | 945,276 |
| Upgrade Oil Dirt Streets | 914,880 |
| George Richey Waterline Extension | 857,012 |
| 2011 Bridge & Culvert Improvements | 638,009 |
| 2010 Drainage Improvements | 436,731 |
| FM 2275 George Richey Extension | 436,129 |
| Total | <u>\$ 9,006,656</u> |

The City's 2011-12 Five-Year Capital Improvements Program has approximately \$144,200,000 in projects, of which \$59,250,000 has been adopted for completion in the current year. The projects are as follows: Drainage - \$1,500,000, Streets - \$52,600,000, Water - \$3,200,000 and Wastewater - \$1,950,000

Completing these programs will result in improvements to mitigate house flooding and/or storm sewer problems on Sylvan Street and the successful reconstruction and/or replacement of bridges and culverts for the following locations: Eden Street at Oakland Creek; Cotton Street at Eastman Lake Creek; Page Road at Eastman Lake Creek; HG Mosley Parkway at Harris Road and HG Mosley Parkway at Grace Creek. In addition, these programs will provide improvements/reconstruction to Magnolia Lane, Green Street, Center Street, Methvin Street, Hollybrook Drive, Fenton Road, Cotton Street, High Street, and Martin Luther King, Jr. Boulevard. These programs will also provide additional

lanes and signal installations and improvements at Hawkins Parkway and US Highway 259; Cotton Street and US Highway 259; Hawkins Parkway and Dundee Road; Hawkins Parkway and McCann Road; Hawkins Parkway and Judson Road; and Pine Tree Road and George Richey Road. These programs will also fund the replacement of the switchgear for the High Service Pump Stations at the Sabine Water Treatment Plant and the Raw Water Pump Station for the Cherokee Water Treatment Plant, and install approximately 8,200' of 15" sewers from Cotton Street to North of US Highway 80 at Leota Street, and install 6,800' of 12" supply line to provide redundancy of service to the East Texas Regional Airport.

Additional information regarding the City's capital assets can be found in Note 5 on pages 52-56 of this report.

Debt Administration

At the end of the current fiscal year, the City had \$139,560,000 in general obligation and certificates of obligation, and revenue bonds outstanding. This represents a decrease of \$10,765,000 compared to the prior year. The following table shows the debt outstanding at September 30, 2012 and 2011:

TABLE 5
CITY OF LONGVIEW'S OUTSTANDING DEBT

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| General and certificates | | | | | | |
| of obligation bonds | \$ 62,830,000 | \$ 68,125,000 | \$ - | \$ - | \$ 62,830,000 | \$ 68,125,000 |
| Revenue bonds | | | 76,730,000 | 82,200,000 | 76,730,000 | 82,200,000 |
| | <u>\$ 62,830,000</u> | <u>\$ 68,125,000</u> | <u>\$ 76,730,000</u> | <u>\$ 82,200,000</u> | <u>\$ 139,560,000</u> | <u>\$ 150,325,000</u> |

As of September 30, 2012, the City had \$62,830,000 of General Obligation Bonds and no Certificate of Obligation bonds for a total of \$62,830,000 of outstanding tax supported debt. The current debt service requirement on existing tax-supported debt is \$6,846,663.

There were no new issues for General Obligation Bonds for the current fiscal year.

As of September 30, 2012, the City had \$46,779,292 water and \$29,950,708 sewer for a total of \$76,730,000 of Water and Sewer Revenue Bonds outstanding. The current debt service requirement for FY12-13 is \$8,904,006. The Bond Reserve fund has accumulated the required amount of reserves which is equal to at least the average annual principal and interest requirements of the bonds similarly secured; therefore, a transfer from the Water Utilities fund in FY12-13 is not required.

On February 29, 2012, the City issued \$8,300,000 of Water and Sewer Revenue Refunding Bonds to provide funds sufficient to refund a portion of maturity 2015 through 2024 of Series 2004 in the amount of \$7,650,000. This is the only new issue for the revenue debt for the current fiscal year.

In recent years, the City has also begun to use capital leases to finance equipment purchases. The assets are recorded on the City's records along with the outstanding lease obligation payable. At September 30, 2012, the City had a total of \$6,333,034 of outstanding obligations.

The following table shows the capital lease obligations for the governmental and business-type funds:

TABLE 6

**CITY OF LONGVIEW'S
CAPITAL LEASE OBLIGATIONS**

| | Governmental Activities | | Business-type Activities | | Totals | |
|---------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Capital lease obligations | \$ <u>4,390,340</u> | \$ <u>4,994,949</u> | \$ <u>1,942,694</u> | \$ <u>2,223,862</u> | \$ <u>6,333,034</u> | \$ <u>7,218,811</u> |

There were no new issues of capital lease obligations. The City's General and Certificates of Obligation and Waterworks and Sewer System Bond ratings are as follows:

| | Fitch | Standard & Poor's |
|--|-------|-------------------|
| General obligation and certificate of obligation | AA | AA |
| Revenue | | AA- |

For additional information regarding the City's outstanding debt or capital lease obligations, refer to Note 7 on page 64-68 of this report.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported a combined fund balance of \$51,397,464, a decrease of \$4,097,492 in comparison of the prior year. Approximately 28% of this amount (\$14,458,698) represents unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available to pay for new spending because it has already been restricted, committed or is non-spendable (i.e. inventories). For additional information regarding the City's fund balance categories and balances see page 42-43.

The General Fund is the chief operating fund of the City of Longview. At the end of the current fiscal year, unassigned fund balance was \$14,659,946 while total fund balance remained at \$19,569,692. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27% of total General Fund expenditures, while the total fund balance represents 36% of that same amount.

The fund balance of the City of Longview's General Fund decreased \$1,878,376 during the current fiscal year. Key factors in this decrease are as follows:

- A decrease in sales tax revenue of \$546,443 due to economic conditions
- Along with an increase in property taxes of \$244,592 and
- The funding of two major capital projects for the General Fund cash reserves of \$3,430,640, and
- A decrease in debt service cost due to the maturity of issuances, and
- Other cost savings from general fund functions of administrative costs, maintenance costs and vacancy savings

The Debt Service Fund has a total fund balance of \$2,857,328, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$327,441 which indicates that proper funding for the current debt service was provided through a combination of property tax receipts, and transfers from other funds. The increase is due to better than anticipated collections of property tax receipts.

The Capital Projects Fund has a total fund balance of \$23,264,149, all of which is either restricted or committed for the capital project funding. The net decrease in fund balance during the current year in the Capital Projects Fund was \$2,131,004. This decrease is due to ongoing funding of bond supported projects.

Proprietary Funds

The City's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water Utilities Fund at the end of the year amounted to \$14,780,347, and those for the Solid Waste Disposal Fund amounted to \$2,018,640. The Water Utilities Fund experienced an increase in fund balance of \$1,708,543 during the current year. A reason for this is the unanticipated increase in revenues combined with water and sewer rate increases. The Solid Waste Disposal Fund had an increase in fund balance of \$100,789. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the current fiscal year, there were two budget amendments. The first occurred in December 2011, for the amount of \$3,275,000. This amendment funded the expansion of George Richey Road, and improvements to the City's rodeo arena. The second occurred in January of 2012; it increased the amount of funding for the rodeo arena by \$50,640 and corrected the original budget for Library services by \$20,000.

Total revenue was above budget by \$687,768. The details of the more significant variances of budget to actual collections are detailed below:

- \$771,476 decrease in sales taxes
- \$285,555 increase in property taxes
- \$250,597 increase in licenses and permits
- \$218,065 decrease in franchise taxes
- \$609,826 increase in fines

Total expenditures for the General Fund were \$2,445,506 under the final expenditure budget. The details of the more significant variances of budget to actual expenditures are detailed below:

- \$750,143 decrease in police
- \$399,628 decrease in general government services
- \$199,285 decrease in public safety communications
- \$297,635 decrease in fire
- \$100,385 decrease in development
- \$61,676 decrease in streets
- \$87,004 decrease in parks and recreation
- \$50,005 decrease in interfund transfers due to the denied grant funding

NEXT YEAR'S BUDGET AND RATES

- Estimates a 2.5% increase in overall appraised property values, resulting in an estimated \$834,716 increase in property tax collections
- Estimates a 1% decrease in sales tax collection, which is an estimated decrease of \$201,460 as compared to the FY 2011-2012 year-end estimate.
- Includes a property tax rate of \$0.5009, which is the same as fiscal year 2011-2012.
- Includes a 3% employee raise.
- Proposes increases for water and sewer rates that vary according to water meter size
- Does not include an increase in residential sanitation rates

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at the City of Longview, 300 W. Cotton Street, Longview, Texas 75601.

BASIC FINANCIAL STATEMENTS

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CITY OF LONGVIEW, TEXAS

**STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

| | Primary Government | | | Component Unit |
|--|----------------------------|------------------------|-----------------------|--|
| | Governmental Activities | Business Activities | Total | Longview Economic Development Corporation |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 11,409,017 | \$ 4,079,976 | \$ 15,488,993 | \$ 12,446,265 |
| Investments | 18,114,990 | 9,427,378 | 27,542,368 | - |
| Receivables (net of allowances for uncollectibles) | | | | |
| Taxes | 5,354,735 | - | 5,354,735 | 814,341 |
| Accounts | 2,252,370 | 4,333,726 | 6,586,096 | - |
| Other | 219,187 | - | 219,187 | - |
| Internal balances | (2,988,236) | 2,988,236 | - | - |
| Intergovernmental receivable | 513,668 | - | 513,668 | - |
| Accrued interest | 26,044 | 6,871 | 32,915 | - |
| Deferred charges | 289,016 | 530,082 | 819,098 | 136,536 |
| Inventories | 152,712 | 1,136,740 | 1,289,452 | - |
| Prepaid and other assets | 3,417 | - | 3,417 | 2,917 |
| Notes receivable | - | - | - | 376,840 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 26,447,406 | 11,515,678 | 37,963,084 | 892,044 |
| Investments | 2,258,862 | 5,243,537 | 7,502,399 | - |
| Capital assets: | | | | |
| Land | 3,835,232 | 755,576 | 4,590,808 | 5,505,794 |
| Buildings and improvements | 81,708,002 | 21,356,343 | 103,064,345 | - |
| Machinery and equipment | 44,067,779 | 32,313,238 | 76,381,017 | 150,822 |
| Infrastructure | 117,978,290 | 187,185,376 | 305,163,666 | 17,955,717 |
| Construction in progress | 4,588,675 | 3,649,864 | 8,238,539 | - |
| Less: accumulated depreciation | (151,017,667) | (133,197,222) | (284,214,889) | (6,326,851) |
| Total capital assets | <u>101,160,311</u> | <u>112,063,175</u> | <u>213,223,486</u> | <u>17,285,482</u> |
| Total assets | <u>165,213,499</u> | <u>151,325,399</u> | <u>316,538,898</u> | <u>31,954,425</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | 2,752,537 | 1,316,952 | 4,069,489 | 49,469 |
| Payables from restricted assets: | | | | |
| Accounts payable and accrued expenses | 1,848,510 | 694,132 | 2,542,642 | - |
| Meter deposits | - | 379,733 | 379,733 | - |
| Family self-sufficiency escrow | 15,752 | - | 15,752 | - |
| Other liabilities | 217,220 | - | 217,220 | - |
| Other payables | 395,834 | - | 395,834 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 6,803,694 | 6,459,770 | 13,263,464 | 1,561,703 |
| Due in more than one year | 71,029,425 | 73,449,001 | 144,478,426 | 10,264,267 |
| Total liabilities | <u>83,062,972</u> | <u>82,299,588</u> | <u>165,362,560</u> | <u>11,875,439</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 53,447,645 | 39,397,519 | 92,845,164 | 9,257,083 |
| Restricted for: | | | | |
| Grant requirements | 921,490 | - | 921,490 | - |
| Capital projects | 2,366,029 | - | 2,366,029 | - |
| Debt service | 2,857,328 | 9,585,508 | 12,442,836 | 892,044 |
| 911 Emergency operations | 953,237 | - | 953,237 | - |
| Tourism and convention facilities | 1,692,774 | - | 1,692,774 | - |
| Other purposes | 496,012 | - | 496,012 | - |
| Unrestricted | 19,416,012 | 20,042,784 | 39,458,796 | 9,929,859 |
| Total net assets | <u>\$ 82,150,527</u> | <u>\$ 69,025,811</u> | <u>\$ 151,176,338</u> | <u>\$ 20,078,986</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF LONGVIEW, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| Functions/Programs | Expenses | Program Revenue | | |
|---|--------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental activities: | | | | |
| General government | \$ 3,224,548 | \$ 93,667 | \$ - | \$ - |
| Public Safety | 39,454,022 | 7,574,304 | 313,089 | 56,329 |
| Public works | 11,097,787 | - | 837,438 | 328,172 |
| Developmental services | 3,194,264 | 1,007,281 | 1,567,402 | - |
| Culture and recreation | 11,774,530 | 658,334 | 7,450 | - |
| Public transit | 2,110,537 | 381,502 | 1,169,867 | 125,558 |
| Public welfare | 7,033,727 | 162,078 | 5,410,149 | - |
| Interest and fiscal charges | 2,695,573 | - | - | - |
| Total governmental activities | <u>80,584,988</u> | <u>9,877,166</u> | <u>9,305,395</u> | <u>510,059</u> |
| Business-type activities: | | | | |
| Water utilities | 30,054,555 | 31,805,126 | - | - |
| Sanitation | 4,781,169 | 4,922,633 | - | - |
| Nonmajor funds - Longview Recreation | | | | |
| Association | 758,580 | 700,378 | - | - |
| Total business-type activities | <u>35,594,304</u> | <u>37,428,137</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>116,179,292</u> | <u>47,305,303</u> | <u>9,305,395</u> | <u>510,059</u> |
| Component unit | | | | |
| Longview Economic Development Corporation | 3,960,040 | 923,083 | - | - |
| Total component unit | | | | |

General revenues:

Taxes:

Property taxes
Sales taxes
Franchise taxes
Other taxes

Contractual fees
Investment earnings
Miscellaneous
Gain on sale of asset

Total general revenues and transfers

Change in net assets

Net assets - beginning

Prior period adjustment (Note 14)

Net assets - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets

| Primary Government | | | Component Unit |
|-------------------------|--------------------------|-----------------------|---|
| Governmental Activities | Business-type Activities | Total | Longview Economic Development Corporation |
| \$ (3,130,881) | \$ - | \$ (3,130,881) | \$ - |
| (31,510,300) | - | (31,510,300) | - |
| (9,932,177) | - | (9,932,177) | - |
| (619,581) | - | (619,581) | - |
| (11,108,746) | - | (11,108,746) | - |
| (433,610) | - | (433,610) | - |
| (1,461,500) | - | (1,461,500) | - |
| (2,695,573) | - | (2,695,573) | - |
| <u>(60,892,368)</u> | <u>-</u> | <u>(60,892,368)</u> | <u>-</u> |
| - | 1,750,571 | 1,750,571 | - |
| - | 141,464 | 141,464 | - |
| - | (58,202) | (58,202) | - |
| <u>-</u> | <u>1,833,833</u> | <u>1,833,833</u> | <u>-</u> |
| <u>(60,892,368)</u> | <u>1,833,833</u> | <u>(59,058,535)</u> | <u>-</u> |
| - | - | - | (3,036,957) |
| 26,463,213 | - | 26,463,213 | - |
| 24,922,597 | - | 24,922,597 | 4,984,518 |
| 5,316,765 | - | 5,316,765 | - |
| 2,201,424 | - | 2,201,424 | - |
| 1,733,971 | - | 1,733,971 | - |
| 235,883 | 113,934 | 349,817 | 96,308 |
| 820,760 | 54,723 | 875,483 | 22,195 |
| (99,144) | - | (99,144) | 99,895 |
| <u>61,595,469</u> | <u>168,657</u> | <u>61,764,126</u> | <u>5,202,916</u> |
| 703,101 | 2,002,490 | 2,705,591 | 2,165,959 |
| 80,979,747 | 67,023,321 | 148,003,068 | 17,913,027 |
| 467,679 | - | 467,679 | - |
| <u>\$ 82,150,527</u> | <u>\$ 69,025,811</u> | <u>\$ 151,176,338</u> | <u>\$ 20,078,986</u> |

CITY OF LONGVIEW, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
|--------------------------------------|----------------------|---------------------|-------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,053,605 | \$ 2,823,756 | \$ 22,293,086 |
| Investments | 14,079,383 | - | 1,698,499 |
| Accounts receivable, net | 6,345,377 | 240,202 | - |
| Intergovernmental receivable | - | - | - |
| Due from other funds | 289,561 | 9,324 | - |
| Prepaid expenses | - | - | - |
| Accrued interest | 16,707 | - | 654 |
| Total assets | <u>\$ 23,784,633</u> | <u>\$ 3,073,282</u> | <u>\$ 23,992,239</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 1,075,660 | \$ - | \$ 726,968 |
| Accrued liabilities | 1,119,892 | - | 1,122 |
| Due to other funds | 12,647 | - | - |
| Due to other governments | - | - | - |
| Deferred revenue | 1,610,908 | 215,954 | - |
| Other payables | 395,834 | - | - |
| Family self-sufficiency escrow | - | - | - |
| Total liabilities | <u>4,214,941</u> | <u>215,954</u> | <u>728,090</u> |
| Fund balances: | | | |
| Nonspendable | 141,623 | - | - |
| Restricted | 75,884 | 2,857,328 | 21,481,465 |
| Committed | - | - | 1,782,684 |
| Assigned | 4,692,239 | - | - |
| Unassigned | 14,659,946 | - | - |
| Total fund balances | <u>19,569,692</u> | <u>2,857,328</u> | <u>23,264,149</u> |
| Total liabilities and fund balances | <u>\$ 23,784,633</u> | <u>\$ 3,073,282</u> | <u>\$ 23,992,239</u> |

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

An Internal Service Fund is used by management to charge cost of certain capital assets to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the statement of net assets.

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Net assets of governmental activities

The accompanying notes are an integral part of these financial statements.

| Total Nonmajor Funds | Total Governmental Funds |
|-------------------------|-----------------------------|
| \$ 3,295,903 | \$ 31,466,350 |
| 1,650,258 | 17,428,140 |
| 1,209,400 | 7,794,979 |
| 513,668 | 513,668 |
| - | 298,885 |
| 3,417 | 3,417 |
| 738 | 18,099 |
| <u>\$ 6,673,384</u> | <u>\$ 57,523,538</u> |

| | |
|----------------|------------------|
| \$ 396,955 | \$ 2,199,583 |
| 47,601 | 1,168,615 |
| 289,561 | 302,208 |
| 33,046 | 33,046 |
| 114,042 | 1,940,904 |
| 70,132 | 465,966 |
| 15,752 | 15,752 |
| <u>967,089</u> | <u>6,126,074</u> |

| | |
|---------------------|-------------------|
| - | 141,623 |
| 3,987,629 | 28,402,306 |
| 1,919,914 | 3,702,598 |
| - | 4,692,239 |
| (201,248) | 14,458,698 |
| <u>5,706,295</u> | <u>51,397,464</u> |
| <u>\$ 6,673,384</u> | |

96,945,794

1,826,862

9,180,215

(77,199,808)

\$ 82,150,527

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
|--|----------------------|---------------------|-------------------------|
| REVENUES | | | |
| Taxes | \$ 44,929,541 | \$ 7,106,944 | \$ - |
| Fines and forfeitures | 2,959,826 | - | - |
| Licenses and permits | 1,272,516 | - | - |
| Intergovernmental | - | - | 600,000 |
| Charges for services | 3,434,062 | - | - |
| Investment earnings | 121,464 | 19,841 | 57,577 |
| Contractual fees | 1,733,971 | - | - |
| Miscellaneous | 605,263 | - | 90,000 |
| Total revenues | <u>55,056,643</u> | <u>7,126,785</u> | <u>747,577</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 2,930,856 | - | 39,884 |
| Public safety | 35,160,200 | - | - |
| Public works | 4,506,912 | - | 90,404 |
| Developmental services | 1,568,913 | - | - |
| Public welfare | 1,342,830 | - | - |
| Culture and recreation | 7,026,833 | - | - |
| Public transit | 22,890 | - | - |
| Debt service: | | | |
| Principal | 596,289 | 5,295,000 | - |
| Interest and other charges | 183,375 | 2,301,984 | 8,862 |
| Capital outlay | 1,497,294 | - | 7,165,680 |
| Total expenditures | <u>54,836,392</u> | <u>7,596,984</u> | <u>7,304,830</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 220,251 | (470,199) | (6,557,253) |
| OTHER FINANCING SOURCES (USES) | | | |
| Insurance proceeds | - | - | - |
| Sale of capital assets | 32,042 | - | - |
| Transfers in | 1,627,319 | 797,640 | 5,074,584 |
| Transfers out | (3,757,988) | - | (648,335) |
| Total other financing sources and uses | <u>(2,098,627)</u> | <u>797,640</u> | <u>4,426,249</u> |
| NET CHANGE IN FUND BALANCES | (1,878,376) | 327,441 | (2,131,004) |
| FUND BALANCES, BEGINNING | 21,448,068 | 2,529,887 | 25,395,153 |
| PRIOR PERIOD ADJUSTMENT (NOTE 14) | - | - | - |
| FUND BALANCES, ENDING | <u>\$ 19,569,692</u> | <u>\$ 2,857,328</u> | <u>\$ 23,264,149</u> |

The accompanying notes are an integral part of these financial statements.

| <u>Total Nonmajor Funds</u> | | <u>Total Governmental</u> | |
|---------------------------------|--------------------|---------------------------|--------------------|
| \$ | 6,900,114 | \$ | 58,936,599 |
| | 349,263 | | 3,309,089 |
| | - | | 1,272,516 |
| | 9,215,454 | | 9,815,454 |
| | 1,659,014 | | 5,093,076 |
| | 12,850 | | 211,732 |
| | - | | 1,733,971 |
| | 116,880 | | 812,143 |
| | <u>18,253,575</u> | | <u>81,184,580</u> |
| | 2,705 | | 2,973,445 |
| | 1,355,337 | | 36,515,537 |
| | 2,302,992 | | 6,900,308 |
| | 1,633,028 | | 3,201,941 |
| | 5,525,797 | | 6,868,627 |
| | 1,922,399 | | 8,949,232 |
| | 1,811,981 | | 1,834,871 |
| | 6,393 | | 5,897,682 |
| | 3,854 | | 2,498,075 |
| | 1,022,524 | | 9,685,498 |
| | <u>15,587,010</u> | | <u>85,325,216</u> |
| | 2,666,565 | | (4,140,636) |
| | 18,876 | | 18,876 |
| | - | | 32,042 |
| | 327,348 | | 7,826,891 |
| | <u>(3,420,568)</u> | | <u>(7,826,891)</u> |
| | (3,074,344) | | 50,918 |
| | (407,779) | | (4,089,718) |
| | 6,121,848 | | 55,494,956 |
| | <u>(7,774)</u> | | <u>(7,774)</u> |
| \$ | <u>5,706,295</u> | \$ | <u>51,397,464</u> |

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CITY OF LONGVIEW, 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, 2012**

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|--------------------------|
| Net change in fund balances - total governmental funds: | \$ (4,089,718) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | (138,552) |
| In the statement of activities, only the gain on sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold. | (122,569) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 169,885 |
| The issuance of long-term debt (e.g., bonds, leases) provided current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 5,809,802 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | (1,627,011) |
| Internal service funds are used by management to charge the costs of general insurance, group health insurance, workers' compensation insurance, and fleet services to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities. | <u>701,264</u> |
| Change in net assets of governmental activities | <u><u>\$ 703,101</u></u> |

The accompanying notes are an integral part of these financial statements.

CITY OF LONGVIEW, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Budgeted Amounts | |
|---|----------------------|----------------------|
| | Original | Final |
| REVENUE | | |
| Taxes | \$ 45,633,526 | \$ 45,633,526 |
| Fines, forfeits, and penalties | 2,350,000 | 2,350,000 |
| Licenses, permits, and fees | 933,439 | 933,439 |
| Charges for Services | 3,430,830 | 3,430,830 |
| Investment earning | 202,400 | 202,400 |
| Contractual fees | 1,733,971 | 1,733,971 |
| Miscellaneous revenue | 450,000 | 450,000 |
| Total revenue | <u>54,734,166</u> | <u>54,734,166</u> |
| EXPENDITURES | | |
| Current: | | |
| General government | 3,312,000 | 3,319,773 |
| Public safety | 36,603,437 | 36,607,631 |
| Public works | 4,535,757 | 4,535,757 |
| Public transit | 25,000 | 25,000 |
| Developmental services | 1,659,896 | 1,659,896 |
| Public welfare | 1,537,174 | 1,537,174 |
| Culture and recreation | 7,224,400 | 7,256,526 |
| Debt service: | | |
| Principal | 596,389 | 596,389 |
| Interest and other charges | 183,373 | 183,373 |
| Capital outlay | 1,339,192 | 1,365,700 |
| Total expenditures | <u>57,016,618</u> | <u>57,087,219</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>(2,282,452)</u> | <u>(2,353,053)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Proceeds from sale of assets | 28,890 | 28,890 |
| Transfers in | 1,627,966 | 1,642,595 |
| Transfers out | (327,346) | (3,757,986) |
| Total other financing sources (uses) | <u>1,329,510</u> | <u>(2,086,501)</u> |
| NET CHANGE IN FUND BALANCE | (952,942) | (4,439,554) |
| FUND BALANCE - BEGINNING | 21,448,068 | 21,448,068 |
| FUND BALANCE - ENDING | <u>\$ 20,495,126</u> | <u>\$ 17,008,514</u> |

The accompanying notes are an integral part of these financial statements.

| Actual | Adjustments to Budgetary Basis | Actual on Budgetary Basis | Variance with Final Budget |
|----------------------|--------------------------------------|---------------------------------|-------------------------------|
| \$ 44,929,541 | \$ 384,738 | \$ 45,314,279 | \$ (319,247) |
| 2,959,826 | - | 2,959,826 | 609,826 |
| 1,272,516 | - | 1,272,516 | 339,077 |
| 3,434,062 | - | 3,434,062 | 3,232 |
| 121,464 | (4,558) | 116,906 | (85,494) |
| 1,733,971 | - | 1,733,971 | - |
| 605,263 | (2,765) | 602,498 | 152,498 |
| <u>55,056,643</u> | <u>377,415</u> | <u>55,434,058</u> | <u>699,892</u> |
| 2,930,856 | (10,711) | 2,920,145 | 399,628 |
| 35,160,200 | (151,792) | 35,008,408 | 1,599,223 |
| 4,506,912 | (5,669) | 4,501,243 | 34,514 |
| 22,890 | - | 22,890 | 2,110 |
| 1,568,913 | (7,122) | 1,561,791 | 98,105 |
| 1,342,830 | (2,417) | 1,340,413 | 196,761 |
| 7,026,833 | - | 7,026,833 | 229,693 |
| 596,289 | - | 596,289 | 100 |
| 183,375 | - | 183,375 | (2) |
| 1,497,294 | (16,970) | 1,480,324 | (114,624) |
| <u>54,836,392</u> | <u>(194,681)</u> | <u>54,641,711</u> | <u>2,445,508</u> |
| <u>220,251</u> | <u>572,096</u> | <u>792,347</u> | <u>3,145,400</u> |
| 32,042 | - | 32,042 | 3,152 |
| 1,627,319 | - | 1,627,319 | (15,276) |
| (3,757,988) | - | (3,757,988) | (2) |
| <u>(2,098,627)</u> | <u>-</u> | <u>(2,098,627)</u> | <u>(12,126)</u> |
| (1,878,376) | 572,096 | (1,306,280) | 3,133,274 |
| 21,448,068 | - | 21,448,068 | - |
| <u>\$ 19,569,692</u> | <u>\$ 572,096</u> | <u>\$ 20,141,788</u> | <u>\$ 3,133,274</u> |

CITY OF LONGVIEW, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2012

| | Enterprise Funds | |
|-------------------------------|------------------|-------------------------|
| | Water Utilities | Solid Waste Disposal |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,915,079 | \$ 894,681 |
| Investments | 8,401,055 | 1,026,323 |
| Accounts receivable, net | 3,754,837 | 578,889 |
| Deferred charges | 530,082 | - |
| Due from other funds | - | - |
| Inventories | 1,136,740 | - |
| Accrued interest | 6,459 | 412 |
| Prepaid expenses | - | - |
| Restricted assets: | | |
| Cash and cash equivalents | 11,515,678 | - |
| Investments | 5,243,537 | - |
| Total current assets | 33,503,467 | 2,500,305 |
| Non-current assets: | | |
| Capital assets: | | |
| Land | 750,000 | 5,576 |
| Buildings | 21,356,343 | - |
| Water and sewer system | 187,185,376 | - |
| Machinery and equipment | 29,773,004 | 2,518,404 |
| Construction in progress | 3,565,829 | 84,035 |
| Less accumulated depreciation | (131,675,215) | (1,500,177) |
| Total non-current assets | 110,955,337 | 1,107,838 |
| Total assets | 144,458,804 | 3,608,143 |

(continued)

| <u>Enterprise Funds</u> | | |
|---|----------------------|-----------------------------------|
| <u>Nonmajor - Longview Recreation Association</u> | <u>Total</u> | <u>Internal Service Funds</u> |
| \$ 270,216 | \$ 4,079,976 | \$ 6,390,073 |
| - | 9,427,378 | 2,945,712 |
| - | 4,333,726 | 31,313 |
| - | 530,082 | - |
| - | - | 3,323 |
| - | 1,136,740 | 152,712 |
| - | 6,871 | 7,945 |
| - | - | - |
| - | 11,515,678 | - |
| - | 5,243,537 | - |
| <u>270,216</u> | <u>36,273,988</u> | <u>9,531,078</u> |
| - | 755,576 | - |
| - | 21,356,343 | 390,123 |
| - | 187,185,376 | - |
| 21,830 | 32,313,238 | 14,358,965 |
| - | 3,649,864 | - |
| <u>(21,830)</u> | <u>(133,197,222)</u> | <u>(10,534,568)</u> |
| - | 112,063,175 | 4,214,520 |
| <u>270,216</u> | <u>148,337,163</u> | <u>13,745,598</u> |

CITY OF LONGVIEW, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

(Continued)

SEPTEMBER 30, 2012

| | Enterprise Funds | |
|---|------------------|-------------------------|
| | Water Utilities | Solid Waste Disposal |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 866,174 | \$ 257,722 |
| Accrued liabilities | 128,012 | 50,389 |
| Compensated absences | 102,014 | 14,123 |
| Capital lease obligation | 41,722 | 249,958 |
| Claims and judgments | - | - |
| Current liabilities payable from restricted assets: | | |
| Accounts payable - construction | 442,934 | - |
| Accrued interest payable | 251,198 | - |
| Revenue bonds | 6,051,953 | - |
| Customer deposits | 379,733 | - |
| Total current liabilities | 8,263,740 | 572,192 |
| Non-current liabilities: | | |
| Compensated absences | 578,081 | 80,030 |
| Other post-employment benefits | 600,131 | 79,401 |
| Capital lease obligation | 574,366 | 1,076,650 |
| Revenue bonds payable | 70,460,342 | - |
| Total non-current liabilities | 72,212,920 | 1,236,081 |
| Total liabilities | 80,476,660 | 1,808,273 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 39,616,289 | (218,770) |
| Restricted for debt service | 9,585,508 | - |
| Unrestricted | 14,780,347 | 2,018,640 |
| Total net assets | 63,982,144 | 1,799,870 |

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the business activities of the Statement of Net Assets.

Total net assets per government-wide financial statements

The accompanying notes are an integral part of these financial statements.

| <u>Enterprise Funds</u> | | |
|---|----------------------|-----------------------------------|
| <u>Nonmajor - Longview Recreation Association</u> | <u>Total</u> | <u>Internal Service Funds</u> |
| \$ 14,512 | \$ 1,138,408 | \$ 299,175 |
| 143 | 178,544 | 25,486 |
| - | 116,137 | 15,103 |
| - | 291,680 | 1,950 |
| - | - | 1,032,253 |
| - | 442,934 | - |
| - | 251,198 | - |
| - | 6,051,953 | - |
| - | 379,733 | - |
| <u>14,655</u> | <u>8,850,587</u> | <u>1,373,967</u> |
| - | 658,111 | 85,579 |
| - | 679,532 | 90,759 |
| - | 1,651,016 | 26,839 |
| - | 70,460,342 | - |
| - | <u>73,449,001</u> | <u>203,177</u> |
| <u>14,655</u> | <u>82,299,588</u> | <u>1,577,144</u> |
| - | 39,397,519 | 4,185,731 |
| - | 9,585,508 | - |
| - | <u>17,054,548</u> | <u>7,982,723</u> |
| - | 66,037,575 | <u>12,168,454</u> |
| | <u>2,988,236</u> | |
| | <u>\$ 69,025,811</u> | |

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Enterprise Funds | |
|--|------------------|-------------------------|
| | Water Utilities | Solid Waste Disposal |
| OPERATING REVENUES | | |
| Water revenue | \$ 18,859,115 | \$ - |
| Sewer revenue | 11,955,870 | - |
| Solid waste collections | - | 4,922,633 |
| Installation fees | 469,094 | - |
| Penalties | 521,047 | - |
| Recreation revenue | - | - |
| Premiums | - | - |
| Vehicle revenue | - | - |
| GIS revenue | - | - |
| Cable fees | - | - |
| Miscellaneous | - | - |
| Total operating revenues | 31,805,126 | 4,922,633 |
| OPERATING EXPENSES | | |
| Administrative | 588,609 | - |
| Utility services | 1,142,228 | - |
| Water supply | 2,641,550 | - |
| Water distribution | 3,064,069 | - |
| Water purification | 3,764,696 | - |
| Sanitary sewer maintenance | 1,530,659 | - |
| Sanitary sewer treatment | 2,565,432 | - |
| Plant automation | 563,246 | - |
| Non-departmental expense | 2,717,259 | - |
| Sanitation services | - | 4,378,482 |
| Claims and premiums, net of reimbursements | - | - |
| Fleet service | - | - |
| Depreciation | 8,013,127 | 395,287 |
| Recreation expenses | - | - |
| Total operating expenses | 26,590,875 | 4,773,769 |
| OPERATING INCOME (LOSS) | 5,214,251 | 148,864 |

(continued)

| Nonmajor Enterprise Funds Nonmajor - Longview Recreation Association | Total | Internal Service Funds |
|---|---------------|---------------------------|
| \$ - | \$ 18,859,115 | \$ - |
| - | 11,955,870 | - |
| - | 4,922,633 | - |
| - | 469,094 | - |
| - | 521,047 | - |
| 700,378 | 700,378 | - |
| - | - | 8,961,033 |
| - | - | 3,528,552 |
| - | - | 557,906 |
| - | - | 123,336 |
| - | - | 46,348 |
| 700,378 | 37,428,137 | 13,217,175 |
| - | 588,609 | 2,352,125 |
| - | 1,142,228 | - |
| - | 2,641,550 | - |
| - | 3,064,069 | - |
| - | 3,764,696 | - |
| - | 1,530,659 | - |
| - | 2,565,432 | - |
| - | 563,246 | - |
| - | 2,717,259 | - |
| - | 4,378,482 | - |
| - | - | 7,063,306 |
| - | - | 1,888,262 |
| 346 | 8,408,760 | 1,274,964 |
| 758,234 | 758,234 | - |
| 758,580 | 32,123,224 | 12,578,657 |
| (58,202) | 5,304,913 | 638,518 |

CITY OF LONGVIEW, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Enterprise Funds | |
|--|------------------|----------------------|
| | Water Utilities | Solid Waste Disposal |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest and investment revenues | \$ 107,311 | \$ 5,703 |
| Miscellaneous revenues | 54,723 | - |
| Gain (loss) on sale of capital asset | (596) | - |
| Interest expense | (3,667,146) | (53,778) |
| Miscellaneous expenses | - | - |
| Total non-operating revenues (expenses) | (3,505,708) | (48,075) |
| INCOME BEFORE CONTRIBUTIONS AND TRANSFERS | 1,708,543 | 100,789 |
| SPECIAL ITEM | | |
| Change in accounting estimate | - | - |
| CHANGE IN NET ASSETS | 1,708,543 | 100,789 |
| TOTAL NET ASSETS, BEGINNING | 62,273,601 | 1,699,081 |
| TOTAL NET ASSETS, ENDING | \$ 63,982,144 | \$ 1,799,870 |

Change in net assets, per above

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain Internal Service Funds is reported with business activities.

Change in business-type activities in net assets per government-wide financial statements

The accompanying notes are an integral part of these financial statements.

| Nonmajor Enterprise Funds Nonmajor - Longview Recreation Association | <u>Total</u> | <u>Internal Service Funds</u> |
|---|---------------------|-----------------------------------|
| \$ 920 | \$ 113,934 | \$ 24,152 |
| - | 54,723 | 49,724 |
| - | (596) | 113,592 |
| - | (3,720,924) | (1,065) |
| - | - | - |
| <u>920</u> | <u>(3,552,863)</u> | <u>186,403</u> |
| (57,282) | 1,752,050 | 824,921 |
| - | - | 126,786 |
| <u>(57,282)</u> | <u>1,752,050</u> | <u>951,707</u> |
| <u>312,843</u> | <u>64,285,525</u> | <u>11,216,747</u> |
| <u>\$ 255,561</u> | <u>66,037,575</u> | <u>\$ 12,168,454</u> |
| | 1,752,050 | |
| | <u>250,440</u> | |
| | <u>\$ 2,002,490</u> | |

CITY OF LONGVIEW, TEXAS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Business-type Activities Enterprise Funds | | |
|---|--|-------------------------|---|
| | Water Utilities | Solid Waste Disposal | Nonmajor Longview Recreation Association |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 32,242,098 | \$ 4,890,375 | \$ 700,803 |
| Cash received from City departments | - | - | - |
| Cash received from premiums/contributions | - | - | - |
| Cash received - miscellaneous | 54,723 | - | - |
| Cash payments for claims | - | - | - |
| Cash payments for goods and services | (11,903,506) | (2,937,033) | (761,811) |
| Cash payments to employees/retirees | (6,368,099) | (1,298,379) | - |
| Net cash provided by operating activities | 14,025,216 | 654,963 | (61,008) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from sale of revenue bonds | 8,300,000 | - | - |
| Unamortized bond issuance costs | (291,650) | - | - |
| Acquisition and construction of capital assets | (6,680,232) | (84,035) | - |
| Proceeds on sale of capital asset | - | - | - |
| Principal paid on long-term debt | (13,810,235) | (240,931) | - |
| Interest and fiscal charges on debt | (3,693,507) | (58,666) | - |
| Net cash used by capital and related financing activities | (16,175,624) | (383,632) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | (6,708,839) | (1,026,323) | - |
| Interest on investments | 124,210 | 5,291 | 920 |
| Net cash (used in) provided by investing activities | (6,584,629) | (1,021,032) | 920 |
| NET DECREASE IN CASH | (8,735,037) | (749,701) | (60,088) |
| CASH AND CASH EQUIVALENTS, BEGINNING | 23,165,794 | 1,644,382 | 330,304 |
| CASH AND CASH EQUIVALENTS, ENDING | \$ 14,430,757 | \$ 894,681 | \$ 270,216 |

(continued)

| | Governmental Activities |
|----------------------|------------------------------|
| Total | Internal Service Funds |
| \$ 37,833,276 | \$ - |
| - | 4,216,633 |
| - | 8,995,745 |
| 54,723 | 28,787 |
| - | (7,129,497) |
| (15,602,350) | (2,378,837) |
| (7,666,478) | (1,394,680) |
| <u>14,619,171</u> | <u>2,338,151</u> |
| 8,300,000 | - |
| (291,650) | - |
| (6,764,267) | (1,682,119) |
| - | 151,592 |
| (14,051,166) | (1,880) |
| (3,752,173) | (1,065) |
| <u>(16,559,256)</u> | <u>(1,533,472)</u> |
| (7,735,162) | (930,012) |
| 130,421 | 16,207 |
| <u>(7,604,741)</u> | <u>(913,805)</u> |
| (9,544,826) | (109,126) |
| <u>25,140,480</u> | <u>6,499,199</u> |
| <u>\$ 15,595,654</u> | <u>\$ 6,390,073</u> |

CITY OF LONGVIEW, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Business-type Activities | | |
|--|--------------------------|-------------------------|---|
| | Water Utilities | Solid Waste Disposal | Enterprise Funds Nonmajor Longview Recreation Association |
| RECONCILIATION OF OPERATING INCOME TO | | | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating income | \$ 5,214,251 | \$ 148,864 | \$ (58,202) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 8,013,127 | 395,287 | 345 |
| Miscellaneous nonoperating expense | 54,723 | - | - |
| Change in assets and liabilities: | | | |
| Decrease (increase) in assets: | | | |
| Receivables | 450,522 | (32,257) | - |
| Inventories | (231,230) | - | - |
| Due from other funds | - | - | - |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | 393,505 | 116,696 | (3,294) |
| Accrued liabilities | 28,623 | 4,327 | 143 |
| Customer deposits | (13,550) | - | - |
| Claims payable | - | - | - |
| Compensated absences | 5,118 | 10,712 | - |
| Other post employment benefits | 110,127 | 11,334 | - |
| Total adjustments | <u>8,810,965</u> | <u>506,099</u> | <u>(2,806)</u> |
| Net cash provided by operating activities | <u>\$ 14,025,216</u> | <u>\$ 654,963</u> | <u>\$ (61,008)</u> |

The accompanying notes are an integral part of these financial statements.

| | Governmental Activities |
|----------------------|------------------------------|
| Total | Internal Service Funds |
| \$ 5,304,913 | \$ 638,518 |
| 8,408,759 | 1,274,964 |
| 54,723 | 49,724 |
| 418,265 | (31,313) |
| (231,230) | (14,098) |
| - | 4,177 |
| 506,907 | 42,523 |
| 33,093 | 6,787 |
| (13,550) | - |
| - | 350,855 |
| 15,830 | 100 |
| 121,461 | 15,914 |
| <u>9,314,258</u> | <u>1,699,633</u> |
| <u>\$ 14,619,171</u> | <u>\$ 2,338,151</u> |

CITY OF LONGVIEW

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUND

SEPTEMBER 30, 2012

| | <u>Pension Trust Funds</u> |
|---|--------------------------------|
| ASSETS | |
| Cash and cash equivalents | |
| Cash | \$ 1,098 |
| Cash equivalents | <u>2,567,525</u> |
| Total cash and cash equivalents | 2,568,623 |
| Receivables | |
| Contribution receivable | 106,830 |
| Interest and dividends | 70,677 |
| Other receivable | <u>24,485</u> |
| Total receivables | 201,992 |
| Other assets | 600 |
| Investments, at fair value | |
| Equity securities | 6,243,469 |
| Mutual funds | 30,514,801 |
| Diversified investment products | <u>481,872</u> |
| Total investments | 37,240,142 |
| Equipment, at cost, net of accumulated depreciation | <u>4,935</u> |
| Total assets | <u>40,016,292</u> |
| LIABILITIES | |
| Accrued benefits | 311,795 |
| Credit card payable | 23 |
| Deferred revenue | <u>150</u> |
| Total liabilities | 311,968 |
| NET ASSETS | |
| Held in trust for pension benefits | <u><u>\$ 39,704,324</u></u> |

The accompanying notes are an integral part of these financial statements.

CITY OF LONGVIEW

**STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

| | <u>Pension Trust Funds</u> |
|---|--------------------------------|
| ADDITIONS | |
| Contributions | |
| Employer | \$ 1,577,295 |
| Members | <u>1,577,295</u> |
| Total contributions | 3,154,590 |
| Investment income | |
| Interest and dividend income | 1,658,253 |
| Net appreciation in fair value of investments | (2,380,958) |
| Less investment expense | <u>(240,372)</u> |
| Total investment income | (963,077) |
| Other income | <u>10,797</u> |
| Total additions | 2,202,310 |
| DEDUCTIONS | |
| Benefits paid to members | 4,006,049 |
| Refunds of contributions | 87,072 |
| Administrative expenses | <u>80,802</u> |
| Total deductions | <u>4,173,923</u> |
| Net decrease | (1,971,613) |
| Net assets available-for-benefits | |
| Beginning of year | <u>41,675,937</u> |
| End of year | <u><u>\$ 39,704,324</u></u> |

The accompanying notes are an integral part of these financial statements.

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**NOTES TO THE
FINANCIAL STATEMENTS**

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Longview, Texas (City) was incorporated under the laws of the State of Texas in 1871 and operates under an elected Mayor-Council form of government. The City provides the following services to the citizens of the City: public safety (police and fire), public works, public health, public welfare, recreation, water and sewer utilities, residential sanitation service, and general administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Longview (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The Comprehensive Annual Financial Report of the City includes all funds and component units. The financial statements of the City have been prepared to conform to generally accepted accounting principles accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

Component Units

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

The financial statements of the following component unit has been discretely presented in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Longview Economic Development Corporation (LEDCO)

LEDCO is a Texas nonprofit corporation organized for the purpose of benefiting and accomplishing public purposes of the City of Longview, Texas, by promoting, assisting and enhancing economic development activities for the City. The Board members are appointed by the City of Longview City Council. LEDCO is funded by a one-quarter of a cent sales tax levied on taxable sales within the City of Longview. This tax was enacted by popular vote on November 11, 1991, and may be repealed by popular vote. Corporate financial statements of LEDCO can be obtained directly from their administrative offices at 410 N. Center, Longview, Texas 75601. LEDCO is reported in a separate column to emphasize that it is legally separate from the City.

The financial statements of the following component units have been "blended" with those of the City because (i) their governing bodies are substantially the same as the governing body of the City or (ii) the component unit provides services entirely to the City.

City of Longview Firemen's Relief and Retirement Fund

The City's fire department employees participate in the Longview Firemen's Relief and Retirement Fund (LFRRF). LFRRF functions for the benefit of these employees and is governed by a pension board. The City and LFRRF participants are obligated to fund all LFRRF costs based upon actuarial valuations. The City is authorized to approve the actuarial assumptions used in the determination of contribution levels. For financial reporting purposes, LFRRF is reported as if it were part of the city's operations as a fiduciary fund, and therefore is not included in the government wide financial statements. LFRRF's fiscal year-end is December 31. As a result, the financial statements of LFRRF presented herein are for the year ended December 31, 2011.

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

City of Longview Firemen's Relief and Retirement Fund (Cont'd)

Separately issued financial statements of LFRRF can be obtained directly from their administrative offices at 411 N. Fredonia Street, Suite 110, Longview, Texas 75601.

Longview Transit Management Inc.

Longview Transit Management, Inc. (Longview Transit) is a legally separate entity that functions entirely for the benefit of the City of Longview. Longview Transit operates the public transit system in and about the City of Longview and is fiscally dependent upon the City of Longview. The governing body of Longview Transit Management Inc. is substantially the same as the City's governing body.

Longview Redevelopment Authority Inc.

The Longview Redevelopment Authority Inc. (the Authority) is a legally separate entity that functions entirely for the benefit of the City of Longview. The Authority is a public non-profit corporation organized for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the area included in the Longview Reinvestment Zone and neighboring areas. The Authority will promote and develop the Zone, and encourage and maintain housing, educational facilities, employment, commerce and economic development. The Authority is fiscally dependent upon the City of Longview and the governing body is appointed by the City.

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a functional category or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. 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 or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, but 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.

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 funds and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. General revenues in the government-wide statement consist of property taxes and franchise fees. Program revenues consist of charges for service, contributions, and grant revenues. 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 have been met.

Government fund level 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues availability

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

period is generally considered to be one year. 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 the liability has matured and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by 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.

All proprietary funds and the pension trust fund are accounted for on a flow of economic resources measurement focus. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating 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 water utilities and solid waste disposal funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental funds:

The **General Fund** accounts for several of the City's primary services (public safety, public works, public health, public welfare, parks and recreation, etc.) and is the primary operating unit of the City.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The **Capital Projects Fund** accounts for the acquisition of capital assets or construction of major capital projects.

The City reports the following major enterprise funds:

The **Water Utilities Fund** accounts for the operation of the City's water and sewer utilities. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

The **Solid Waste Fund** accounts for the operations of the City's sanitation operations. Customers are billed monthly at a rate sufficient to cover the cost of providing such service.

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

Additionally, the City reports the following fund types:

The ***Internal Service Funds*** are used to account for general liability insurance, group health insurance, worker's compensation insurance, fleet management services, vehicle replacement services, cable programming, and to finance the geographic information system. These services are provided to other departments or agencies of the City, generally on a cost reimbursement basis.

The ***Pension Trust Fund*** is used to account for the accumulation of resources to be used for the retirement benefit payments to employees of the City.

Assets, Liabilities, and Net Assets or Equity

Cash, Cash Equivalents and Investments

Texas statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, fully collateralized certificates of deposit, repurchase agreements, commercial paper, and direct obligations of cities within the State of Texas. The City is also authorized to invest in direct obligations of the State of Texas or its agencies, obligations of states, agencies, counties, and other political subdivisions, money market mutual funds, prime bankers' acceptances, and reverse repurchase agreements.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash from all fund types (excluding certain restricted assets that are considered cash and cash equivalents) to increase the amount of funds available for investment. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

In accordance with GASB Statement No. 31, investments are recorded at fair value.

Restricted Assets

Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

The balance of the restricted asset accounts at September 30, 2012 are as follows:

| | Governmental Activities | Business Activities |
|----------------------------|----------------------------|------------------------|
| Customer deposits | \$ - | \$ 309,733 |
| Capital projects | 22,086,057 | 6,863,974 |
| Debt service/bond reserves | 2,823,756 | 9,585,508 |
| Agency account | 46,447 | - |
| Municipal Coalition | 29,516 | - |
| Speical revenue Purposes | 3,720,492 | - |
| | <hr/> | <hr/> |
| Total Restricted Assets | \$ 28,706,268 | \$ 16,759,215 |

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 LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventories

Inventories of supplies are maintained at City warehouses and are accounted for by the consumption method. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used. They are valued at the lower of moving average cost or market. Unit prices are adjusted as new inventory is added, thus the moving average cost closely represents the cost of goods sold. Reported inventories in governmental funds are equally offset by nonspendable fund balance, which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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. Net revenue bond interest cost incurred during construction periods is capitalized when material.

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

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 10 - 50 |
| Building Improvements | 7 - 20 |
| Equipment | 3 - 10 |
| Drainage improvements | 10 - 50 |
| System infrastructure | 20 - 40 |

Arbitrage Liability

The City accrues a liability for an amount of rebatable arbitrage resulting from investing low-yielding, tax-exempt bond proceeds in higher-yielding, taxable securities. Such investment activities can result in interest revenue exceeding interest cost. The arbitrage liability is payable to the federal government every five years; however, the City records its arbitrage liability annually based on the calculations by the arbitrage rebate company. The arbitrage liability is recorded as a liability in the government-wide and proprietary fund types, as applicable on the accrual basis and as a reduction of interest income on the invested debt proceeds.

Compensated Absences

Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employees resignations and retirements.

Fund Balances

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned, or unassigned.

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

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

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Balances (Cont'd)

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

Assigned fund balance – represents amount the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. The City Manager, or designee, has been granted the authority by resolution of the City Council to create new assignments of fund balance.

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

When an expenditure is incurred for a purpose for which more than one fund balance classification could be used, the City considers the expenditure to be made from the most restrictive classification first.

A summary of the nature and purpose of fund balances at September 30, 2012 is as follows:

| | <u>General Fund</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Non-Major Special Revenue</u> | <u>Total</u> |
|---------------------------------|-------------------------|-------------------------|-----------------------------|--|---------------------|
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Encumbrances | \$ 141,623 | \$ - | \$ - | \$ - | \$ 141,623 |
| Restricted for: | | | | | |
| Capital projects | - | - | 21,481,465 | - | 21,481,465 |
| Debt service | - | 2,857,328 | - | - | 2,857,328 |
| Municipal court facilities | - | - | - | 158,563 | 158,563 |
| Purposes of grantors and donors | - | - | - | 921,490 | 921,490 |
| 911 Emergency operations | - | - | - | 953,237 | 953,237 |
| Tourism/convention facilities | - | - | - | 1,692,774 | 1,692,774 |
| Tax increment district | - | - | - | 9,542 | 9,542 |
| Other public safety | - | - | - | 252,023 | 252,023 |
| Other purposes | 75,884 | - | - | - | 75,884 |
| Total restricted | <u>75,884</u> | <u>2,857,328</u> | <u>21,481,465</u> | <u>3,987,629</u> | <u>28,402,306</u> |
| Committed to: | | | | | |
| Drainage improvements | - | - | 1,782,684 | 1,919,914 | 3,702,598 |
| Assigned to: | | | | | |
| Other post-employment benefits | 3,349,853 | - | - | - | 3,349,853 |
| Firemen's pension obligation | 1,342,386 | - | - | - | 1,342,386 |
| Total assigned | <u>4,692,239</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,692,239</u> |
| Unassigned | 14,659,946 | - | - | (201,248) | 14,458,698 |
| Total fund balances | <u>\$ 19,569,692</u> | <u>\$ 2,857,328</u> | <u>\$23,264,149</u> | <u>\$ 5,706,295</u> | <u>\$51,397,464</u> |

The fund balance policy, as adopted by City Council, states that unassigned fund balance shall be maintained at a level of 10% of estimated annual operating expenses for the General Fund and at 15% of estimated annual operating expenses in Proprietary Funds.

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Net Assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of net capital assets reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the city or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided and services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund-level statements when they are expected to be liquidated within one year. If receivables and payables are expected to be liquidated after one year, they are classified as “advances to other funds” or “advances from other funds.”

In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the chargeback of services for which the elimination would distort the direct costs and program revenues of the various functions reported.

Internal service fund activity is eliminated in order to remove duplicate activity in marking the transition from the fund financial statements to the government-wide financial statements. The elimination of the internal service fund activity requires the City to “look back” and adjust the internal service funds’ internal charges. A positive change in net assets derived from internal service fund activity results in a pro rata reduction in the charges made to the participatory funds. A deficit change in net assets of internal service funds requires a pro rata increase in the amounts charged to the participatory funds.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”. This statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In November 2010, the GASB issued Statement No. 61, “The Financial Reporting Entity: Omnibus – an amendment of GASB Statemetns No. 14 and No. 34”. This statement is to improve financial reporting for a governmental financial reporting entity. The requirements of this statements are effective for financial statments for periods beginning after June 15, 2012. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New Accounting Pronouncements (Cont'd)

In December 2010, the GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standard Board (FASB) Statements and Interpretations; Accounting Principles Board Opinions; Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The Organization has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement will improve financial reporting by reclassifying certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources, or as outflows or inflows of resources. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2012, the GASB issued Statement No. 66, "Technical Corrections - 2012". This statement will improve financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans". This statement will improve financial reporting of public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This statement will improve financial reporting of public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

Reclassification

Certain items in the financial statements have been reclassified in order to be consistent with the current year's presentation.

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains the “long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds”.

The details of this \$(77,199,808) difference are as follows:

| | |
|--|------------------------|
| Bonds payable and related charges | \$ (62,437,762) |
| Capital leases payable | (4,361,551) |
| Accrued interest payable | (908,188) |
| Compensated absences | (4,643,552) |
| Net pension obligation - Pension Trust Fund | (1,342,386) |
| Other post employment benefits | (3,506,369) |
| Arbitrage payable | <u>-</u> |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities | <u>\$ (77,199,808)</u> |

Explanation of certain differences between the government 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, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$(138,552) difference are as follows:

| | |
|--|---------------------|
| Capital outlay | \$ 9,325,170 |
| Depreciation expense | <u>(9,463,722)</u> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | <u>\$ (138,552)</u> |

Another element of that reconciliation states “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

Explanation of certain differences between the government fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities. (Cont'd)

The details of this \$5,809,802 difference are as follows:

| | | |
|--|----|---|
| Principal repayments: | | |
| General obligation debt | \$ | 5,295,000 |
| Capital lease financing | | 602,729 |
| Amortization of bond related costs | | <u>(87,927)</u> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | | <u>\$ 5,809,802</u> |

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds."

The details of this \$(1,627,011) difference are as follows:

| | | |
|--|----|---|
| Compensated absences | \$ | 137,802 |
| Other post employment benefits | | (695,303) |
| Accrued interest | | (109,618) |
| Arbitrage expenses | | - |
| Increase in net pension obligation | | <u>(959,892)</u> |
| Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities | | <u>\$ (1,627,011)</u> |

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The City Council adopts an annual operating budget, which can be amended by the Council throughout the year. Legal budgets are adopted for each of the City's funds except for the Housing Assistance Fund, School Crossing Guard Fund, and the Tax Increment Fund. The level of budgetary control (the level at which expenditures may not exceed budget) is the fund level. The Director of Finance and/or the City Manager are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Unencumbered appropriations for annual budgets lapse at fiscal year-end.

Encumbrances outstanding at year-end are reported as nonspendable fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The City prepares its annual operating budget based on the cash and available resources method (budget basis) which differs from generally accepted accounting principles (GAAP basis). In order to provide a meaningful comparison of actual results to the budget, the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-Budget Basis for the General Fund presents the actual and actual-budget basis amounts in comparison with the original and final budgets.

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont'd)

Deficit fund equity

The Transit fund had a deficit fund balance of \$201,248 as of September 30, 2012. The City plans to cover the deficit fund equity of the Transit Fund through transfers from the General Fund until the Transit Fund receives their reimbursement from the Federal and State governments.

IV. DETAILED NOTES ON ALL FUNDS

NOTE 1: DEPOSITS AND INVESTMENTS

Cash and investments as of September 30, 2012 consist of and are classified in the accompanying financial statements as follows:

| | |
|--------------------------------------|--------------------|
| Statement of net assets: | |
| Primary Government | |
| Cash and cash equivalents | \$ 15,488,993 |
| Restricted cash and cash equivalents | 37,963,084 |
| Investments | 27,542,368 |
| Restricted investments | 7,502,399 |
| | 88,496,843 |
| Component Units * | |
| Cash and cash equivalents | 12,446,265 |
| Restricted cash and cash equivalents | 3,460,667 |
| Restricted investments | 37,240,142 |
| | 53,147,074 |
| Total Cash and Investments | \$ 141,643,917 |
| | |
| Cash on hand | 6,445 |
| Savings and checking accounts | 27,948,847 |
| Investments | 113,688,625 |
| | 141,643,917 |
| Total cash and investments | \$ 141,643,917 |

* Component units include the discretely presented component unit, LEDCO, and the blended component unit, Longview Firemen's Relief and Retirement Fund. Longview Transit Management Inc. and the Longview Redevelopment Authority, Inc. have no cash or investments to report as of September 30, 2012.

The City invests in a 2a-7-like pool known as the Texas Local Government Investment Pool (TexPool). Investments in these pools are valued based upon the value of pool shares. TexPool seeks to maintain a \$1 value per share as required by the Texas Public Funds Investment Act. TexPool was created under the Interlocal Corporation Act, Texas Government Code Ann. Ch. 791 and the Texas Government Code Ann. Ch. 2256. The Texas Treasure Safekeeping Trust Company is Trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act, Texas Government Code Ann. Ch. 2256 of Public Accounts for review.

Cutwater Asset Management was created under the Texas Government Code Ann. Ch. 2256. Municipal Investors Service Corporation is the plan administrator. The Custodian and the Board of Trustees shall conduct the trust's activities. The Board of Trustees shall be made up of all the Trustees elected by the Participants.

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1: DEPOSITS AND INVESTMENTS (Cont'd)

Interest Rate Risk

In accordance with its investment policy, the City, specifically the primary government, manages its exposure to declines in fair market values by limiting weighted average maturity of portfolio to a period of up to two years, and maturities to a period of up to five years. As of September 30, 2012, all of the primary government's investments were invested for a period less than five years, and the weighted average maturity was less than two years.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> |
|---|-----------------------|--|
| Primary government | | |
| U.S. Treasuries | \$ 5,014,524 | 0.35 |
| TexPool | 6,422,140 | 0.11 |
| Certificate of Deposits | 30,030,243 | 1.30 |
| Cutwater Texas Class | <u>19,115,876</u> | 0.11 |
| Total primary government | <u>60,582,782</u> | |
| Component units | | |
| Money market accounts | 15,865,700 | |
| Common Stocks | 1,344,850 | |
| Foreign stocks | 4,898,619 | |
| Mutual funds | 30,514,802 | |
| Diversified investment products | <u>481,872</u> | |
| Total component units | <u>53,105,843</u> | |
| Total Reporting Entity | <u>\$ 113,688,625</u> | |
| Portfolio weighted average maturity (years) | | 0.51 |

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2012, the City and its component units' deposits were covered by Federal Depository Insurance or by collateral held by a third party custodian.

Credit Risk

It is the City's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's investments as of September 30, 2012, were rated as follows:

| <u>Investment Type</u> | <u>Rating</u> | <u>Rating Agency</u> |
|------------------------|---------------|----------------------|
| Cutwater Texas Class | AAAm | Standard & Poor's |
| TexPool | AAAm | Standard & Poor's |
| Corporate Bonds | A | Standard & Poor's |
| Government securities | AAA | Standard & Poor's |

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1: DEPOSITS AND INVESTMENTS (Cont'd)

Credit Risk (Cont'd)

Under provisions of state and local statutes, the City's investment policies and provisions of the City's depository contracts with an area financial institution, the City is authorized to place available deposits and investments in the following:

1. Obligations of the U.S., its agencies and instrumentalities;
2. Certificates of Deposit issued by state and national banks or savings or loan associations domiciled in this state that are guaranteed or insured by the Federal Deposit Insurance Corporation or collateralized in accordance with Section 2256.010, the Texas Government Code, in face amount not to exceed \$250,000;
3. No-load money market mutual funds; and
4. TexPool, Lone Star Investment Pool and Cutwater Texas Class

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Investment Act of 1995 (Chapter 2256, Texas Government Code). In addition, the component units have adopted written investment policies as well. Additional disclosures related to the investment policies of the component units are disclosed in their separately issued financial reports.

The investments of the City are in compliance with the Council's investment policies. The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year. Investments at year-end are representative of the types of investments maintained by the City during the year.

NOTE 2: PROPERTY TAXES

Property Taxes are levied on October 1 on assessed (appraised) value listed as of the prior January 1 for all real and business personal property located within the City and are due and payable at that time. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. All unpaid taxes attach as a lien on property as of January 1 and become enforceable February 1. Penalty and interest is charged at 7 percent on delinquent taxes beginning February 1 and increase each month to 18 percent on July 1. Current tax collections for the year ended September 30, 2012, were 98.91% of the tax levy.

Appraised values are established by the Gregg County District at 100 percent of estimated market value and certified by the Appraisal Review Board. The assessed value less exemptions for the tax roll of January 1, 2010 upon which the original 2012 levy was based, was \$5,195,717,364.

City property tax revenues are recorded as receivables and deferred revenues at the time the tax levy is billed. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year-end. An allowance is provided for delinquent personal property taxes not expected to be collected in the future.

For the fiscal year ended September 30, 2012, the City had tax rate of \$0.5009 per \$100 valuation with a tax margin of \$1.9991 per \$100 valuation based upon a maximum ad valorem tax of \$2.50 per \$100 valuation permitted by Article XI, Section 5, of the State of Texas Constitution.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100 percent of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this system, the City sets tax on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of previous years.

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 3: RECEIVABLES

Receivables at September 30, 2012 for the government's individual major funds and non-major, internal service, and fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts, consist of the following:

| | General | Debt Service | Nonmajor Governmental Funds | Water Utilities | Solid Waste Disposal | Internal Service | Total |
|---------------------------------------|--------------|-----------------|-----------------------------------|--------------------|----------------------------|---------------------|---------------|
| Receivables: | | | | | | | |
| Taxes | \$ 871,413 | \$ 252,844 | \$ - | \$ - | \$ - | \$ - | \$ 1,124,257 |
| Sales Taxes | 3,257,365 | - | 814,341 | - | 28,843 | - | 4,100,549 |
| Hotel Taxes | | | 214,984 | | | | 214,984 |
| Franchise fees | 1,399,904 | | | | | | 1,399,904 |
| Trade Accounts | | | | 2,658,117 | 406,477 | | 3,064,594 |
| Unbilled Trade Accts | | | | 1,674,659 | 273,607 | | 1,948,266 |
| Municipal Court | 1,373,902 | | | | | | 1,373,902 |
| Ambulance | 1,650,529 | | | | | | 1,650,529 |
| Other | 7,800 | | 180,075 | 1,255 | 2,647 | 31,313 | 223,090 |
| Gross Receivables | 8,560,913 | 252,844 | 1,209,400 | 4,334,031 | 711,574 | 31,313 | 15,100,075 |
| Less: Allowance for Uncollectibles | 2,215,536 | 12,642 | - | 579,194 | 132,685 | - | 2,940,057 |
| Net Total Receivables | \$ 6,345,377 | \$ 240,202 | \$ 1,209,400 | \$ 3,754,837 | \$ 578,889 | \$ 31,313 | \$ 12,160,018 |

NOTE 4: DEFERRED REVENUE

Governmental funds report deferred revenue in conjunction with receivables for revenue that is 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:

| | Unavailable | Unearned |
|--------------------------------|--------------|------------|
| General Fund | | |
| Delinquent property taxes | \$ 758,442 | \$ - |
| Municipal Court | 274,781 | - |
| Ambulance | 577,685 | - |
| Total General Fund | 1,610,908 | - |
| Debt Service Fund | | |
| Delinquent property taxes | | |
| Total Debt Service | 215,954 | - |
| | 215,954 | - |
| Nonmajor Government Funds | | |
| Intergovernmental | - | 114,042 |
| Total Nonmajor Government Fund | - | 114,042 |
| Total Governmental Funds | \$ 1,826,862 | \$ 114,042 |

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2012, was as follows:

| | Balance at Beginning of Year | Transfers And Additions | Transfers And Retirements | Balance at End of Year |
|--|------------------------------------|-------------------------------|---------------------------------|------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 3,846,207 | \$ 90,722 | \$ 101,697 | \$ 3,835,232 |
| Construction in progress | 3,418,112 | 7,955,233 | 6,784,670 | 4,588,675 |
| Total capital assets, not being depreciated: | <u>7,264,319</u> | <u>8,045,955</u> | <u>6,886,367</u> | <u>8,423,907</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 79,168,038 | 2,704,344 | 164,380 | 81,708,002 |
| Infrastructure | 116,063,791 | 1,914,499 | - | 117,978,290 |
| Equipment | 40,321,499 | 5,405,514 | 1,659,234 | 44,067,779 |
| Total capital assets being depreciated | <u>235,553,328</u> | <u>10,024,357</u> | <u>1,823,614</u> | <u>243,754,071</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 28,623,852 | 4,019,832 | 159,429 | 32,484,255 |
| Infrastructure | 85,681,090 | 3,816,403 | - | 89,497,493 |
| Equipment | 27,611,301 | 2,902,712 | 1,478,094 | 29,035,919 |
| Total accumulated depreciation | <u>141,916,243</u> | <u>10,738,947</u> | <u>1,637,523</u> | <u>151,017,667</u> |
| Total capital assets, being depreciated, net | <u>93,637,085</u> | <u>(714,590)</u> | <u>186,091</u> | <u>92,736,404</u> |
| Governmental activities capital assets, net | <u>\$ 100,901,404</u> | <u>\$ 7,331,365</u> | <u>\$ 7,072,458</u> | <u>\$ 101,160,311</u> |

(1) Additions to accumulated depreciation include \$261 of accumulated depreciation transferred in from other funds.

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5: CAPITAL ASSETS (Cont'd)

| | Balance at Beginning of Year | Transfers and Additions | Transfers and Retirements | Balance at End of Year |
|--|------------------------------------|-------------------------------|---------------------------------|------------------------------|
| Water Utilities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 750,000 | \$ - | \$ - | \$ 750,000 |
| Construction in progress | 2,229,723 | 6,357,566 | 5,021,459 | 3,565,830 |
| Total capital assets, not being depreciated: | <u>2,979,723</u> | <u>6,357,566</u> | <u>5,021,459</u> | <u>4,315,830</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 21,409,659 | - | 53,316 | 21,356,343 |
| Water and sewer systems | 182,465,339 | 4,720,037 | - | 187,185,376 |
| Machinery and equipment | 29,133,033 | 785,776 | 145,803 | 29,773,006 |
| Total capital assets being depreciated: | <u>233,008,031</u> | <u>5,505,813</u> | <u>199,119</u> | <u>238,314,725</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 17,927,081 | 160,980 | - | 18,088,061 |
| Water and Sewer Systems | 85,114,107 | 7,063,056 | - | 92,177,163 |
| Machinery and equipment | 20,670,738 | 931,956 | 192,700 | 21,409,994 |
| Total accumulated depreciation | <u>123,711,926</u> | <u>8,155,992</u> | <u>192,700</u> | <u>131,675,218</u> |
| Total capital assets, being depreciated, net | <u>109,296,105</u> | <u>(2,650,179)</u> | <u>6,419</u> | <u>106,639,507</u> |
| Water Utilities capital assets, net | <u><u>\$ 112,275,828</u></u> | <u><u>\$ 3,707,387</u></u> | <u><u>\$ 5,027,878</u></u> | <u><u>\$ 110,955,337</u></u> |

(1) Additions to accumulated depreciation include \$142,864 of accumulated depreciation transferred in from other funds.

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5: CAPITAL ASSETS (Cont'd)

| | Balance at Beginning of Year | Transfers And Additions | Transfers And Retirements | Balance at End of Year |
|--|------------------------------------|-------------------------------|---------------------------------|------------------------------|
| Solid Waste: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 5,576 | \$ - | \$ - | \$ 5,576 |
| Construction in Progress | - | 84,035 | - | 84,035 |
| Total capital assets, not being depreciated: | <u>5,576</u> | <u>84,035</u> | <u>-</u> | <u>89,611</u> |
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | 2,518,404 | - | - | 2,518,404 |
| Total capital assets being depreciated: | <u>2,518,404</u> | <u>-</u> | <u>-</u> | <u>2,518,404</u> |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | 1,104,890 | 395,287 | - | 1,500,177 |
| Total accumulated depreciation | <u>1,104,890</u> | <u>395,287</u> | <u>-</u> | <u>1,500,177</u> |
| Total capital assets, being depreciated, net | <u>1,413,514</u> | <u>(395,287)</u> | <u>-</u> | <u>1,018,227</u> |
| Solid Waste capital assets, net | <u>\$ 1,419,090</u> | <u>\$ (311,252)</u> | <u>\$ -</u> | <u>\$ 1,107,838</u> |

| | Balance at Beginning of Year | Transfers And Additions | Transfers And Retirements | Balance at End of Year |
|---|------------------------------------|-------------------------------|---------------------------------|------------------------------|
| Nonmajor - Longview Recreation Association: | | | | |
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 27,390 | \$ - | \$ 5,560 | \$ 21,830 |
| Total capital assets being depreciated: | <u>27,390</u> | <u>-</u> | <u>5,560</u> | <u>21,830</u> |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | 27,044 | 346 | 5,560 | \$ 21,830 |
| Total accumulated depreciation | <u>27,044</u> | <u>346</u> | <u>5,560</u> | <u>21,830</u> |
| Total capital assets, being depreciated, net | <u>346</u> | <u>(346)</u> | <u>-</u> | <u>-</u> |
| Recreation association activities capital assets, net | <u>\$ 346</u> | <u>\$ (346)</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5: CAPITAL ASSETS (Cont'd)

| | Balance at Beginning of Year | Transfers And Additions | Transfers And Retirements | Balance at End of Year |
|--|------------------------------------|-------------------------------|---------------------------------|------------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 755,576 | \$ - | \$ - | \$ 755,576 |
| Construction in progress | 2,229,723 | 6,469,017 | 5,048,876 | 3,649,864 |
| Total capital assets, not being depreciated: | <u>2,985,299</u> | <u>6,469,017</u> | <u>5,048,876</u> | <u>4,405,440</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 21,409,659 | - | 53,316 | 21,356,343 |
| Water and sewer systems | 182,465,339 | 4,720,037 | - | 187,185,376 |
| Machinery and equipment | 31,678,827 | 785,776 | 151,365 | 32,313,238 |
| Total capital assets being depreciated: | <u>235,553,825</u> | <u>5,505,813</u> | <u>204,681</u> | <u>240,854,957</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 17,927,081 | 160,980 | - | 18,088,061 |
| Water and Sewer Systems | 85,114,107 | 7,063,056 | - | 92,177,163 |
| Machinery and equipment | 21,802,673 | 1,327,588 | 198,263 | 22,931,998 |
| Total accumulated depreciation | <u>124,843,861</u> | <u>8,551,624</u> | <u>198,263</u> | <u>133,197,222</u> |
| Total capital assets, being depreciated, net | <u>110,709,964</u> | <u>(3,045,811)</u> | <u>6,418</u> | <u>107,657,735</u> |
| Water Utilities capital assets, net | <u>\$ 113,695,263</u> | <u>\$ 3,423,206</u> | <u>\$ 5,055,294</u> | <u>\$ 112,063,175</u> |

(1) Additions to accumulated depreciation include \$142,864 of accumulated depreciation transferred in from other funds.

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5: CAPITAL ASSETS (Cont'd)

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

Governmental activities:

| | |
|--|-----------------------------|
| General Government | \$ 363,981 |
| Public Safety | 1,850,937 |
| Public Works | 3,910,198 |
| Development | 31,662 |
| Public welfare | 180,925 |
| Culture and Recreation | 2,831,477 |
| Public Transit | 294,542 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>1,274,964</u> |
| Total depreciation expense - governmental activities | <u><u>\$ 10,738,686</u></u> |

Business-type activities:

| | |
|---|----------------------------|
| Water Utilities | \$ 8,013,127 |
| Solid Waste Disposal | 395,287 |
| Nonmajor funds - Longview Recreation Fund | <u>346</u> |
| Total depreciation expense - business-type activities | <u><u>\$ 8,408,760</u></u> |

| | <u>Balance at Beginning of Year</u> | <u>Transfers And Additions</u> | <u>Transfers And Retirements</u> | <u>Balance at End of Year</u> |
|---|---|--|--|---------------------------------------|
| Longview Economic Development Corporation: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 5,521,215 | \$ - | \$ 15,421 | \$ 5,505,794 |
| Total capital assets, not being depreciated: | <u>5,521,215</u> | <u>-</u> | <u>15,421</u> | <u>5,505,794</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and Improvements | 17,356,289 | 599,428 | | \$ 17,955,717 |
| Equipment | 147,282 | 3,540 | - | 150,822 |
| Infrastructure | - | - | - | - |
| Total capital assets, being depreciated: | <u>\$ 17,503,571</u> | <u>\$ 602,968</u> | <u>\$ -</u> | <u>\$ 18,106,539</u> |
| Less accumulated depreciation: | | | | |
| Buildings and Improvements | \$ 5,390,293 | \$ 827,521 | \$ - | \$ 6,217,814 |
| Equipment | 100,531 | 8,506 | - | 109,037 |
| Infrastructure | - | - | - | - |
| Total accumulated depreciation | <u>5,490,824</u> | <u>836,027</u> | <u>-</u> | <u>6,326,851</u> |
| Total capital assets, being depreciated, net | <u>12,012,747</u> | <u>(233,059)</u> | <u>-</u> | <u>11,779,688</u> |
| Capital Assets, Net | <u><u>\$ 17,533,962</u></u> | <u><u>\$ (233,059)</u></u> | <u><u>\$ 15,421</u></u> | <u><u>\$ 17,285,482</u></u> |

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 6: PENSION AND EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

Plan Description

The City provides benefits for all of its eligible employees (with the exception of firefighters) through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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:

| | <u>Plan Year 2011</u> | <u>Plan Year 2012</u> |
|--|------------------------------|------------------------------|
| Employee deposit rate | 7% | 7% |
| Matching ratio (city to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 5% | 5% |
| Service retirement eligibility (expressed as age/years of service) | 60/5, 0/20 | 60/5, 0/20 |
| Updated Service Credit | 100% Repeating, Transfers | 100% Repeating, Transfers |
| Annuity Increase (to retirees) | 0% of CPI | 70% of CPI |

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period the that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 6: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)

Annual Pension Cost

For the calendar year ended December 31, 2011 (reported in fiscal year 9/30/2012), the City's annual pension cost of \$3,885,052 for TMRS was equal to the City's required and actual contributions.

| Fiscal year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|------------------------------|----------------------------------|---------------------------|
| 9/30/2010 | \$ 3,788,712 | 100% | \$ - |
| 9/30/2011 | 3,865,334 | 100% | - |
| 9/30/2012 | 3,885,052 | 100% | - |

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

| Valuation Date | 12/31/2009 | 12/31/2010 | 12/31/2011 |
|---|------------------------------|------------------------------|------------------------------|
| Actuarial Cost Method | Projected unit credit | Projected unit credit | Projected unit credit |
| Amortization Method | Level Percent of payroll | Level Percent of payroll | Level Percent of payroll |
| Remaining Amortization Period | 28 years; closed period | 23.6 years; closed period | 22.6 years; closed period |
| Amortization Period for new Gains/Losses | 30 years | 30 years | 30 years |
| Asset Valuation Method | 10-Year Smoothed Market | 10-Year Smoothed Market | 10-Year Smoothed Market |
| Actuarial Assumptions: | | | |
| Investment Rate of Return* | 7.50% | 7.00% | 7.00% |
| Projected Salary Increases* | Varies by age and service | Varies by age and service | Varies by age and service |
| * Includes inflation at | 3.00% | 3.00% | 3.00% |
| Cost-of-Living Adjustments | 0.0% | 0.0% | 2.1% |

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 6: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)

Funded Status

The funded status as of December 31, 2011, is presented as follows:

| Actuarial Valuation Date | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (UAAL) (2)-(1) | (5) Covered Payroll | (6) UAAL as a Percentage of Covered Payroll (4) / (5) |
|-----------------------------|--|--|-------------------------------------|--|---------------------------|---|
| 12/31/2011 | \$ 116,279,461 | \$ 127,350,362 | 91.3% | \$ 11,070,901 | \$ 27,130,278 | 40.8% |

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

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

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

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

Longview Firemen's Relief and Retirement Plan

The Board of Trustees of the Longview Firemen's Relief and Retirement fund (LFRRF) is the administrator of a single-employer defined benefit plan providing retirement, death, disability, and withdrawal benefits to plan members and their beneficiaries. The plan covers the employees of the fire department of the City of Longview, Texas. Currently, 283 members are covered under the Plan which is comprised of 115 retirees and beneficiaries receiving benefits, 4 disabled members receiving benefits, and 164 current employees. The plan's assets may be used only for the payment of benefits to members of the plan in accordance with the terms of the plan. Article 6243(e) of the Vernon's Texas Civil Statutes assigns the authority to establish and amend benefit provisions to the LFR&RF Board of Trustees.

The Longview Firemen's Relief and Retirement Plan is considered part of the City's financial reporting entity and is included in the City's financial reports as a Pension Trust Fund. LFRRF's fiscal year end is December 31. As a result, the plan information of the LFRRF presented herein is for the year ended December 31, 2011. The plan issues its own audited financial statements, which can be obtained by writing or calling the City of Longview Finance Department.

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 6: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)

Summary of Significant Accounting Policies

Basis of Accounting – The LFRRF financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period that the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All other expenses are recognized when incurred.

Method Used to Value Assets – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded in a national exchange are valued at the last reported sales price at current exchange rates. Debt securities not traded on national or international exchanges are reported at estimated fair value based on equivalent values of comparable securities with similar yield and risk. Investments in open-ended mutual funds are based on the funds' current share price. Gains and losses on sales and exchanges of investments are included in the net appreciation (depreciation) in fair value of investments.

The administrative costs are financed by the Plan through the use of investment earnings.

Contributions

Contribution rates are established and may be amended by the LFRRF's Board of Trustees in accordance with the terms of Section 7 of Article 6243(e), of Vernon's Texas Civil Statutes. Contributions are required from both the City and active fire department employees. Contributions are calculated as a percentage of each annual covered payroll as defined by the plan.

The required contribution percentages for the 2011 plan year are as follows:

| | |
|---|-----|
| City contribution percentage | 15% |
| Active plan members contribution percentage | 15% |

The City's annual pension cost and net pension obligation to LFRRF for the current plan year were as follows:

| | |
|---|----------------------------|
| Annual required contribution (ARC) | \$ 2,325,908 |
| Interest on net pension obligation | 49,974 |
| Adjustment to the ARC | <u>(82,356)</u> |
| Annual pension cost (APC) | 2,293,526 |
| Employer contribution | <u>(1,575,819)</u> |
| Increase in net pension obligation | 717,707 |
| Net pension obligation, beginning of year | <u>624,679</u> |
| Net pension obligation, end of year | <u><u>\$ 1,342,386</u></u> |

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 6: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)

Summary of Significant Accounting Policies (Cont'd)

Three-Year Trend Information for LFRRF

| Fiscal year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|------------------------------|----------------------------------|---------------------------|
| 12/31/2009 | \$ 1,880,226 | 84.4% | \$ 142,443 |
| 12/31/2010 | 2,071,446 * | 76.7% | 624,679 |
| 12/31/2011 | 2,293,526 | 68.7% | 1,342,368 |

*The Annual Pension Cost at 12/31/2010 has been revised since previously reported at September 30, 2011. The actuarial valuation is prepared every two years, as required, therefore the most recent valuation at December 31, 2011 determined the true APC for 12/31/10 and 12/31/11.

Additional information as of the latest actuarial valuation, December 31, 2011, is as follows:

| | | |
|----------------------------------|--|------------------------------|
| Economic assumptions | Investment return Projected salary increases Amortization increase Inflation rate | 8.0% 3.0% 3.0% 3.0% |
| Actuarial cost method | Variation of the aggregate entry age normal actuarial cost method | |
| Amortization method | Level percentage of pay, open | |
| Remaining amortization period | Infinite | |
| Asset valuation method | Fair market value of the fund | |

Funded Status

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

| Actuarial Valuation Date | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (UAAL) (2)-(1) | (5) Covered Payroll | (6) UAAL as a Percentage of Covered Payroll (4) / (5) |
|-----------------------------|--|--|-------------------------------------|--|---------------------------|---|
| 12/31/2011 | \$ 39,578,091 | \$ 76,085,585 | 52.0% | \$ 36,507,494 | \$ 10,123,308 | 360.6% |

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 6: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)

IRC 457 Deferred Compensation Plans

The City offers its executive employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, which is administered by Nationwide Retirement Solutions, Inc. Due to the fact that the City does not administer this plan, the plan is not included in the City's financial statements.

Other Post-Employment Benefits

Pursuant to City Ordinance, the City provides postretirement health care benefits to eligible employees who retire from the City with at least 20 years of service with the City of Longview. Currently, 167 retirees meet those eligibility requirements. Premiums are paid by the City of Longview and claims are processed by the City's third-party administrator and paid through the Health Claims Fund. Over age 65 retirees receive coverage through a fully insured Medicare Supplement and an Enhanced Medicare Part D Plan. Under the Enhanced Medicare Part D Plan the Retirees Prescription Drugs are reimbursed under the City's Plan through Medicare Part D.

Expenses for postretirement health care benefits are recognized on a pay-as-you-go basis. The cost of retiree health care incurred by the City amounted to \$977,705 for the year ended September 30, 2012.

The annual OPEB cost associated with the City's retiree health care costs for the current year is as follows:

| | OPEB |
|---|--------------|
| Annual required contribution | \$ 1,882,590 |
| Interest on net OPEB obligation | 154,979 |
| Adjustments to annual required contribution | (227,186) |
| Annual OPEB cost | 1,810,383 |
| | |
| Employer contribution | (977,705) |
| | |
| Increase in net OPEB obligation | 832,678 |
| Net OPEB obligation, beginning of year | 3,443,982 |
| Net OPEB obligation, end of year | \$ 4,276,660 |

Three-Year Trend Information for OPEB

| Fiscal Year Ended September 30 | Annual OPEB Cost | Employer Amount Contributed | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|--------------------------------------|------------------------|-----------------------------------|--|------------------------|
| 2010 | \$ 2,170,179 | \$ 1,317,142 | 61% | \$ 2,436,601 |
| 2011 | 2,152,295 | 1,144,914 | 53% | 3,443,982 |
| 2012 | 1,810,383 | 977,705 | 54% | 4,276,660 |

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 6: PENSION AND EMPLOYEE BENEFIT PLANS (Cont'd)

Other Post-Employment Benefits (Cont'd)

Funded Status

The funded status as of September 30, 2012, the most recent actuarial valuation date, is as follows:

| Year Ended September 30 | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (UAAL) (2)-(1) | (5) Covered Payroll | (5) UAAL as a Percentage of Covered Payroll (4) / (5) |
|----------------------------|--|--|-------------------------------------|--|---------------------------|---|
| 2012 | \$ - | \$ 24,343,781 | 0.0% | \$ 24,343,781 | \$ 33,843,871 | 71.9% |

Actuarial Methods and Assumptions

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

Projections of health benefits are based on the plan as understood by the city and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

| | |
|----------------------------|--|
| Inflation rate | 3% per annum |
| Investment rate of return | 4.5%, net of expenses |
| Actuarial cost method | Projected unit credit cost method |
| Amortization method | Level dollar |
| Amortization period | 25 year, open |
| Salary Growth | 3% per annum |
| Healthcare cost trend rate | Initial rate of 8.5% declining to an ultimate rate of 4.5% after 8 years |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 7: LONG-TERM DEBT

Governmental activities:

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2012 are as follows:

| | Balance September 30, 2011 | Additions | Retirements | Balance September 30, 2012 | Amounts Due Within One Year |
|---|----------------------------------|----------------------|------------------------|----------------------------------|-----------------------------------|
| <u>Governmental activities</u> | | | | | |
| General obligation and certificates of obligation | \$ 68,125,000 | \$ - | \$ (5,295,000) | \$ 62,830,000 | \$ 4,575,000 |
| Less bond premiums and deferred amount on refunds | (137,867) | (16,380) | 51,025 | (103,222) | 34,645 |
| Total bonds payable | <u>67,987,133</u> | <u>(16,380)</u> | <u>(5,243,975)</u> | <u>62,726,778</u> | <u>4,609,645</u> |
| Capital lease obligation | 4,994,900 | - | (604,560) | 4,390,340 | 450,161 |
| Accrued Compensated Absences | 4,881,936 | 923,392 | (1,061,094) | 4,744,234 | 711,635 |
| Claims payable | 808,184 | 7,063,306 | (6,839,237) | 1,032,253 | 1,032,253 |
| Net pension obligation - Pension Trust Fund | 382,494 | 959,892 | - | 1,342,386 | - |
| Other post-employment benefits obligation | <u>2,885,911</u> | <u>1,558,951</u> | <u>(847,734)</u> | <u>3,597,128</u> | <u>-</u> |
| Total governmental activities | <u>\$ 81,940,558</u> | <u>\$ 10,489,161</u> | <u>\$ (14,596,600)</u> | <u>\$ 77,833,119</u> | <u>\$ 6,803,694</u> |

The compensated absences payable attributable to governmental activities will be liquidated by the City's governmental and internal service funds. The claims payable liability will be liquidated by the City's governmental, business-type, special revenue and internal service funds. The net pension obligation will be liquidated by the Pension Trust Fund. Other post-employment benefits obligation is liquidated primarily by the General Fund, but other governmental funds liquidate a pro rata portion of the liability based on the retirees in each cost center.

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 7: LONG-TERM DEBT (Cont'd)

Governmental activities (Cont'd):

The principal and interest requirements of the above general and capital lease obligation debt at September 30, 2012, are as follows:

| Governmental Activities | | | |
|-------------------------------------|--------------|--------------|--------------|
| Fiscal Year Ending September 30, | Principal | Interest | Total |
| 2013 | \$ 4,575,000 | \$ 2,271,663 | \$ 6,846,663 |
| 2014 | 4,560,000 | 2,102,148 | 6,662,148 |
| 2015 | 4,500,000 | 1,930,588 | 6,430,588 |
| 2016 | 4,610,000 | 1,751,648 | 6,361,648 |
| 2017 | 4,595,000 | 1,570,025 | 6,165,025 |
| 2018-2022 | 22,155,000 | 5,196,568 | 27,351,568 |
| 2023-2027 | 12,015,000 | 1,776,218 | 13,791,218 |
| 2028-2032 | 5,820,000 | 318,330 | 6,138,330 |
| Total | 62,830,000 | 16,917,188 | 79,747,188 |

| Governmental Activities | | | |
|-------------------------------------|--------------|--------------|--------------|
| Fiscal Year Ending September 30, | Principal | Interest | Total |
| 2013 | \$ 450,161 | \$ 164,116 | \$ 614,277 |
| 2014 | 376,341 | 146,312 | 522,653 |
| 2015 | 301,045 | 131,719 | 432,764 |
| 2016 | 312,172 | 120,593 | 432,765 |
| 2017 | 323,710 | 109,055 | 432,765 |
| 21018-2022 | 1,807,106 | 356,717 | 2,163,823 |
| 2023-2027 | 819,805 | 45,725 | 865,530 |
| Total | \$ 4,390,340 | \$ 1,074,237 | \$ 5,464,577 |

Long-term debt at September 30, 2012, includes the following individual issues (not including unamortized discounts, and unamortized deferred losses of \$(103,222):

| General Long-Term Debt: | Interest Rates | Original Issue | Net Retirement | Outstanding September 30, 2012 |
|----------------------------------|-------------------|-------------------|-------------------|--------------------------------------|
| General Obligation Bonds: | | | | |
| Issue of 2004/Maturing 2015 | 2.00-3.75 | \$ 11,810,000 | \$ 865,000 | \$ 3,245,000 |
| Issue of 2005/Maturing 2018 | 3.30-4.625 | 13,500,000 | 930,000 | 8,920,000 |
| Issue of 2005A/ Maturing 2016 | 3.00-5.00 | 13,680,000 | 2,600,000 | 4,345,000 |
| Issue of 2007/maturing 2022 | 4.00-5.00 | 14,790,000 | 275,000 | 13,295,000 |
| Issue of 2009/maturing 2025 | 3.50-4.15 | 11,250,000 | - | 11,250,000 |
| Issue of 2009/maturing 2030 | 2.7 | 22,400,000 | 625,000 | 21,775,000 |
| Total general obligation | | \$ 87,430,000 | \$ 5,295,000 | \$ 62,830,000 |

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 7: LONG-TERM DEBT (Cont'd)

Governmental activities (Cont'd):

The capital leases in the governmental funds are related to the lease of fire trucks and Motorola radio equipment. The capital leases and related assets have been accounted for in the government-wide financial statements. In addition, the equipment acquired through capital lease, \$5,521,215 net of accumulated depreciation, is included within Note 5. Future minimum lease payments are noted above.

Business Type Activities:

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2012 are as follows:

| | Balance September 30, 2011 | Additions | Retirements | Balance September 30, 2012 | Amounts Due Within One Year |
|--|----------------------------------|---------------------|------------------------|----------------------------------|-----------------------------------|
| <u>Business-type activities</u> | | | | | |
| Waterworks and Sewer System - Revenue bonds | \$ 82,200,000 | \$ 8,300,000 | \$ (13,770,000) | \$ 76,730,000 | \$ 5,860,000 |
| Waterworks and Sewer System - Revenue bonds - state revolving | - | - | - | - | - |
| Less bond discount and deferred amount on refunds | 94,567 | (504,224) | 191,954 | (217,703) | 191,953 |
| Total bonds payable | <u>82,294,567</u> | <u>7,795,776</u> | <u>(13,578,046)</u> | <u>76,512,297</u> | <u>6,051,953</u> |
| Capital lease obligation | 2,223,862 | - | (281,168) | 1,942,694 | 291,680 |
| Accrued Compensated Absences | 758,418 | 178,021 | (162,191) | 774,248 | 116,137 |
| Other post-employment benefits obligation | 558,071 | 251,432 | (129,971) | 679,532 | - |
| Total business-type activities | <u>\$ 85,834,918</u> | <u>\$ 8,225,229</u> | <u>\$ (14,151,376)</u> | <u>\$ 79,908,771</u> | <u>\$ 6,459,770</u> |

The principal and interest requirements at September 30, 2012, for the enterprise fund bond debt and capital lease obligation for the next five years and, thereafter, are as follows:

Revenue Bond Debt:

| Fiscal Year Ending September 30, | <u>Business-type Activities</u> | | |
|--|---------------------------------|----------------------|-----------------------|
| | Principal | Interest | Total |
| 2013 | \$ 5,860,000 | \$ 3,044,006 | \$ 8,904,006 |
| 2014 | 6,090,000 | 2,847,284 | 8,937,284 |
| 2015 | 6,225,000 | 2,636,094 | 8,861,094 |
| 2016 | 5,685,000 | 2,424,738 | 8,109,738 |
| 2017 | 4,525,000 | 2,229,350 | 6,754,350 |
| 2018-2022 | 19,800,000 | 8,741,450 | 28,541,450 |
| 2023-2027 | 21,270,000 | 4,160,237 | 25,430,237 |
| 2028-2032 | 7,275,000 | 300,431 | 7,575,431 |
| Total | <u>\$ 76,730,000</u> | <u>\$ 26,383,590</u> | <u>\$ 103,113,590</u> |

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 7: LONG-TERM DEBT (Cont'd)

Business Type Activities (Cont'd):

The capital leases in the business-type funds are related to the lease of sanitation trucks and Motorola radio equipment. The capital leases and related assets have been accounted for in the proprietary and government-wide financial statements. In addition, the equipment acquired through capital lease, \$1,609,534 net of accumulated depreciation, is included within Note 5. Future minimum lease payments are noted below.

| Fiscal Year Ending September 30, | Business-type Activities | | |
|--|--------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2012 | \$ 291,680 | \$ 72,410 | \$ 364,090 |
| 2013 | 302,587 | 61,503 | 364,090 |
| 2014 | 313,902 | 50,188 | 364,090 |
| 2015 | 463,304 | 43,610 | 506,914 |
| 2016 | 62,668 | 21,112 | 83,780 |
| 2017-2021 | 349,844 | 69,058 | 418,902 |
| 2022-2026 | 158,709 | 8,852 | 167,561 |
| Total | \$ 1,942,694 | \$ 326,733 | \$ 2,269,427 |

Long-term debt at September 30, 2012, includes the following individual issues (not including bond issuance costs, unamortized discounts, and unamortized deferred losses of \$(217,703):

Water Utilities Debt:

| | Interest Rates | Original Issue | Net Retirement | Outstanding September 30, 2012 |
|------------------------------|-------------------|-----------------------|----------------------|--------------------------------------|
| Revenue Bonds: | | | | |
| Issue of 2003 Maturing 2014 | 2.00-4.00 | \$ 11,730,000 | \$ 1,405,000 | \$ 855,000 |
| Issue of 2004 Maturing 2013 | 2.00-4.00 | 9,965,000 | 1,065,000 | 4,500,000 |
| Issue of 2004A Maturing 2014 | 4.00-4.50 | 675,000 | 7,825,000 | 500,000 |
| Issue of 2005 Maturing 2029 | 3.00-5.25 | 36,475,000 | 1,150,000 | 33,320,000 |
| Issue of 2007 Maturing 2028 | 4.00-4.375 | 12,540,000 | 150,000 | 11,900,000 |
| Issue of 2010 Maturing 2017 | 2.50-3.00 | 4,185,000 | 440,000 | 3,455,000 |
| Issue of 2010A Maturing 2017 | 2.00-3.00 | 10,810,000 | 1,735,000 | 7,900,000 |
| Issue of 2011 Maturing 2028 | 3.00-4.00 | 6,000,000 | - | 6,000,000 |
| Issue of 2012 Maturing 2024 | 2.00-2.75 | 8,300,000 | - | 8,300,000 |
| Total revenue bonds | | <u>\$ 100,680,000</u> | <u>\$ 13,770,000</u> | <u>\$ 76,730,000</u> |

Federal Arbitrage:

General obligation bonds, combination tax revenue bonds and certificates of obligation are subject to provisions of the Internal Revenue Code of 1986 related and arbitrage and interest income tax regulations under these provisions.

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 7: LONG-TERM DEBT (Cont'd)

Discretely Presented Component Unit:

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2012 are as follows:

| | Balance September 30, 2011 | Additions | Retirements | Balance September 30, 2012 | Amounts Due Within One Year |
|--------------------------------|----------------------------------|-------------------|---------------------|----------------------------------|-----------------------------------|
| Sales tax revenue bonds | \$ 9,540,000 | \$ - | \$ 595,000 | \$ 8,945,000 | \$ 610,000 |
| Net premium(discount) on bonds | (29,510) | - | (4,953) | (24,557) | (4,953) |
| | <u>9,510,490</u> | - | <u>590,047</u> | <u>8,920,443</u> | <u>605,047</u> |
| Accrued Compensated absences | 65,987 | 6,490 | - | 72,477 | 10,872 |
| Economic incentives payable | <u>3,056,293</u> | <u>966,800</u> | <u>1,190,043</u> | <u>2,833,050</u> | <u>945,784</u> |
| Total governmental activities | <u>\$ 12,632,770</u> | <u>\$ 973,290</u> | <u>\$ 1,780,090</u> | <u>\$ 11,825,970</u> | <u>\$ 1,561,703</u> |

The principal and interest requirements at September 30, 2012, for the component unit debt for the next five years and, thereafter, are as follows:

| Fiscal Year Ending September 30, | Principal | Interest | Total |
|-------------------------------------|---------------------|---------------------|----------------------|
| 2013 | \$ 610,000 | \$ 355,650 | \$ 965,650 |
| 2014 | 630,000 | 337,350 | 967,350 |
| 2015-2019 | 3,475,000 | 1,350,675 | 4,825,675 |
| 2020-2024 | <u>4,230,000</u> | <u>593,025</u> | <u>4,823,025</u> |
| | <u>\$ 8,945,000</u> | <u>\$ 2,636,700</u> | <u>\$ 11,581,700</u> |

Long-term debt at September 30, 2012, includes the following individual issues:

| Longview Economic Development Corporation: | Interest Rates | Original Issue | Net Retirement | Outstanding September 30, 2012 |
|---|-------------------|-------------------|-------------------|--------------------------------------|
| Sales Tax Revenue Bond: | | | | |
| Issue of 2009/Maturing 2024 | 2.50-4.75 | \$ 10,570,000 | \$ 1,625,000 | \$ 8,945,000 |
| Total Sales Tax Revenue Bond - LEDCO | | <u>10,570,000</u> | <u>1,625,000</u> | <u>8,945,000</u> |

The City intends to retire all, excluding amounts included with water utilities, of its general long-term liabilities, plus interest, from ad valorem taxes current revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The proprietary fund type long-term debt will be repaid, plus interest, from the operating revenues of the Water Utilities Fund. The component units long-term debt, plus interest, will be paid from current sales tax revenue.

The City is in compliance with all significant requirements, regulations and restrictions related to long-term bond debt.

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 8: CURRENT YEAR DEBT ISSUANCE

During the year the City issued \$8,300,000 Waterworks and Sewer System Revenue Refunding Bonds, Series 2012. The proceeds from the sale of the bonds were used to refund \$7,650,000 of the City's outstanding revenue bonds to achieve debt service savings and to pay the costs related to the issuance of the bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$590,880. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$10,224,300 and resulted in an economic gain of \$435,860. The bonds are scheduled to mature in 2024 and are included in the detailed maturity schedules in Note 7.

NOTE 9: PRIOR YEAR BOND REFUNDINGS

In prior years, the City legally defeased certain obligations, revenue, and other bonds by placing cash and/or proceeds of refunding bond issues in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the City's report. During the current year, \$1,080,000 of defeased debt was retired which was from a prior year refunding. As of September 30, 2012, \$7,650,000 of debt refunded during the current year was still outstanding.

NOTE 10: INTERFUND TRANSACTIONS

The composition of interfund balances as of September 30, 2012, is as follows:

| | Due from | | | Total |
|--------------|-----------------|-------------------|------------------|-------------------|
| | General | Other Non-Major | Internal Service | |
| Due to: | | | | |
| General | \$ - | \$ 289,561 | \$ - | \$ 289,561 |
| Debt Service | 9,324 | - | - | 9,324 |
| | <u>\$ 9,324</u> | <u>\$ 289,561</u> | <u>\$ -</u> | <u>\$ 298,885</u> |

Significant interfund balances relate to the following:

- (1) An interfund transfer was created to offset the negative cash balances in the other non-major funds

Transfers between funds during the year were as follows:

| | Transfers In | | | | Total |
|-----------------------|---------------------|-------------------|---------------------|-----------------------|---------------------|
| | Governmental | | | | |
| | General | Debt Service | Capital Projects | Nonmajor Governmental | |
| Transfers Out: | | | | | |
| General | \$ - | \$ - | \$ 3,430,640 | \$ 327,348 | \$ 3,757,988 |
| Debt Service | - | - | - | - | - |
| Capital Projects | 648,335 | - | - | - | 648,335 |
| Nonmajor governmental | 978,984 | 797,640 | 1,643,944 | - | 3,420,568 |
| Totals | <u>\$ 1,627,319</u> | <u>\$ 797,640</u> | <u>\$ 5,074,584</u> | <u>\$ 327,348</u> | <u>\$ 7,826,891</u> |

**CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 10: INTERFUND TRANSACTIONS (Cont'd)

Significant amounts transferred between funds related to the following activities:

- (1) \$3,430,640 was transferred from the General fund to Capital Projects fund for the following purposes: \$105,000 for the Cotton street parking lot lighting; \$3,000,000 for the George Richey Road extension; and \$325,640 for the rodeo arena.
- (2) \$327,348 was transferred from the General fund to the Transit fund for the City's match on federal and state transit funding.
- (3) \$648,335 was transferred from the Capital Projects fund to the General fund for the park projects qualifying for economic development funds.
- (4) \$978,984 was transferred from the Non-Major Governmental funds to the General fund for the following expenditures: \$142,092 from the Hotel fund along with \$836,892 from the Drainage fund for the reimbursement of administrative expenses allocated to those funds.
- (5) \$797,640 was transferred from the Non-Major Governmental funds to the Debt Service fund for the payment of debt related to drainage projects
- (6) \$1,643,944 was transferred from the Non-Major Governmental funds to the Capital Projects fund for the following purposes: \$1,493,944 for drainage construction projects funded by the ¼ cent sales tax; and \$150,000 for the rodeo arena project.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Grant Audits

The City received federal and state grants for special purposes that are subjected to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would be insignificant.

Construction Commitments

The City has active construction projects as of September 30, 2012. The projects include street construction, park construction, drainage construction, and the construction of water and sewer facilities. At year-end the City's commitments with contractors are as follows:

| Project | Spent to-Date | Remaining Commitment |
|--------------------|----------------------|-------------------------|
| Streets/Traffic | \$ 3,663,789 | \$ 11,192,207 |
| Parks/Facilities | 3,136,842 | 47,803 |
| Water & Wastewater | 8,614,705 | 2,168,765 |
| Drainage | 1,722,370 | 531,182 |
| | <u>\$ 17,137,706</u> | <u>\$ 13,939,957</u> |

The street construction projects and municipal facilities construction projects are funded by permanent bond proceeds. The park construction projects are funded by permanent bond proceeds, certificate of obligation proceeds, and park fee revenues. Water and sewer construction projects are funded by revenue bond proceeds and cash from operating revenues of the water and sewer system. Drainage construction projects are funded by a ¼ cent sales tax, as approved by voters.

**CITY OF LONGVIEW, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012**

NOTE 11: COMMITMENTS AND CONTINGENCIES (Cont'd)

Construction Commitments (Cont'd)

The City has entered into a Developer Participation Contract For Roadway Improvements. In the interest of future development of the area and public safety, the City has agreed to pay the additional costs required to add a turn lane and side walk, neither of which is required, to the original plans the developer has for the roadway within his development. The estimated cost is \$565,000 and will be paid over 5 installments. The first installment of \$50,000 is contingent upon the developer providing all required documentation of the project, including the Certificate of Final Completion. The city expects the first installment to be paid within the fiscal year ending September 30, 2013. The four future annual installments will be in the amount of \$128,750, unless the City chooses, at its sole discretion, to pay additional amounts.

The City has entered into an Advanced Funding Agreement with the Texas Department of Transportation (TxDOT) to provide up to \$3,000,000 in funds or services towards the project. The project will enhance transportation and economic development opportunities in the City of Longview and Gregg County. Therefore, local governments have agreed to match the funds provided by TxDOT through an Advance Funding Agreement in order to start the project sooner. During the fiscal year ended September 30, 2012, the City provided design services amounting to \$404,292. The remaining \$2,595,708 committed to the project is reflected in the Capital Projects Fund and is included within restricted fund balance on the Governmental Funds Balance Sheet and within restricted cash on the Statement of Net Assets, as required by TxDOT.

Water Purchase Contracts

The City has the following commitments for the purchase of raw water:

| <u>Provider</u> | <u>Minimal amount purchases (before escalation clauses)</u> | <u>Contract Expiration Date</u> |
|---|---|---|
| Sabine River Authority | 651,750 | January 1, 2049 |
| Cherokee Water Company | 886,315 | September 20, 2035 |
| Northeast Texas Municipal Water District | 342,144 | April 19, 2045 |

Litigation

The City is party to various claims and litigations arising in the ordinary course of its operations. Management, based on counsel's opinion, believes the City has adequate legal defense and/or insurance coverage with respect to each of these actions and does not believe that they will materially alter the City's financial position, as a whole.

NOTE 12: CHANGE IN ACCOUNTING ESTIMATE

During the year TML, the Plan administrator for General Liability and Workers Compensation Plans, reviewed the estimates related to open claims and made changes to the estimates based on their professional judgment of the circumstances surrounding those claims. The change in estimate for the General Liability Fund and Workers Compensation Fund amounted to an \$126,786 decrease in liability. It is management's opinion that the liability recorded for these funds as of September 30, 2012 is adequate to cover insurance deductibles and potential claims outside of the insurance coverage.

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 13: RISK MANAGEMENT

The City's risk management activities are administered through various internal service funds.

Worker's Compensation

The City uses the Workers Compensation Fund to account for contributions from departments for coverage and payment of premiums, claims and administration costs. The City's workers' compensation insurance is purchased through participation in the Texas Municipal League (TML) Intergovernmental Risk Pool. The City pays an annual contribution to the plan, in annual installments, in advance for coverage. TML is responsible for the administration of the plan. The City was self-insured for worker's compensation prior to October 1, 1999 and still has claims pending from the self-insured period. TML was contracted to handle the administration of these claims, but the City is required to pay for any distributions related to these claims. The City has accrued a liability of \$128,577 for the payment of future claims related to the self-insurance period.

Group Health

The City is self-insured for health and dental coverage. The City's group health plan provides City employees with health and dental insurance through the Group Health and Life Insurance Fund (the "GHF"). The premiums for insurance coverage are paid funds obtained from payroll deductions and charges to City departments and participating employees. The City utilizes an independent administrator for the plan and is self-insured up to \$125,000 per participant and \$6,650,598 in the aggregate at September 30, 2012. The City has accrued a liability of \$857,872 for estimated unreported claims at September 30, 2012.

General Liability

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to citizens; and natural disasters. The City participates in the TML, which provides general liability, errors and omissions, automobile liability, law enforcement liability, public officials liability, real and personal property coverage. The TML is responsible for all fund business on behalf of TML members and shall maintain adequate protection from catastrophic losses to protect its financial integrity. The City has agreed to adopt and accept the coverages, provisions, terms, conditions, exclusions and limitations as provided for in the TML Self-Insurance Plan. The City also agrees to pay the annual contribution to the fund, in annual installments, in advance. Both parties have a right to terminate this agreement. The City maintains an accrued liability for general liability claims to cover insurance deductibles and potential claims outside of the insurance coverage. The liability accrued for these items was \$45,804 at September 30, 2012. Settlements have not exceeded coverages for the past 3 years.

Changes in the balance of claims liabilities during fiscal 2011 and 2012 are as follows:

| Fund | Liability Beginning of Year | Claims and Changes in Estimates | Claim payments and Changes in Estimates | Liability End of Year |
|-----------------------|-----------------------------------|---------------------------------------|---|-----------------------------|
| 2012 | | | | |
| General Liability | \$ 34,435 | \$ 69,829 | \$ 58,460 | \$ 45,804 |
| Workers' Compensation | 240,928 | (106,452) | 5,899 | 128,577 |
| Group Health | 532,821 | 7,323,998 | 6,998,947 | 857,872 |
| Total | <u>\$ 808,184</u> | <u>\$ 7,287,375</u> | <u>\$ 7,063,306</u> | <u>\$ 1,032,253</u> |
| 2011 | | | | |
| General Liability | \$ 91,318 | \$ 21,897 | \$ 78,780 | \$ 34,435 |
| Workers' Compensation | 247,325 | 55,945 | 62,342 | 240,928 |
| Group Health | 411,036 | 6,812,362 | 6,690,577 | 532,821 |
| Total | <u>\$ 749,679</u> | <u>\$ 6,890,204</u> | <u>\$ 6,831,699</u> | <u>\$ 808,184</u> |

CITY OF LONGVIEW, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 14: PRIOR PERIOD RESTATEMENTS

Net assets of the governmental activities have been restated in order to reflect certain adjustments noted in the current year that relate to prior years. It was discovered during the current year that all of the capital assets of the Housing department were not being reflected on the City's Government-Wide Financial Statements. Although Housing is a department of the City, the books are maintained by a separate fee accountant that specializes in accounting for public housing authorities. As such, the capital assets were mistakenly omitted when presenting the full accrual government-wide financial statements. The beginning net assets of the governmental activities were restated by \$467,679 to reflect the addition of the capital assets, net of accumulated depreciation. The activity of the Housing department has been properly accounted for within the Governmental Fund Financial Statements.

In addition, an immaterial correction of \$7,774 was made to the fund balance of the Housing Fund to properly reflect adjustments noted in the current year that relate to prior years.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF LONGVIEW, TEXAS

**TEXAS MUNICIPAL RETIREMENT SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Historical trend information about TMRS is presented herewith as required supplementary information. This information is intended to help users assess TMRS funding status on a going-concern basis, and assess progress made in accumulating assets to pay benefits.

| City's Fiscal Year | Actuarial Valuation Date | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability | (3) Percentage Funded (1) / (2) | (4) Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (2) - (1) | (5) Annual Covered Payroll | (6) UAAL as a Percentage of Covered Payroll (4)/(5) |
|--------------------------|--------------------------------|--|--|--|---|-------------------------------------|---|
| 9/30/2012 | 12/31/2011 | \$ 116,279,461 | \$ 127,350,362 | 91.3% | \$ 11,070,901 | \$ 27,130,278 | 40.8% |
| 9/30/2011 | 12/31/2010 | 108,886,965 | 120,108,261 | 90.7% | 11,221,296 | 26,992,555 | 41.6% |
| 9/30/2010 | 12/31/2009 | 55,991,402 | 79,073,251 | 70.8% | 23,081,849 | 26,998,655 | 85.5% |
| 9/30/2009 | 12/31/2008 | 54,827,966 | 76,695,858 | 71.5% | 21,867,892 | 25,732,343 | 85.0% |
| 9/30/2008 | 12/31/2007 | 53,397,882 | 87,778,451 | 60.8% | 34,380,569 | 21,409,921 | 160.6% |
| 9/30/2007 | 12/31/2006 | 51,050,506 | 71,225,422 | 71.7% | 20,174,916 | 21,528,866 | 93.7% |
| 9/30/2006 | 12/31/2005 | 51,260,048 | 70,344,160 | 72.9% | 19,084,112 | 21,182,196 | 9.1% |
| 9/30/2005 | 12/31/2004 | 47,513,488 | 65,120,105 | 73.0% | 17,606,617 | 20,590,784 | 85.5% |
| 9/30/2004 | 12/31/2003 | 44,167,028 | 62,242,400 | 71.0% | 18,075,372 | 18,770,673 | 96.3% |
| 9/30/2003 | 12/31/2002 | 44,598,810 | 60,404,886 | 73.8% | 15,806,076 | 19,217,837 | 82.2% |

CITY OF LONGVIEW, TEXAS

**LONGVIEW FIREMEN'S RELIEF AND RETIREMENT FUND
REQUIRED SUPPLEMENTAL INFORMATION**

SCHEDULE OF FUNDING PROGRESS

Historical trend information about the Longview Firemen's Relief and Retirement Fund is presented herewith as required supplementary information. This information is intended to help users assess the Longview Firemen's Relief and Retirement Fund funding. A copy of the separately issued Longview Firemen's Relief and Retirement Fund's report can be obtained by writing or calling the City Of Longview's Finance Department.

| Actuarial Valuation Date | Actuarial Value of Assets ¹ (a) | Actuarial Accrued Liability ² (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|---|--|------------------------------------|--------------------------|-------------------------------------|---|
| 12/31/2011 ³ | \$ 39,578,091 | \$ 76,085,585 | \$ 36,507,494 | 52.0% | \$ 10,123,308 | 360.6% |
| 12/31/2009 | 38,180,718 | 70,251,759 | 32,071,041 | 54.3% | 9,859,161 | 325.3% |
| 12/31/2007 | 44,640,187 | 60,563,321 | 15,923,134 | 73.7% | 8,524,544 | 186.8% |
| 12/31/2005 | 34,952,561 | 51,834,530 | 16,881,969 | 67.4% | 7,452,033 | 226.5% |
| 12/31/2003 | 31,402,733 | 45,217,356 | 13,814,623 | 69.4% | 6,444,195 | 214.4% |
| 12/31/2001 | 31,539,354 | 40,363,204 | 8,823,850 | 78.1% | 6,012,613 | 146.8% |

¹ Beginning with 12/31/2007, the Actuarial Value of Assets is the fair market value of the fund. Prior to 12/31/2007 the Actuarial Value of Assets was the average of the cost basis and the fair market value of the fund.

² The Actuarial Accrued Liability is based upon a variation of the aggregate entry age normal actuarial cost method with the unfunded actuarial accrued liability being amortized as a level percentage of pay.

³ The economic assumptions used for the 12/31/2011 actuarial valuation include:

| | |
|-------------------------------|----------------|
| Investment return | 8.00% |
| Projected salary increases | 3.00% |
| Amortization increase | 3.00% |
| Remaining amortization period | infinite years |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Plan Year Ended December 31 | Annual Pension Cost (APC)* | Employer Contribution | Percentage Contributed |
|-----------------------------------|----------------------------------|--------------------------|---------------------------|
| 2011 | \$ 2,293,526 | \$ 1,577,295 | 69% |
| 2010 | 1,828,459 | 1,585,082 | 87% |
| 2009 | 1,883,552 | 1,530,249 | 81% |
| 2008 | 861,516 | 1,364,769 | 158% |
| 2007 | 1,035,043 | 1,156,119 | 112% |
| 2006 | 990,203 | 1,089,894 | 110% |

* Total GASB 25 Annual Required Contribution (ARC) less employee contributions.

CITY OF LONGVIEW, TEXAS

**OTHER POST EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Historical trend information about the City's other post employment benefit liability is presented herewith as required supplementary information. This information is intended to help users assess the City's funding.

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|-------------------------------------|---|
| 9/30/2012 | \$ - | \$ 24,343,781 | \$ 24,343,781 | 0% | \$ 33,843,871 | 72.0% |
| 9/30/2010 | - | 26,199,626 | 26,199,626 | 0% | 34,143,079 | 77.0% |
| 9/30/2009 | - | 24,486,623 | 24,486,623 | 0% | 30,077,414 | 81.4% |

COMBINING FINANCIAL STATEMENTS

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NONMAJOR GOVERNMENT FUNDS SPECIAL REVENUE FUNDS

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

Municipal Court - To account for the special revenue collected on all misdemeanors used to provide security at the municipal court building.

Community Development Block Grant - To account for the operations of projects utilizing Community Development Block Grant Funds. Such revenue is restricted to expenditures for specified projects by the U. S. Department of Housing and Urban Development.

Housing Assistance Fund - To account for the City's operations of the Housing Assistance program, which is sponsored by the U. S. Department of Housing and Urban Development.

Transit System - To account for City receipts and expenditures related to the City's mass transit bus system.

Police Department Special - To account for the special revenue from forfeited property seized in connection with violations of the Controlled Substances Act and for the disposition of such revenue.

E – 911 - To account for the special revenue received and expended to operate the City's emergency response system.

Hotel Occupancy Tax - To account for the special revenue assessed on hotel/motel occupancy. The special assessment is provided by State statute, which restricts expenditures to specific uses.

Maude Cobb Activity Fund - This fund accounts for the activities associated with the Maude Cobb Activity Center. This center is funded by the hotel occupancy tax, an interfund transfer by the General Fund and by user fees.

Drainage Sales Tax - To account for a portion of the City's sales tax to be used on various drainage projects.

School Crossing Guard - To account for court fees collected when a person is convicted of an offense within a school crossing zone. In a municipal court case these funds are required to be used for a school crossing guard program.

Special Revenue Grants - To account for special revenue funds which are individually insignificant to the Special Revenue Funds assets, liabilities, revenues, expenditures and fund balance as a whole. These funds are the Home Investment Partnership grant, Shelter Plus Care grant, Metropolitan Planning Organization grant, State Homeland Security grant, Child Sexual Predator Program, Children of Prisoners grant, Department of Energy Block Grant, Rural Generator grant, Longview Train Station & Multimodal Center grant, ICAC V and VII grants, STEP Tobacco grant, Crisis Response grant, Lone Star Libraries, Bulletproof vests grant, Sexual Assault Nurse Exam grant, Mentoring Program grant, Highland Village Homeownership grant, and Miscellaneous grants.

Donations - To account for any unrestricted donations made to the City.

Federal Motor Carrier Violations – to account for fines collected under the Federal Motor Carrier Safety Assistance Program.

Tax Increment Fund - To account for the property taxes collected within the Tax Incremental Reinvestment Zone.

CITY OF LONGVIEW, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

| | <u>Municipal Court</u> | <u>Community Development Block Grant</u> | <u>Housing Assistance</u> | <u>Transit System</u> |
|--------------------------------------|----------------------------|--|-------------------------------|---------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 166,195 | \$ - | \$ 413,253 | \$ - |
| Investments | - | - | - | - |
| Accounts receivable, net | - | - | 69,015 | - |
| Due from other funds | - | - | - | - |
| Inventories | - | - | - | - |
| Accrued interest | - | - | - | - |
| Prepaid expenses and other assets | - | - | 2,868 | - |
| Intergovernmental receivables | - | 188,686 | - | 137,160 |
| Total assets | <u>\$ 166,195</u> | <u>\$ 188,686</u> | <u>\$ 485,136</u> | <u>\$ 137,160</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 7,632 | 75,610 | \$ 5,170 | \$ 96,840 |
| Accrued liabilities | - | 2,121 | - | - |
| Due to other funds | - | 110,955 | - | 178,371 |
| Due to other governments | - | - | - | - |
| Deferred revenue | - | - | 29,999 | - |
| Other payables | - | - | - | 63,197 |
| Family self-sufficiency escrow | - | - | 15,752 | - |
| Total liabilities | <u>7,632</u> | <u>188,686</u> | <u>50,921</u> | <u>338,408</u> |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Municipal court facilities | 158,563 | - | - | - |
| Purposes of grantors and donors | - | - | 434,215 | - |
| 911 Emergency operations | - | - | - | - |
| Tourism and convention facilities | - | - | - | - |
| Tax increment district | - | - | - | - |
| Other public safety | - | - | - | - |
| Committed to: | | | | |
| Drainage improvements | - | - | - | - |
| Assigned to: | | | | |
| Unassigned: | | - | - | (201,248) |
| Total fund balances | <u>158,563</u> | <u>-</u> | <u>434,215</u> | <u>(201,248)</u> |
| Total liabilities and fund balances | <u>\$ 166,195</u> | <u>\$ 188,686</u> | <u>\$ 485,136</u> | <u>\$ 137,160</u> |

| Police Department Special | E-911 | Hotel Occupancy Tax | Maude Cobb Activity Fund | Drainage Sales Tax | School Crossing Guard | Grants |
|---------------------------------|-------------------|---------------------------|--------------------------------|-----------------------|--------------------------|-------------------|
| \$ 164,740 | \$ 513,583 | \$ 531,944 | \$ 581,173 | \$ 332,948 | \$ 22,925 | \$ 459,031 |
| - | 339,472 | 377,683 | 40,382 | 892,721 | - | - |
| - | 111,059 | 214,985 | - | 814,341 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 161 | 179 | 19 | 379 | - | - |
| 549 | - | - | - | - | - | - |
| - | - | - | - | - | - | 187,822 |
| <u>\$ 165,289</u> | <u>\$ 964,275</u> | <u>\$ 1,124,791</u> | <u>\$ 621,574</u> | <u>\$ 2,040,389</u> | <u>\$ 22,925</u> | <u>\$ 646,853</u> |
| \$ - | \$ 811 | \$ 2,407 | \$ 37,865 | \$ 105,145 | \$ - | \$ 65,475 |
| - | 10,227 | - | 6,384 | 15,330 | 1,325 | 12,214 |
| - | - | - | - | - | - | 235 |
| - | - | - | - | - | - | 33,046 |
| 21,504 | - | - | - | - | - | 62,539 |
| - | - | - | 6,935 | - | - | - |
| - | - | - | - | - | - | - |
| <u>21,504</u> | <u>11,038</u> | <u>2,407</u> | <u>51,184</u> | <u>120,475</u> | <u>1,325</u> | <u>173,509</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 473,344 |
| - | 953,237 | - | - | - | - | - |
| - | - | 1,122,384 | 570,390 | - | - | - |
| - | - | - | - | - | - | - |
| 143,785 | - | - | - | - | 21,600 | - |
| - | - | - | - | 1,919,914 | - | - |
| - | - | - | - | - | - | - |
| <u>143,785</u> | <u>953,237</u> | <u>1,122,384</u> | <u>570,390</u> | <u>1,919,914</u> | <u>21,600</u> | <u>473,344</u> |
| <u>\$ 165,289</u> | <u>\$ 964,275</u> | <u>\$ 1,124,791</u> | <u>\$ 621,574</u> | <u>\$ 2,040,389</u> | <u>\$ 22,925</u> | <u>\$ 646,853</u> |

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CITY OF LONGVIEW, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2012

| | Donations | Federal Motor Carrier Violations | Tax Increment District | Totals |
|--------------------------------------|------------------|---|------------------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 13,931 | \$ 86,638 | \$ 9,542 | \$ 3,295,903 |
| Investments | - | - | - | 1,650,258 |
| Accounts receivable, net | - | - | - | 1,209,400 |
| Due from other funds | - | - | - | - |
| Inventories | - | - | - | - |
| Accrued interest | - | - | - | 738 |
| Prepaid expenses and other assets | - | - | - | 3,417 |
| Intergovernmental receivables | - | - | - | 513,668 |
| Total assets | <u>\$ 13,931</u> | <u>\$ 86,638</u> | <u>\$ 9,542</u> | <u>\$ 6,673,384</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 396,955 |
| Accrued liabilities | - | - | - | 47,601 |
| Due to other funds | - | - | - | 289,561 |
| Due to other governments | - | - | - | 33,046 |
| Deferred revenue | - | - | - | 114,042 |
| Other payables | - | - | - | 70,132 |
| Family self-sufficiency escrow | - | - | - | 15,752 |
| Total liabilities | - | - | - | 967,089 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Municipal court facilities | - | - | - | 158,563 |
| Purposes of grantors and donors | 13,931 | - | - | 921,490 |
| 911 Emergency operations | - | - | - | 953,237 |
| Tourism and convention facilities | - | - | - | 1,692,774 |
| Tax increment district | - | - | 9,542 | 9,542 |
| Other public safety | - | 86,638 | - | 252,023 |
| Committed to: | | | | |
| Drainage improvements | - | - | - | 1,919,914 |
| Assigned to: | | | | |
| Unassigned: | - | - | - | (201,248) |
| Total fund balances | <u>13,931</u> | <u>86,638</u> | <u>9,542</u> | <u>5,706,295</u> |
| Total liabilities and fund balances | <u>\$ 13,931</u> | <u>\$ 86,638</u> | <u>\$ 9,542</u> | <u>\$ 6,673,384</u> |

CITY OF LONGVIEW, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>Municipal Court</u> | <u>Community Development Block Grant</u> | <u>Housing Assistance</u> | <u>Transit System</u> |
|--|----------------------------|--|-------------------------------|-----------------------|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | 780,988 | 5,410,149 | 1,231,153 |
| Fines and forfeitures | 148,174 | - | - | - |
| Charges for services | - | - | - | 381,252 |
| Investment earnings | 479 | - | 1,869 | - |
| Miscellaneous | - | - | 87,649 | - |
| Total revenues | <u>148,653</u> | <u>780,988</u> | <u>5,499,667</u> | <u>1,612,405</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | 96,313 | - | - | - |
| Public works | - | - | - | - |
| Developmental services | - | 545,408 | - | - |
| Public welfare | - | - | 5,525,797 | - |
| Culture and recreation | - | - | - | - |
| Public transit | - | - | - | 1,801,981 |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | 44,863 | 235,580 | 38,852 | 41,416 |
| Total expenditures | <u>141,176</u> | <u>780,988</u> | <u>5,564,649</u> | <u>1,843,397</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 7,477 | - | (64,982) | (230,992) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from long-term debt, net | - | - | - | - |
| Insurance proceeds | - | - | - | 18,876 |
| Sale of capital assets | - | - | - | - |
| Transfers in | - | - | - | 327,348 |
| Transfers out | - | - | - | - |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>346,224</u> |
| NET CHANGE IN FUND BALANCES | 7,477 | - | (64,982) | 115,232 |
| FUND BALANCES, BEGINNING | 151,086 | - | 506,971 | (316,480) |
| PRIOR PERIOD ADJUSTMENT (Note 14) | <u>-</u> | <u>-</u> | <u>(7,774)</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 158,563</u> | <u>\$ -</u> | <u>\$ 434,215</u> | <u>\$ (201,248)</u> |

| Police Department Special | E-911 | Hotel Occupancy Tax | Maude Cobb Activity Fund | Drainage Sales Tax | School Crossing Guard | Grants |
|---------------------------------|-------------------|------------------------|-----------------------------|-----------------------|--------------------------|-------------------|
| \$ - | \$ - | \$ 1,031,475 | \$ 883,404 | \$ 4,984,518 | \$ - | \$ - |
| - | - | - | - | - | - | 1,793,164 |
| 116,418 | - | - | - | - | 49,175 | - |
| - | 880,253 | - | 397,509 | - | - | - |
| 414 | 2,304 | 1,431 | 1,836 | 4,220 | 80 | - |
| - | - | - | 2,185 | - | - | - |
| <u>116,832</u> | <u>882,557</u> | <u>1,032,906</u> | <u>1,284,934</u> | <u>4,988,738</u> | <u>49,255</u> | <u>1,793,164</u> |
| - | - | - | - | - | - | - |
| 48,123 | 802,060 | - | - | - | 50,850 | 325,641 |
| - | - | - | - | 2,056,035 | - | 246,957 |
| - | - | - | - | - | - | 1,087,087 |
| - | - | - | - | - | - | - |
| - | - | 916,611 | 994,846 | - | - | 7,749 |
| - | - | - | - | - | - | 10,000 |
| - | - | - | - | 6,393 | - | - |
| - | - | - | - | 3,854 | - | - |
| 10,355 | 286,906 | - | 75,545 | 101,370 | - | 180,386 |
| <u>58,478</u> | <u>1,088,966</u> | <u>916,611</u> | <u>1,070,391</u> | <u>2,167,652</u> | <u>50,850</u> | <u>1,857,820</u> |
| 58,354 | (206,409) | 116,295 | 214,543 | 2,821,086 | (1,595) | (64,656) |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | (292,092) | (3,128,476) | - | - |
| - | - | - | <u>(292,092)</u> | <u>(3,128,476)</u> | - | - |
| 58,354 | (206,409) | 116,295 | (77,549) | (307,390) | (1,595) | (64,656) |
| 85,431 | 1,159,646 | 1,006,089 | 647,939 | 2,227,304 | 23,195 | 538,000 |
| - | - | - | - | - | - | - |
| <u>\$ 143,785</u> | <u>\$ 953,237</u> | <u>\$ 1,122,384</u> | <u>\$ 570,390</u> | <u>\$ 1,919,914</u> | <u>\$ 21,600</u> | <u>\$ 473,344</u> |

(Continued)

CITY OF LONGVIEW, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Donations | Federal Motor Carrier Violations | Tax Increment Fund | Totals |
|--|-----------|--|-----------------------|--------------|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ 717 | \$ 6,900,114 |
| Intergovernmental | - | - | - | 9,215,454 |
| Fines and forfeitures | - | 35,496 | - | 349,263 |
| Charges for services | - | - | - | 1,659,014 |
| Investment earnings | - | 192 | 25 | 12,850 |
| Miscellaneous | 27,046 | - | - | 116,880 |
| Total revenues | 27,046 | 35,688 | 742 | 18,253,575 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,705 | - | - | 2,705 |
| Public safety | 23,103 | 9,247 | - | 1,355,337 |
| Public works | - | - | - | 2,302,992 |
| Developmental services | - | - | 533 | 1,633,028 |
| Public welfare | - | - | - | 5,525,797 |
| Culture and recreation | 3,193 | - | - | 1,922,399 |
| Public transit | - | - | - | 1,811,981 |
| Debt service: | | | | |
| Principal | - | - | - | 6,393 |
| Interest and other charges | - | - | - | 3,854 |
| Capital outlay | 7,251 | - | - | 1,022,524 |
| Total expenditures | 36,252 | 9,247 | 533 | 15,587,010 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (9,206) | 26,441 | 209 | 2,666,565 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from long-term debt, net | - | - | - | - |
| Proceeds from capital leases | - | - | - | 18,876 |
| Sale of capital assets | - | - | - | - |
| Transfers in | - | - | - | 327,348 |
| Transfers out | - | - | - | (3,420,568) |
| Total other financing sources and uses | - | - | - | (3,074,344) |
| NET CHANGE IN FUND BALANCES | (9,206) | 26,441 | 209 | (407,779) |
| FUND BALANCES, BEGINNING | 23,137 | 60,197 | 9,333 | 6,121,848 |
| PRIOR PERIOD ADJUSTMENT | - | - | - | (7,774) |
| FUND BALANCES, ENDING | \$ 13,931 | \$ 86,638 | \$ 9,542 | \$ 5,706,295 |

**SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL**

CITY OF LONGVIEW, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|---------------------|---------------------|---|--|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | | | |
| REVENUE | | | | | | |
| Property taxes | \$ 6,950,000 | \$ 6,950,000 | \$ 7,106,944 | \$ (6,370) | \$ 7,100,574 | \$ 150,574 |
| Interest revenue | - | - | 19,841 | - | 19,841 | 19,841 |
| Total revenue | <u>6,950,000</u> | <u>6,950,000</u> | <u>7,126,785</u> | <u>(6,370)</u> | <u>7,120,415</u> | <u>170,415</u> |
| EXPENDITURES | | | | | | |
| Debt Service: | | | | | | |
| Paying Agent | 6,000 | 6,000 | - | - | - | 6,000 |
| Principal retirement | 6,072,200 | 6,072,200 | 5,295,000 | - | 5,295,000 | 777,200 |
| Interest and fiscal charges | 1,919,258 | 1,919,258 | 2,301,984 | - | 2,301,984 | (382,726) |
| Total expenditures | <u>7,997,458</u> | <u>7,997,458</u> | <u>7,596,984</u> | <u>-</u> | <u>7,596,984</u> | <u>400,474</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>(1,047,458)</u> | <u>(1,047,458)</u> | <u>(470,199)</u> | <u>(6,370)</u> | <u>(476,569)</u> | <u>570,889</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 797,638 | 797,638 | 797,640 | - | 797,640 | 2 |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>797,638</u> | <u>797,638</u> | <u>797,640</u> | <u>-</u> | <u>797,640</u> | <u>2</u> |
| NET CHANGE IN FUND BALANCE | - | - | 327,441 | (6,370) | 321,071 | 570,891 |
| FUND BALANCE - BEGINNING | <u>2,529,887</u> | <u>2,529,887</u> | <u>2,529,887</u> | <u>-</u> | <u>2,529,887</u> | <u>-</u> |
| FUND BALANCE - END | <u>\$ 2,529,887</u> | <u>\$ 2,529,887</u> | <u>\$ 2,857,328</u> | <u>\$ (6,370)</u> | <u>\$ 2,850,958</u> | <u>\$ 570,891</u> |

**CITY OF LONGVIEW, TEXAS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|----------------------|----------------------|---|--|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | | | |
| REVENUE | | | | | | |
| Intergovernmental | \$ 650,000 | \$ 650,000 | \$ 600,000 | \$ - | \$ 600,000 | \$ (50,000) |
| Investment earnings | - | - | 57,577 | (653) | 56,924 | 56,924 |
| Miscellaneous | - | - | 90,000 | - | 90,000 | 90,000 |
| Total revenue | <u>650,000</u> | <u>650,000</u> | <u>747,577</u> | <u>(653)</u> | <u>746,924</u> | <u>96,924</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 69,158 | 69,158 | 39,884 | (748) | 39,136 | 30,022 |
| Public Works | | | 90,404 | | 90,404 | (90,404) |
| Debt Service: | | | | | | |
| Interest and other fiscal charges | - | 8,863 | 8,862 | - | 8,862 | 1 |
| Capital Outlay | - | 19,377,583 | 7,165,680 | - | 7,165,680 | 12,211,903 |
| Total expenditures | <u>69,158</u> | <u>19,455,604</u> | <u>7,304,830</u> | <u>(748)</u> | <u>7,304,082</u> | <u>12,151,522</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>580,842</u> | <u>(18,805,604)</u> | <u>(6,557,253)</u> | <u>95</u> | <u>(6,557,158)</u> | <u>12,248,446</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 1,335,141 | 5,074,584 | 5,074,584 | - | 5,074,584 | - |
| Transfers out | (648,985) | (648,985) | (648,335) | - | (648,335) | 650 |
| Total other financing sources (uses) | <u>686,156</u> | <u>4,425,599</u> | <u>4,426,249</u> | <u>-</u> | <u>4,426,249</u> | <u>650</u> |
| NET CHANGE IN FUND BALANCE | 1,266,998 | (14,380,005) | (2,131,004) | 95 | (2,130,909) | 12,249,096 |
| FUND BALANCE - BEGINNING | <u>25,395,153</u> | <u>25,395,153</u> | <u>25,395,153</u> | <u>-</u> | <u>25,395,153</u> | <u>-</u> |
| FUND BALANCE - END | <u>\$ 26,662,151</u> | <u>\$ 11,015,148</u> | <u>\$ 23,264,149</u> | <u>\$ 95</u> | <u>\$ 23,264,244</u> | <u>\$ 12,249,096</u> |

**CITY OF LONGVIEW, TEXAS
MUNICIPAL COURT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|-------------------|---|--|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | | | |
| REVENUE | | | | | | |
| Fines and forfeitures | \$ 127,708 | \$ 127,708 | \$ 148,174 | \$ - | \$ 148,174 | \$ 20,466 |
| Investment earnings | 600 | 600 | 479 | - | 479 | (121) |
| Total revenue | <u>128,308</u> | <u>128,308</u> | <u>148,653</u> | <u>-</u> | <u>148,653</u> | <u>20,345</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | 98,834 | 108,824 | 96,313 | | 96,313 | 12,511 |
| Capital outlay | 58,035 | 48,045 | 44,863 | | 44,863 | 3,182 |
| Total expenditures | <u>156,869</u> | <u>156,869</u> | <u>141,176</u> | <u>-</u> | <u>141,176</u> | <u>15,693</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | (28,561) | (28,561) | 7,477 | - | 7,477 | 36,038 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | (28,561) | (28,561) | 7,477 | - | 7,477 | 36,038 |
| FUND BALANCE - BEGINNING | 151,086 | 151,086 | 151,086 | - | 151,086 | - |
| FUND BALANCE - END | <u>\$ 122,525</u> | <u>\$ 122,525</u> | <u>\$ 158,563</u> | <u>\$ -</u> | <u>\$ 158,563</u> | <u>\$ 36,038</u> |

**CITY OF LONGVIEW, TEXAS
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | <u>Budgeted Amounts</u> | | Actual | Adjustments to Budgetary Basis | Actual on Budgetary Basis | Variance with Final Budget |
|---|-------------------------|----------------|----------------|--------------------------------------|---------------------------------|-------------------------------|
| | Original | Final | | | | |
| REVENUE | | | | | | |
| Intergovernmental | \$ 794,401 | \$ 958,784 | \$ 780,988 | \$ - | \$ 780,988 | \$ (177,796) |
| Total revenue | <u>794,401</u> | <u>958,784</u> | <u>780,988</u> | <u>-</u> | <u>780,988</u> | <u>(177,796)</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Developmental services | 794,401 | 912,699 | 545,408 | (902) | 544,506 | 368,193 |
| Capital outlay | - | 46,084 | 235,580 | - | 235,580 | (189,496) |
| Total expenditures | <u>794,401</u> | <u>958,783</u> | <u>780,988</u> | <u>902</u> | <u>780,086</u> | <u>178,697</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | - | 1 | - | 902 | 902 | 901 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | - | 1 | - | 902 | 902 | 901 |
| FUND BALANCE - BEGINNING | - | - | - | - | - | - |
| FUND BALANCE - END | <u>\$ -</u> | <u>\$ (1)</u> | <u>\$ -</u> | <u>\$ (902)</u> | <u>\$ (902)</u> | <u>\$ (901)</u> |

CITY OF LONGVIEW, TEXAS
TRANSIT SYSTEM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>Budgeted Amounts</u> | | Actual | Adjustments to Budgetary Basis | Actual on Budgetary Basis | Variance with Final Budget |
|---|-------------------------|---------------------|---------------------|--------------------------------------|---------------------------------|-------------------------------|
| | Original | Final | | | | |
| REVENUE | | | | | | |
| Intergovernmental | \$ 2,033,148 | \$ 2,033,148 | \$ 1,231,153 | \$ - | \$ 1,231,153 | \$ (801,995) |
| Charges for services | - | - | 381,252 | - | 381,252 | 381,252 |
| Miscellaneous | - | - | - | - | - | - |
| Total revenue | <u>2,033,148</u> | <u>2,033,148</u> | <u>1,612,405</u> | <u>-</u> | <u>1,612,405</u> | <u>(420,743)</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public transit | 1,682,494 | 1,682,494 | 1,801,981 | - | 1,801,981 | (119,487) |
| Capital outlay | 678,000 | 678,000 | 41,416 | - | 41,416 | 636,584 |
| Total expenditures | <u>2,360,494</u> | <u>2,360,494</u> | <u>1,843,397</u> | <u>-</u> | <u>1,843,397</u> | <u>517,097</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>(327,346)</u> | <u>(327,346)</u> | <u>(230,992)</u> | <u>-</u> | <u>(230,992)</u> | <u>96,354</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Insurance Proceeds - Capital Asset | | | 18,876 | | 18,876 | 18,876 |
| Transfers in | 327,346 | 327,346 | 327,348 | - | 327,348 | 2 |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>327,346</u> | <u>327,346</u> | <u>346,224</u> | <u>-</u> | <u>346,224</u> | <u>18,878</u> |
| NET CHANGE IN FUND BALANCE | <u>-</u> | <u>-</u> | <u>115,232</u> | <u>-</u> | <u>115,232</u> | <u>115,232</u> |
| FUND BALANCE - BEGINNING | <u>(31,680)</u> | <u>(316,480)</u> | <u>(316,480)</u> | <u>-</u> | <u>(316,480)</u> | <u>-</u> |
| FUND BALANCE - END | <u>\$ (31,680)</u> | <u>\$ (316,480)</u> | <u>\$ (201,248)</u> | <u>\$ -</u> | <u>\$ (201,248)</u> | <u>\$ 115,232</u> |

**CITY OF LONGVIEW, TEXAS
POLICE DEPARTMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|------------------|-------------------|---|--|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | | | |
| REVENUE | | | | | | |
| Fines and forfeitures | \$ 32,500 | \$ 32,500 | \$ 116,418 | \$ - | \$ 116,418 | \$ 83,918 |
| Investment earnings | 700 | 700 | 414 | - | 414 | (286) |
| Total revenue | <u>33,200</u> | <u>33,200</u> | <u>116,832</u> | <u>-</u> | <u>116,832</u> | <u>83,632</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | 58,644 | 58,644 | 48,123 | - | 48,123 | 10,521 |
| Capital outlay | - | - | 10,355 | - | 10,355 | (10,355) |
| Total expenditures | <u>58,644</u> | <u>58,644</u> | <u>58,478</u> | <u>-</u> | <u>58,478</u> | <u>166</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | (25,444) | (25,444) | 58,354 | - | 58,354 | 83,798 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | - | - | - | - | - | - |
| FUND BALANCE - BEGINNING | 85,431 | 85,431 | 85,431 | - | 85,431 | - |
| FUND BALANCE - END | <u>\$ 59,987</u> | <u>\$ 59,987</u> | <u>\$ 143,785</u> | <u>\$ -</u> | <u>\$ 143,785</u> | <u>\$ 83,798</u> |

CITY OF LONGVIEW, TEXAS
E-911 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>Budgeted Amounts</u> | | Actual | Adjustments to Budgetary Basis | Actual on Budgetary Basis | Variance with Final Budget |
|---|-------------------------|-------------------|-------------------|--------------------------------------|---------------------------------|-------------------------------|
| | Original | Final | | | | |
| REVENUE | | | | | | |
| Charges for services | \$ 839,000 | \$ 839,000 | \$ 880,253 | \$ 226 | \$ 880,479 | \$ 41,479 |
| Investment earnings | 2,800 | 2,800 | 2,304 | (161) | 2,143 | (657) |
| Total revenue | <u>841,800</u> | <u>841,800</u> | <u>882,557</u> | <u>65</u> | <u>882,622</u> | <u>40,822</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | 822,881 | 822,881 | 802,060 | 1,076 | 803,136 | 19,745 |
| Capital outlay | - | 290,497 | 286,906 | - | 286,906 | 3,591 |
| Total expenditures | <u>822,881</u> | <u>1,113,378</u> | <u>1,088,966</u> | <u>1,076</u> | <u>1,090,042</u> | <u>23,336</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>18,919</u> | <u>(271,578)</u> | <u>(206,409)</u> | <u>(1,011)</u> | <u>(207,420)</u> | <u>64,158</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 18,919 | (271,578) | (206,409) | (1,011) | (207,420) | 64,158 |
| FUND BALANCE - BEGINNING | 1,159,646 | 1,159,646 | 1,159,646 | - | 1,159,646 | - |
| FUND BALANCE - END | <u>\$ 1,178,565</u> | <u>\$ 888,068</u> | <u>\$ 953,237</u> | <u>\$ (1,011)</u> | <u>\$ 952,226</u> | <u>\$ 64,158</u> |

CITY OF LONGVIEW, TEXAS
HOTEL OCCUPANCY TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|---------------------|---|--|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | | | |
| REVENUE | | | | | | |
| Taxes | \$ 820,599 | \$ 820,599 | \$ 1,031,475 | \$ (52,208) | \$ 979,267 | \$ 158,668 |
| Investment earnings | | | 1,431 | (179) | 1,252 | 1,252 |
| Total revenue | <u>820,599</u> | <u>820,599</u> | <u>1,032,906</u> | <u>(52,387)</u> | <u>980,519</u> | <u>159,920</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Culture and recreation | 950,099 | 1,063,828 | 916,611 | - | 916,611 | 147,217 |
| Total expenditures | <u>950,099</u> | <u>1,063,828</u> | <u>916,611</u> | <u>-</u> | <u>916,611</u> | <u>147,217</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>(129,500)</u> | <u>(243,229)</u> | <u>116,295</u> | <u>(52,387)</u> | <u>63,908</u> | <u>307,137</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>(129,500)</u> | <u>(243,229)</u> | <u>116,295</u> | <u>(52,387)</u> | <u>63,908</u> | <u>307,137</u> |
| FUND BALANCE - BEGINNING | <u>1,006,089</u> | <u>1,006,089</u> | <u>1,006,089</u> | <u>-</u> | <u>1,009,089</u> | <u>-</u> |
| FUND BALANCE - END | <u>\$ 876,589</u> | <u>\$ 762,860</u> | <u>\$ 1,122,384</u> | <u>\$ (52,387)</u> | <u>\$ 1,072,997</u> | <u>\$ 307,137</u> |

CITY OF LONGVIEW, TEXAS
MAUDE COBB ACTIVITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|-------------------|---|--|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | | | |
| REVENUE | | | | | | |
| Taxes | \$ 883,401 | \$ 883,401 | \$ 883,404 | \$ - | \$ 883,404 | \$ 3 |
| Charges for services | 290,000 | 290,000 | 397,509 | - | 397,509 | 107,509 |
| Investment earnings | 1,800 | 1,800 | 1,836 | (19) | 1,817 | 17 |
| Miscellaneous revenue | - | - | 2,185 | - | 2,185 | 2,185 |
| Total revenue | <u>1,175,201</u> | <u>1,175,201</u> | <u>1,284,934</u> | <u>(19)</u> | <u>1,284,915</u> | <u>109,714</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Culture and recreation | 945,127 | 945,127 | 994,846 | (1,812) | 993,034 | (47,907) |
| Capital outlay | 162,983 | 162,983 | 75,545 | - | 75,545 | 87,438 |
| Total expenditures | <u>1,108,110</u> | <u>1,108,110</u> | <u>1,070,391</u> | <u>(1,812)</u> | <u>1,068,579</u> | <u>39,531</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>67,091</u> | <u>67,091</u> | <u>214,543</u> | <u>1,793</u> | <u>216,336</u> | <u>149,245</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | | - | - | - |
| Transfers out | (142,091) | (292,091) | (292,092) | - | (292,092) | 1 |
| Total other financing sources (uses) | <u>(142,091)</u> | <u>(292,091)</u> | <u>(292,092)</u> | <u>-</u> | <u>(292,092)</u> | <u>1</u> |
| NET CHANGE IN FUND BALANCE | (75,000) | (225,000) | (77,549) | 1,793 | (75,756) | 149,246 |
| FUND BALANCE - BEGINNING | 647,939 | 647,939 | 647,939 | - | 647,939 | - |
| FUND BALANCE - END | <u>\$ 572,939</u> | <u>\$ 422,939</u> | <u>\$ 570,390</u> | <u>\$ 1,793</u> | <u>\$ 572,183</u> | <u>\$ 149,246</u> |

**CITY OF LONGVIEW, TEXAS
DRAINAGE SALES TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|---------------------|---------------------|---|--|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | | | |
| REVENUE | | | | | | |
| Taxes | \$ 5,177,388 | \$ 5,177,388 | \$ 4,984,518 | \$ 81,323 | \$ 5,065,841 | \$ (111,547) |
| Investment earnings | 3,000 | 3,000 | 4,220 | (379) | 3,841 | 841 |
| Miscellaneous revenue | - | - | - | - | - | - |
| Total revenue | <u>5,180,388</u> | <u>5,180,388</u> | <u>4,988,738</u> | <u>80,944</u> | <u>5,069,682</u> | <u>(110,706)</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public works | 2,334,765 | 2,200,452 | 2,056,035 | (3,611) | 2,052,424 | 148,028 |
| Debt service: | | | | | | |
| Principal | 6,629 | 6,629 | 6,393 | - | 6,393 | 236 |
| Interest and other charges | 3,618 | 3,618 | 3,854 | - | 3,854 | (236) |
| Capital outlay | 6,000 | 39,659 | 101,370 | - | 101,370 | (61,711) |
| Total expenditures | <u>2,351,012</u> | <u>2,250,358</u> | <u>2,167,652</u> | <u>(3,611)</u> | <u>2,164,041</u> | <u>86,317</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>2,829,376</u> | <u>2,930,030</u> | <u>2,821,086</u> | <u>84,555</u> | <u>2,905,641</u> | <u>(24,389)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | (2,969,669) | (3,128,472) | (3,128,476) | - | (3,128,476) | (4) |
| Total other financing sources (uses) | <u>(2,969,669)</u> | <u>(3,128,472)</u> | <u>(3,128,476)</u> | <u>-</u> | <u>(3,128,476)</u> | <u>(4)</u> |
| NET CHANGE IN FUND BALANCE | (140,293) | (198,442) | (307,390) | 84,555 | (222,835) | (24,393) |
| FUND BALANCE - BEGINNING | 2,227,304 | 2,227,304 | 2,227,304 | - | 2,227,304 | - |
| FUND BALANCE - END | <u>\$ 2,087,011</u> | <u>\$ 2,028,862</u> | <u>\$ 1,919,914</u> | <u>\$ 84,555</u> | <u>\$ 2,004,469</u> | <u>\$ (24,393)</u> |

**CITY OF LONGVIEW, TEXAS
SPECIAL REVENUE GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|--------------------|-------------------|---|--|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | | | |
| REVENUE | | | | | | |
| Intergovernmental | \$ 2,777,862 | \$ 5,399,309 | \$ 1,793,164 | \$ - | \$ 1,793,164 | \$ 3,606,145 |
| Total revenue | <u>2,777,862</u> | <u>5,399,309</u> | <u>1,793,164</u> | <u>-</u> | <u>1,793,164</u> | <u>3,606,145</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | 275,706 | 473,277 | 325,641 | (1,947) | 323,694 | 149,583 |
| Public works | 260,000 | 276,197 | 246,957 | 941 | 247,898 | 28,299 |
| Developmental services | 2,191,251 | 2,244,893 | 1,087,087 | 2,256 | 1,089,343 | 1,155,550 |
| Culture and recreation | - | 7,749 | 7,749 | - | 7,749 | - |
| Public transit | - | 10,000 | 10,000 | - | 10,000 | - |
| Capital outlay | 50,905 | 2,987,657 | 180,386 | - | 180,386 | 2,807,271 |
| Total expenditures | <u>2,777,862</u> | <u>5,999,773</u> | <u>1,857,820</u> | <u>1,250</u> | <u>1,859,070</u> | <u>4,140,703</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>-</u> | <u>(600,464)</u> | <u>(64,656)</u> | <u>(1,250)</u> | <u>(65,906)</u> | <u>(534,558)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>-</u> | <u>(600,464)</u> | <u>(64,656)</u> | <u>(1,250)</u> | <u>(65,906)</u> | <u>(534,558)</u> |
| FUND BALANCE - BEGINNING | <u>538,000</u> | <u>538,000</u> | <u>538,000</u> | | <u>538,000</u> | <u>-</u> |
| FUND BALANCE - END | <u>\$ 538,000</u> | <u>\$ (62,464)</u> | <u>\$ 473,344</u> | <u>\$ (1,250)</u> | <u>\$ 472,094</u> | <u>\$ (534,558)</u> |

**CITY OF LONGVIEW, TEXAS
DONATIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|------------------|------------------|---|--|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | | | |
| REVENUE | | | | | | |
| Miscellaneous revenue | \$ 100,000 | \$ 100,000 | \$ 27,046 | \$ - | \$ 27,046 | \$ (72,954) |
| Total revenue | <u>100,000</u> | <u>100,000</u> | <u>27,046</u> | <u>-</u> | <u>27,046</u> | <u>(72,954)</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 100,000 | 100,000 | 2,705 | - | 2,705 | 97,295 |
| Public safety | | | 23,103 | - | 23,103 | (23,103) |
| Culture and recreation | - | | 3,193 | - | 3,193 | (3,193) |
| Capital outlay | - | | 7,251 | - | 7,251 | (7,251) |
| Total expenditures | <u>100,000</u> | <u>100,000</u> | <u>36,252</u> | <u>-</u> | <u>36,252</u> | <u>63,748</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | - | - | (9,206) | - | (9,206) | (9,206) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | - | - | (9,206) | - | (9,206) | (9,206) |
| FUND BALANCE - BEGINNING | 23,137 | 23,137 | 23,137 | - | 23,137 | - |
| FUND BALANCE - END | <u>\$ 23,137</u> | <u>\$ 23,137</u> | <u>\$ 13,931</u> | <u>\$ -</u> | <u>\$ 13,931</u> | <u>\$ (9,206)</u> |

**CITY OF LONGVIEW, TEXAS
FEDERAL MOTOR CARRIER VIOLATIONS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | <u>Budgeted Amounts</u> | | Actual | Adjustments to Budgetary Basis | Actual on Budgetary Basis | Variance with Final Budget |
|---|-------------------------|------------------|------------------|--------------------------------------|---------------------------------|-------------------------------|
| | Original | Final | | | | |
| REVENUE | | | | | | |
| Fines and forfeitures | \$ 42,000 | \$ 42,000 | \$ 35,496 | \$ - | \$ 35,496 | \$ (6,504) |
| Investment earnings | - | - | 192 | - | 192 | 192 |
| Total revenue | <u>42,000</u> | <u>42,000</u> | <u>35,688</u> | <u>-</u> | <u>35,688</u> | <u>(6,312)</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | 26,700 | 26,700 | 9,247 | - | 9,247 | 17,453 |
| Capital Outlay | 15,300 | 15,300 | - | - | - | 15,300 |
| Total expenditures | <u>42,000</u> | <u>42,000</u> | <u>9,247</u> | <u>-</u> | <u>9,247</u> | <u>32,753</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | - | - | 26,441 | - | 26,441 | 26,441 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | - | - | 26,441 | - | 26,441 | 26,441 |
| FUND BALANCE - BEGINNING | 60,197 | 60,197 | 60,197 | - | 60,197 | - |
| FUND BALANCE - END | <u>\$ 60,197</u> | <u>\$ 60,197</u> | <u>\$ 86,638</u> | <u>\$ -</u> | <u>\$ 86,638</u> | <u>\$ 26,441</u> |

**CITY OF LONGVIEW, TEXAS
TAX INCREMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | <u>Budgeted Amounts</u> | | Actual | Adjustments to Budgetary Basis | Actual on Budgetary Basis | Variance with Final Budget |
|---|-------------------------|-----------------|-----------------|--------------------------------------|---------------------------------|-------------------------------|
| | Original | Final | | | | |
| REVENUE | | | | | | |
| Taxes | \$ 70,000 | \$ 70,000 | \$ 717 | \$ - | \$ 717 | \$ (69,283) |
| Investment earnings | - | - | 25 | - | 25 | 25 |
| Total revenue | <u>70,000</u> | <u>70,000</u> | <u>742</u> | <u>-</u> | <u>742</u> | <u>(69,258)</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Development Services | 70,000 | 70,000 | 533 | - | 533 | (69,467) |
| Total expenditures | <u>70,000</u> | <u>70,000</u> | <u>533</u> | <u>-</u> | <u>533</u> | <u>(69,467)</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>-</u> | <u>-</u> | <u>209</u> | <u>-</u> | <u>209</u> | <u>209</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>-</u> | <u>-</u> | <u>209</u> | <u>-</u> | <u>209</u> | <u>209</u> |
| FUND BALANCE - BEGINNING | 9,333 | 9,333 | 9,333 | - | 9,333 | - |
| FUND BALANCE - END | <u>\$ 9,333</u> | <u>\$ 9,333</u> | <u>\$ 9,542</u> | <u>\$ -</u> | <u>\$ 9,542</u> | <u>\$ 209</u> |

**CITY OF LONGVIEW, TEXAS
SCHOOL CROSSING GUARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | <u>Budgeted Amounts</u> | | Actual | Adjustments to Budgetary Basis | Actual on Budgetary Basis | Variance with Final Budget |
|---|-------------------------|------------------|------------------|--------------------------------------|---------------------------------|-------------------------------|
| | Original | Final | | | | |
| REVENUE | | | | | | |
| Charges for services | \$ 48,897 | \$ 48,897 | \$ 49,175 | \$ - | \$ 49,175 | \$ 278 |
| Investment earnings | - | - | 80 | - | 80 | 80 |
| Total revenue | <u>48,897</u> | <u>48,897</u> | <u>49,255</u> | <u>-</u> | <u>49,255</u> | <u>358</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Fines and forfeitures | 51,638 | 51,638 | 50,850 | (1,325) | 49,525 | 2,113 |
| Total expenditures | <u>51,638</u> | <u>51,638</u> | <u>50,850</u> | <u>(1,325)</u> | <u>49,525</u> | <u>2,113</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>(2,741)</u> | <u>(2,741)</u> | <u>(1,595)</u> | <u>1,325</u> | <u>(270)</u> | <u>2,471</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | (2,741) | (2,741) | (1,595) | 1,325 | (270) | 2,471 |
| FUND BALANCE - BEGINNING | 23,195 | 23,195 | 23,195 | - | 23,195 | - |
| FUND BALANCE - END | <u>\$ 20,454</u> | <u>\$ 20,454</u> | <u>\$ 21,600</u> | <u>\$ 1,325</u> | <u>\$ 22,925</u> | <u>\$ 2,471</u> |

INTERNAL SERVICE FUNDS

General Liability Fund - To account for the City's charges to various funds for general liability coverage and payment of premiums for coverage.

Group Health Fund - To account for the City's self-insured group health and dental plans. This fund is utilized to track the premiums, claims, and administrative expenses of the plans.

Workers Compensation Fund – To account for the City's charges to other funds for workers compensation coverage and payment of premiums for insurance coverage.

GIS Services Fund - To account for the activities of the City's geographic information system department which is responsible for creating and maintaining an intricate mapping system of the City.

Fleet Services Fund - To account for the activities of the City's fleet management garage which is responsible for maintaining the City's vehicle fleet.

Vehicle Replacement Fund - To account for the City's charges to various funds for the purchase of vehicles. This fund is utilized to maintain an inventory of vehicles for use by City departments.

Cable Franchise Fee Agreement - To account for one Community Relations Specialist position (governmental cable television access production and programming, including inter-connectivity with the City's web-site). This special revenue is provided under franchise agreement with Longview Cable Television Co., Inc.

CITY OF LONGVIEW, TEXAS

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2012

| | <u>General Liability</u> | <u>Group Health</u> | <u>Workers' Compensation</u> |
|---|--------------------------|---------------------|----------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 832,249 | \$ 2,459,111 | \$ 747,648 |
| Investments | 119,910 | 2,517,325 | - |
| Accounts receivable, net | - | 31,313 | - |
| Due from other funds | - | 3,323 | - |
| Inventories | - | - | - |
| Accrued interest | 57 | 7,742 | - |
| Total current assets | <u>952,216</u> | <u>5,018,814</u> | <u>747,648</u> |
| Non-current assets: | | | |
| Capital assets: | | | |
| Buildings | - | - | - |
| Machinery and equipment | 12,850 | - | - |
| Less accumulated depreciation | (10,708) | - | - |
| Total non-current assets | <u>2,142</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>954,358</u> | <u>5,018,814</u> | <u>747,648</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 40,969 | 37,523 | 800 |
| Accrued liabilities | 6,094 | 458 | - |
| Claims and judgments | 45,804 | 857,872 | 128,577 |
| Compensated absences | 3,082 | - | - |
| Capital lease obligation | - | - | - |
| Total current liabilities | <u>95,949</u> | <u>895,853</u> | <u>129,377</u> |
| Non-current liabilities: | | | |
| Compensated absences | 17,462 | - | - |
| Capital lease obligation | - | - | - |
| Other post-employment benefits | 9,438 | - | - |
| Total non-current liabilities | <u>26,900</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>122,849</u> | <u>895,853</u> | <u>129,377</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 2,142 | - | - |
| Unrestricted | 829,367 | 4,122,961 | 618,271 |
| Total net assets | <u>\$ 831,509</u> | <u>\$ 4,122,961</u> | <u>\$ 618,271</u> |

| <u>GIS Services</u> | <u>Fleet Services</u> | <u>Vehicle Replacement</u> | <u>Cable Franchise Fee Agreement</u> | <u>Total</u> |
|---------------------|-----------------------|----------------------------|--------------------------------------|----------------------|
| \$ 90,816 | \$ 258,221 | \$ 1,964,214 | 37,814 | \$ 6,390,073 |
| - | - | 308,477 | - | 2,945,712 |
| - | - | - | - | 31,313 |
| - | - | - | - | 3,323 |
| - | 152,712 | - | - | 152,712 |
| - | - | 146 | - | 7,945 |
| <u>90,816</u> | <u>410,933</u> | <u>2,272,837</u> | <u>37,814</u> | <u>9,531,078</u> |
| - | 390,123 | - | - | 390,123 |
| 215,097 | 169,822 | 13,923,326 | 37,870 | 14,358,965 |
| <u>(210,406)</u> | <u>(481,901)</u> | <u>(9,815,500)</u> | <u>(16,053)</u> | <u>(10,534,568)</u> |
| 4,691 | 78,044 | 4,107,826 | 21,817 | 4,214,520 |
| <u>95,507</u> | <u>488,977</u> | <u>6,380,663</u> | <u>59,631</u> | <u>13,745,598</u> |
| 541 | 59,609 | 156,475 | 3,258 | 299,175 |
| 5,827 | 11,882 | - | 1,225 | 25,486 |
| - | - | - | - | 1,032,253 |
| 2,410 | 8,359 | - | 1,252 | 15,103 |
| - | 1,950 | - | - | 1,950 |
| <u>8,778</u> | <u>81,800</u> | <u>156,475</u> | <u>5,735</u> | <u>1,373,967</u> |
| 13,655 | 47,369 | - | 7,093 | 85,579 |
| - | 26,839 | - | - | 26,839 |
| 32,122 | 48,687 | - | 512 | 90,759 |
| <u>45,777</u> | <u>122,895</u> | <u>-</u> | <u>7,605</u> | <u>203,177</u> |
| <u>54,555</u> | <u>204,695</u> | <u>156,475</u> | <u>13,340</u> | <u>1,577,144</u> |
| 4,691 | 49,255 | 4,107,826 | 21,817 | 4,185,731 |
| <u>36,261</u> | <u>235,027</u> | <u>2,116,362</u> | <u>24,474</u> | <u>7,982,723</u> |
| <u>\$ 40,952</u> | <u>\$ 284,282</u> | <u>\$ 6,224,188</u> | <u>\$ 46,291</u> | <u>\$ 12,168,454</u> |

CITY OF LONGVIEW, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>General Liability</u> | <u>Group Health</u> | <u>Workers' Compensation</u> |
|---|--------------------------|---------------------|----------------------------------|
| OPERATING REVENUES | | | |
| Premiums | \$ 901,456 | \$ 7,480,739 | \$ 578,838 |
| Vehicle revenue | - | - | - |
| GIS revenue | - | - | - |
| Cable Fees | - | - | - |
| Miscellaneous | - | 46,348 | - |
| Total operating revenues | <u>901,456</u> | <u>7,527,087</u> | <u>578,838</u> |
| OPERATING EXPENSES | | | |
| Personnel services | 258,026 | 21,749 | - |
| Supplies | 13,897 | 21,183 | - |
| Maintenance | 2,852 | 2,921 | - |
| Contractual services | 320,017 | 610,024 | 350,200 |
| Employee benefits | 87,872 | 598 | - |
| Claims and premiums, net of reimbursements | 58,460 | 6,998,947 | 5,899 |
| Depreciation | 2,567 | - | - |
| Total operating expenses | <u>743,691</u> | <u>7,655,422</u> | <u>356,099</u> |
| OPERATING INCOME (LOSS) | 157,765 | (128,335) | 222,739 |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest and investment revenue | 2,039 | 14,357 | 1,368 |
| Gain (loss) on sale of fixed assets | - | - | - |
| Interest expense | - | - | - |
| Miscellaneous | - | - | - |
| Total non-operating revenue (expenses) | <u>2,039</u> | <u>14,357</u> | <u>1,368</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 159,804 | (113,978) | 224,107 |
| SPECIAL ITEM | | | |
| Change in accounting estimate | 14,435 | - | 112,351 |
| CHANGE IN NET ASSETS | 174,239 | (113,978) | 336,458 |
| TOTAL NET ASSETS, BEGINNING | <u>657,270</u> | <u>4,236,939</u> | <u>281,813</u> |
| TOTAL NET ASSETS, ENDING | <u>\$ 831,509</u> | <u>\$ 4,122,961</u> | <u>\$ 618,271</u> |

| <u>GIS Services</u> | <u>Fleet Services</u> | <u>Vehicle Replacement</u> | <u>Cable Franchise Fee Agreement</u> | <u>Total</u> |
|---------------------|-----------------------|----------------------------|--------------------------------------|----------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 8,961,033 |
| - | 1,871,904 | 1,656,648 | - | 3,528,552 |
| 557,906 | - | - | - | 557,906 |
| - | - | - | 123,336 | 123,336 |
| - | - | - | - | 46,348 |
| <u>557,906</u> | <u>1,871,904</u> | <u>1,656,648</u> | <u>123,336</u> | <u>13,217,175</u> |
| 259,111 | 440,087 | - | 49,225 | 1,028,198 |
| 36,397 | 1,144,076 | - | 17,223 | 1,232,776 |
| 689 | 9,823 | 13,024 | 2,980 | 32,289 |
| 149,268 | 84,365 | 11,800 | 32,098 | 1,557,772 |
| 98,742 | 185,087 | - | 17,053 | 389,352 |
| - | - | - | - | 7,063,306 |
| 4,771 | 12,952 | 1,252,996 | 1,678 | 1,274,964 |
| <u>548,978</u> | <u>1,876,390</u> | <u>1,277,820</u> | <u>120,257</u> | <u>12,578,657</u> |
| 8,928 | (4,486) | 378,828 | 3,079 | 638,518 |
| 257 | 666 | 5,331 | 134 | 24,152 |
| - | - | 113,592 | - | 113,592 |
| - | (1,065) | - | - | (1,065) |
| - | 20,901 | 28,787 | 36 | 49,724 |
| <u>257</u> | <u>20,502</u> | <u>147,710</u> | <u>170</u> | <u>186,403</u> |
| 9,185 | 16,016 | 526,538 | 3,249 | 824,921 |
| - | - | - | - | 126,786 |
| 9,185 | 16,016 | 526,538 | 3,249 | 951,707 |
| 31,767 | 268,266 | 5,697,650 | 43,042 | 11,216,747 |
| <u>\$ 40,952</u> | <u>\$ 284,282</u> | <u>\$ 6,224,188</u> | <u>\$ 46,291</u> | <u>\$ 12,168,454</u> |

CITY OF LONGVIEW, TEXAS

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>General Liability</u> | <u>Group Health</u> | <u>Workers' Compensation</u> |
|---|------------------------------|-------------------------|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from City departments | \$ - | \$ - | \$ - |
| Cash received from premiums/contributions | 901,458 | 7,499,951 | 594,336 |
| Cash received - miscellaneous | - | - | - |
| Cash payments for claims and premiums | (108,477) | (6,673,897) | (347,123) |
| Cash payments for goods and services | (225,449) | (619,104) | (29,100) |
| Cash payments to employees/retirees | (345,372) | (22,178) | - |
| Net cash provided (used) by operating activities | <u>222,160</u> | <u>184,772</u> | <u>218,113</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds for sale of assets | - | - | - |
| Acquisition and construction of capital assets | - | - | - |
| Principal payments on long term debt | - | - | - |
| Interest and fiscal charges | - | - | - |
| Net cash used by capital and related financing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | (119,910) | (501,625) | - |
| Interest on investments | 1,982 | 6,615 | 1,368 |
| Net cash provided (used) by investing activities | <u>(117,928)</u> | <u>(495,010)</u> | <u>1,368</u> |
| NET INCREASE (DECREASE) IN CASH | 104,232 | (310,238) | 219,481 |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>728,017</u> | <u>2,769,349</u> | <u>528,167</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u>\$ 832,249</u> | <u>\$ 2,459,111</u> | <u>\$ 747,648</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ 157,765 | \$ (128,335) | \$ 222,739 |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | | |
| Depreciation | 2,567 | - | - |
| Miscellaneous non-operating revenue | - | - | - |
| Change in assets and liabilities: | | | |
| Decrease (increase) in assets: | | | |
| Due from other funds | - | 4,177 | - |
| Inventories | - | - | - |
| Accounts receivable | - | (31,313) | - |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | 35,496 | 15,023 | (4,626) |
| Due to other funds | - | - | - |
| Accrued liabilities | 1,417 | 169 | - |
| Claims payable | 25,804 | 325,051 | - |
| Compensated absences payable | (1,110) | - | - |
| Other post employment benefits | 221 | - | - |
| Total adjustments | <u>64,395</u> | <u>313,107</u> | <u>(4,626)</u> |
| Net cash provided (used) by operating activities | <u>\$ 222,160</u> | <u>\$ 184,772</u> | <u>\$ 218,113</u> |

| GIS Services | Fleet Services | Vehicle Replacement | Cable Franchise | Total |
|------------------|-------------------|------------------------|--------------------|---------------------|
| \$ 557,905 | \$ 1,878,707 | \$ 1,656,648 | \$ 123,373 | \$ 4,216,633 |
| - | - | - | - | 8,995,745 |
| - | - | 28,787 | - | 28,787 |
| - | - | - | - | (7,129,497) |
| (187,302) | (1,239,619) | (24,824) | (53,439) | (2,378,837) |
| (346,725) | (613,807) | - | (66,598) | (1,394,680) |
| <u>23,878</u> | <u>25,281</u> | <u>1,660,611</u> | <u>3,336</u> | <u>2,338,151</u> |
| - | - | 151,592 | - | 151,592 |
| - | - | (1,658,624) | (23,495) | (1,682,119) |
| - | (1,880) | - | - | (1,880) |
| - | (1,065) | - | - | (1,065) |
| - | (2,945) | (1,507,032) | (23,495) | (1,533,472) |
| - | - | (308,477) | - | (930,012) |
| 257 | 666 | 5,185 | 134 | 16,207 |
| <u>257</u> | <u>666</u> | <u>(303,292)</u> | <u>134</u> | <u>(913,805)</u> |
| 24,135 | 23,002 | (149,713) | (20,025) | (109,126) |
| <u>66,681</u> | <u>235,219</u> | <u>2,113,927</u> | <u>57,839</u> | <u>6,499,199</u> |
| <u>\$ 90,816</u> | <u>\$ 258,221</u> | <u>\$ 1,964,214</u> | <u>\$ 37,814</u> | <u>\$ 6,390,073</u> |
| \$ 8,928 | \$ (4,486) | \$ 378,828 | \$ 3,079 | \$ 638,518 |
| 4,771 | 12,952 | 1,252,996 | 1,678 | 1,274,964 |
| - | 20,901 | 28,787 | 36 | 49,724 |
| - | - | - | - | 4,177 |
| - | (14,098) | - | - | (14,098) |
| - | - | - | - | (31,313) |
| (949) | (1,285) | - | (1,136) | 42,523 |
| - | - | - | - | - |
| 1,559 | 3,207 | - | 435 | 6,787 |
| - | - | - | - | 350,855 |
| 2,599 | (377) | - | (1,012) | 100 |
| 6,970 | 8,467 | - | 256 | 15,914 |
| <u>14,950</u> | <u>29,767</u> | <u>1,281,783</u> | <u>257</u> | <u>1,699,633</u> |
| <u>\$ 23,878</u> | <u>\$ 25,281</u> | <u>\$ 1,660,611</u> | <u>\$ 3,336</u> | <u>\$ 2,338,151</u> |

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STATISTICAL SECTION (UNAUDITED)

This portion of the City of Longview, Texas' comprehensive annual financial report presents multiple years of data to provide a historical perspective for understanding the information available in the financial statements, note disclosures, and required supplementary information and for assessing the City's overall financial health.

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|---|-------------|
| Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 107 |
| Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue resource. | 115 |
| Debt Capacity These schedules contain trend information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 119 |
| Economic and Demographic Indicators These schedules contain economic and demographic information to help the reader understand the environment within which the City's financial activities take place. | 124 |
| Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report related to the services and activities performed by the City. | 127 |

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TABLE 1

CITY OF LONGVIEW, TEXAS

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 25,914,208 | \$ 29,741,809 | \$ 18,331,455 | \$ 16,429,990 | \$ 39,130,985 | \$ 51,234,856 | \$ 51,131,067 | \$ 50,526,891 | \$ 51,682,767 | \$ 53,447,645 |
| Restricted | 6,324,073 | 4,395,711 | 16,594,089 | 8,648,244 | 26,520,556 | 2,285,330 | 2,415,255 | 3,025,079 | 6,762,094 | 9,286,870 |
| Unrestricted | <u>20,639,585</u> | <u>19,871,672</u> | <u>21,912,175</u> | <u>39,708,533</u> | <u>4,249,027</u> | <u>18,699,690</u> | <u>20,121,625</u> | <u>22,702,632</u> | <u>22,534,886</u> | <u>19,416,012</u> |
| Total governmental activities net assets | <u>\$ 52,877,866</u> | <u>\$ 54,009,192</u> | <u>\$ 56,837,719</u> | <u>\$ 64,786,767</u> | <u>\$ 69,900,568</u> | <u>\$ 72,219,876</u> | <u>\$ 73,667,947</u> | <u>\$ 76,254,602</u> | <u>\$ 80,979,747</u> | <u>\$ 82,150,527</u> |
| Business-type activities: | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 65,647,146 | \$ 55,584,264 | \$ 43,541,845 | \$ 41,806,901 | \$ 48,251,955 | \$ 44,909,638 | \$ 44,187,739 | \$ 41,554,130 | \$ 40,333,213 | \$ 39,397,519 |
| Restricted | 4,017,396 | 10,442,146 | 7,806,590 | 9,166,915 | 18,387,798 | 9,374,956 | 9,512,913 | 9,945,196 | 9,709,561 | 9,585,508 |
| Unrestricted | <u>870,244</u> | <u>6,176,128</u> | <u>20,672,864</u> | <u>19,782,247</u> | <u>5,341,065</u> | <u>16,062,001</u> | <u>14,360,944</u> | <u>13,260,494</u> | <u>16,980,547</u> | <u>20,042,784</u> |
| Total business-type activities net assets | <u>\$ 70,534,786</u> | <u>\$ 72,202,538</u> | <u>\$ 72,021,299</u> | <u>\$ 70,756,063</u> | <u>\$ 71,980,818</u> | <u>\$ 70,346,595</u> | <u>\$ 68,061,596</u> | <u>\$ 64,759,820</u> | <u>\$ 67,023,321</u> | <u>\$ 69,025,811</u> |
| Primary government: | | | | | | | | | | |
| Invested in capital assets, net of related debt | 91,561,354 | 85,326,073 | 61,873,300 | 58,236,891 | 87,382,940 | 96,144,494 | 95,318,806 | 92,081,021 | 92,015,980 | 92,845,164 |
| Restricted | 10,341,469 | 14,837,857 | 24,400,679 | 17,815,159 | 44,908,354 | 11,660,286 | 11,928,168 | 12,970,275 | 16,471,655 | 18,872,378 |
| Unrestricted | <u>21,509,829</u> | <u>26,047,800</u> | <u>42,585,039</u> | <u>59,490,780</u> | <u>9,590,092</u> | <u>34,761,691</u> | <u>34,482,569</u> | <u>35,963,126</u> | <u>39,515,433</u> | <u>39,458,796</u> |
| Total primary government net assets | <u>123,412,652</u> | <u>126,211,730</u> | <u>128,859,018</u> | <u>135,542,830</u> | <u>141,881,386</u> | <u>142,566,471</u> | <u>141,729,543</u> | <u>141,014,422</u> | <u>148,003,068</u> | <u>151,176,338</u> |

Sources: City of Longview Finance Department

CITY OF LONGVIEW, TEXAS

CHANGES IN NET ASSETS LAST TEN FISCAL YEARS

| | 2003 | 2004 | 2005 | 2006 |
|--|----------------------|----------------------|----------------------|----------------------|
| EXPENSES | | | | |
| Governmental activities: | | | | |
| General government | \$ 5,004,923 | \$ 5,183,021 | \$ 5,596,388 | \$ 6,072,058 |
| Public safety | 25,038,656 | 26,125,950 | 28,599,429 | 30,954,625 |
| Public works | 8,590,309 | 9,131,511 | 9,627,021 | 6,690,824 |
| Developmental services | 2,209,786 | 2,355,681 | 2,134,167 | 2,744,376 |
| Culture and recreation | 4,943,945 | 5,376,023 | 6,653,171 | 6,384,926 |
| Public transit | 706,595 | 936,685 | 1,399,305 | 1,479,733 |
| Public welfare | 5,652,428 | 5,527,598 | 5,558,072 | 6,253,531 |
| Arts and culture | 652,079 | 527,677 | 537,825 | 763,948 |
| Interest and fiscal charges | 2,307,523 | 2,411,757 | 1,948,090 | 2,060,118 |
| Total governmental activities expenses | <u>55,106,244</u> | <u>57,575,903</u> | <u>62,053,468</u> | <u>63,404,139</u> |
| Business-type activities: | | | | |
| Water utilities | 21,890,134 | 21,954,358 | 25,189,692 | 27,044,288 |
| Sanitation | 3,307,553 | 2,984,927 | 3,397,459 | 3,690,267 |
| Nonmajor funds - Longview Recreation Association | 482,615 | 489,002 | 545,897 | 461,520 |
| Total business-type activities expenses | <u>25,680,302</u> | <u>25,428,287</u> | <u>29,133,048</u> | <u>31,196,075</u> |
| Total primary government program expenses | <u>\$ 80,786,546</u> | <u>\$ 83,004,190</u> | <u>\$ 91,186,516</u> | <u>\$ 94,600,214</u> |
| Component unit: | | | | |
| Longview Economic Development Corporation | \$ 3,131,414 | \$ 3,364,486 | \$ 4,104,500 | \$ 4,959,868 |
| Total component unit | <u>\$ 3,131,414</u> | <u>\$ 3,364,486</u> | <u>\$ 4,104,500</u> | <u>\$ 4,959,868</u> |
| PROGRAM REVENUES | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 356,191 | \$ 350,221 | \$ 220,467 | \$ 1,821,712 |
| Public safety | 3,991,741 | 4,110,069 | 4,432,935 | 3,088,404 |
| Public works | - | 671,718 | - | - |
| Developmental services | 839,368 | 922,371 | 1,090,372 | 1,745,944 |
| Culture and recreation | 157,222 | 187,261 | 356,648 | 164,458 |
| Public transit | - | 16,571 | - | - |
| Public welfare | - | 3,529 | 23,430 | 41,375 |
| Operating grants and contributions | 7,203,684 | 6,950,185 | 7,650,016 | 8,452,958 |
| Capital grants and contributions | 898,817 | 1,052,750 | 498,829 | 313,385 |
| Total governmental activities program revenues | <u>13,447,023</u> | <u>14,264,675</u> | <u>14,272,697</u> | <u>15,628,236</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water utilities | 23,238,814 | 23,836,486 | 25,019,840 | 26,110,235 |
| Sanitation | 3,553,801 | 3,628,254 | 3,814,359 | 3,879,969 |
| Operating grants and contributions | - | - | - | - |
| Nonmajor funds - Longview Recreation Association | 526,346 | 466,545 | 518,995 | 523,880 |
| Total business-type activities program revenues | <u>27,318,961</u> | <u>27,931,285</u> | <u>29,353,194</u> | <u>30,514,084</u> |
| Total primary government program revenues | <u>\$ 40,765,984</u> | <u>\$ 42,195,960</u> | <u>\$ 43,625,891</u> | <u>\$ 46,142,320</u> |
| Component unit: | | | | |
| Longview Economic Development Corporation | \$ 450,629 | \$ 565,000 | \$ 191,250 | \$ 254,931 |
| Total component unit | <u>\$ 450,629</u> | <u>\$ 565,000</u> | <u>\$ 191,250</u> | <u>\$ 254,931</u> |

(continued)

TABLE 2

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 5,866,548 | \$ 4,708,108 | \$ 5,256,629 | \$ 5,543,250 | \$ 5,192,734 | \$ 3,224,548 |
| 31,458,698 | 36,122,785 | 38,920,999 | 38,313,379 | 38,627,890 | 39,454,022 |
| 10,378,876 | 10,741,787 | 10,652,928 | 10,159,012 | 10,191,221 | 11,097,787 |
| 2,830,925 | 3,911,298 | 3,251,860 | 3,214,619 | 3,481,048 | 3,194,264 |
| 6,716,245 | 8,853,686 | 10,969,680 | 10,659,666 | 8,708,583 | 11,774,530 |
| 1,604,858 | 1,788,654 | 1,495,264 | 2,324,776 | 1,520,519 | 2,110,537 |
| 5,098,096 | 6,083,443 | 6,764,496 | 6,792,308 | 9,673,465 | 7,020,452 |
| 724,881 | 110,828 | | | | |
| <u>2,146,908</u> | <u>2,265,612</u> | <u>2,585,889</u> | <u>2,600,824</u> | <u>2,289,521</u> | <u>2,695,573</u> |
| <u>66,826,035</u> | <u>74,586,201</u> | <u>79,897,745</u> | <u>79,607,834</u> | <u>79,684,981</u> | <u>80,571,713</u> |
| 26,634,188 | 28,459,810 | 28,930,376 | 28,607,186 | 27,971,548 | 30,054,555 |
| 3,577,080 | 4,117,830 | 3,956,751 | 3,826,428 | 4,264,198 | 4,781,169 |
| 483,389 | 521,971 | 468,459 | 674,814 | 738,962 | 758,580 |
| <u>30,694,657</u> | <u>33,099,611</u> | <u>33,355,586</u> | <u>33,108,428</u> | <u>32,974,708</u> | <u>35,594,304</u> |
| \$ <u>97,520,692</u> | \$ <u>107,685,812</u> | \$ <u>113,253,331</u> | \$ <u>112,716,262</u> | \$ <u>112,659,689</u> | \$ <u>116,166,017</u> |
| \$ <u>2,990,866</u> | \$ <u>2,504,493</u> | \$ <u>3,924,045</u> | \$ <u>2,370,388</u> | \$ <u>4,490,214</u> | \$ <u>3,960,040</u> |
| \$ <u>2,990,866</u> | \$ <u>2,504,493</u> | \$ <u>3,924,045</u> | \$ <u>2,370,388</u> | \$ <u>4,490,214</u> | \$ <u>3,960,040</u> |
| \$ 2,070,727 | \$ 2,465,835 | \$ 435,850 | \$ 428,146 | \$ 71,172 | \$ 93,667 |
| 3,215,011 | 3,677,262 | 6,304,084 | 6,939,023 | 6,518,457 | 7,574,304 |
| - | - | - | - | - | - |
| 1,349,396 | 1,301,989 | 759,251 | 931,644 | 781,783 | 1,007,281 |
| 697,135 | 700,742 | 123,422 | 99,511 | 575,771 | 658,334 |
| - | - | - | 136,655 | 168,359 | 381,502 |
| 36,399 | 28,459 | 171,546 | 164,556 | 160,861 | 162,078 |
| 8,699,604 | 8,427,419 | 9,288,470 | 9,221,403 | 9,476,691 | 9,305,395 |
| 1,226,470 | 774,938 | 1,031,458 | 2,089,708 | 3,102,336 | 510,059 |
| <u>17,294,742</u> | <u>17,376,644</u> | <u>18,114,081</u> | <u>20,010,646</u> | <u>20,855,430</u> | <u>19,692,620</u> |
| 25,532,292 | 27,179,895 | 26,331,157 | 26,420,522 | 32,288,707 | 31,805,126 |
| 4,048,155 | 4,240,543 | 4,495,352 | 4,705,396 | 4,803,324 | 4,922,633 |
| | 207,172 | 82,716 | | | |
| <u>510,695</u> | <u>561,158</u> | <u>516,957</u> | <u>602,889</u> | <u>714,995</u> | <u>700,378</u> |
| <u>30,091,142</u> | <u>32,188,768</u> | <u>31,426,182</u> | <u>31,728,807</u> | <u>37,807,026</u> | <u>37,428,137</u> |
| \$ <u>47,385,884</u> | \$ <u>49,565,412</u> | \$ <u>49,540,263</u> | \$ <u>51,739,453</u> | \$ <u>58,662,456</u> | \$ <u>57,120,757</u> |
| \$ <u>97,098</u> | \$ <u>224,416</u> | \$ <u>524,351</u> | \$ <u>1,549,584</u> | \$ <u>943,950</u> | \$ <u>923,083</u> |
| \$ <u>97,098</u> | \$ <u>224,416</u> | \$ <u>524,351</u> | \$ <u>1,549,584</u> | \$ <u>943,950</u> | \$ <u>923,083</u> |

CITY OF LONGVIEW, TEXAS

**CHANGES IN NET ASSETS
(Continued)
LAST TEN FISCAL YEARS**

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| NET (EXPENSE) REVENUES | | | | |
| Governmental activities | \$ (41,659,221) | \$ (43,311,228) | \$ (47,780,771) | \$ (47,775,903) |
| Business-type activities | <u>1,638,659</u> | <u>2,502,998</u> | <u>220,146</u> | <u>(681,991)</u> |
| Total primary government net expense | <u>\$ (40,020,562)</u> | <u>\$ (40,808,230)</u> | <u>\$ (47,560,625)</u> | <u>\$ (48,457,894)</u> |
| Component unit: | | | | |
| Longview Economic Development Corporation | <u>\$ (2,680,785)</u> | <u>\$ (2,799,486)</u> | <u>\$ (3,913,250)</u> | <u>\$ (4,704,937)</u> |
| Total component unit | <u>\$ (2,680,785)</u> | <u>\$ (2,799,486)</u> | <u>\$ (3,913,250)</u> | <u>\$ (4,704,937)</u> |
| GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS | | | | |
| Governmental activities: | | | | |
| Taxes | | | | |
| Property | \$ 18,461,293 | \$ 17,406,348 | \$ 18,778,484 | \$ 19,951,302 |
| Franchise | 4,583,223 | 5,143,551 | 5,187,723 | 4,643,213 |
| Sales | 15,917,817 | 16,790,564 | 18,227,952 | 20,855,105 |
| Other | 2,029,972 | 2,071,928 | 2,177,226 | 1,557,841 |
| Interest | 550,114 | 606,622 | 715,616 | 2,157,508 |
| Miscellaneous | - | - | - | - |
| Gain (loss) on disposition of assets | (40,673) | - | - | 8,615 |
| Transfers | 1,514,821 | 1,381,910 | 1,198,170 | 1,845,195 |
| Other | <u>1,456,452</u> | <u>1,041,631</u> | <u>1,535,494</u> | <u>1,566,970</u> |
| Total governmental activities | <u>44,473,019</u> | <u>44,442,554</u> | <u>47,820,665</u> | <u>52,585,749</u> |
| Business-type activities: | | | | |
| Interest | 370,419 | 402,780 | 664,707 | 1,217,691 |
| Gain (loss) on disposition of assets | (40,673) | - | - | - |
| Transfers | (1,514,821) | (1,381,910) | (1,198,170) | (1,800,936) |
| Other | <u>109,277</u> | <u>143,883</u> | <u>132,079</u> | <u>-</u> |
| Total business-type activities | <u>(1,075,798)</u> | <u>(835,247)</u> | <u>(401,384)</u> | <u>(583,245)</u> |
| Total primary government | <u>\$ 43,397,221</u> | <u>\$ 43,607,307</u> | <u>\$ 47,419,281</u> | <u>\$ 52,002,504</u> |
| Component unit: | | | | |
| Sales taxes | 3,211,617 | 3,372,087 | 3,603,773 | 4,168,450 |
| Interest | - | 85,068 | 122,091 | 265,327 |
| Miscellaneous | - | - | - | - |
| Gain (loss) on disposition of assets | 133,586 | - | - | 17,782 |
| Other | <u>1,470</u> | <u>-</u> | <u>10,994</u> | <u>-</u> |
| Total component unit | <u>\$ 3,346,673</u> | <u>\$ 3,457,155</u> | <u>\$ 3,736,858</u> | <u>\$ 4,451,559</u> |
| CHANGE IN NET ASSETS | | | | |
| Governmental activities | \$ 2,813,798 | \$ 1,131,326 | \$ 39,894 | \$ 4,809,845 |
| Business-type activities | <u>562,861</u> | <u>1,667,751</u> | <u>(181,238)</u> | <u>(1,265,236)</u> |
| Total primary government | <u>\$ 3,376,659</u> | <u>\$ 2,799,077</u> | <u>\$ (141,344)</u> | <u>\$ 3,544,609</u> |

Note:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

TABLE 2

| 2007 | 2008 | 2009 | 2010 | 1011 | 2012 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$(49,531,293) | \$(57,209,557) | \$(61,783,664) | \$(59,597,188) | \$(58,829,551) | \$(60,879,093) |
| (603,515) | (910,843) | (1,929,404) | (1,379,621) | 4,832,318 | 1,833,833 |
| \$(50,134,808) | \$(58,120,400) | \$(63,713,068) | \$(60,976,809) | \$(53,997,233) | \$(59,045,260) |
| \$(2,893,768) | \$(2,280,077) | \$(3,399,694) | \$(820,804) | \$(3,546,264) | \$ 3,960,040 |
| \$(2,893,768) | \$(2,280,077) | \$(3,399,694) | \$(820,804) | \$(3,546,264) | \$ 3,960,040 |
| \$ 21,198,592 | \$ 22,703,305 | \$ 24,876,171 | \$ 26,076,326 | \$ 24,878,943 | \$ 26,463,213 |
| 5,352,814 | 5,102,319 | 5,555,973 | 5,673,335 | 5,891,397 | 5,316,765 |
| 22,210,092 | 23,423,732 | 23,894,746 | 23,155,083 | 25,605,652 | 24,922,597 |
| 2,505,697 | 2,748,784 | 1,708,834 | 1,629,808 | 1,675,448 | 2,201,424 |
| 2,382,476 | 1,609,669 | 794,468 | 257,225 | 257,970 | 235,883 |
| | 1,924,964 | 1,923,797 | 2,164,371 | 2,562,942 | 820,760 |
| 60,404 | 176,720 | 144,708 | 79,463 | 293,517 | (99,144) |
| 1,956,123 | 1,989,968 | 2,515,045 | 2,439,902 | 2,346,927 | |
| 1,550,249 | | | | | 1,733,971 |
| 57,216,447 | 59,679,461 | 61,413,742 | 61,475,513 | 63,512,796 | 61,595,469 |
| 1,465,065 | 1,270,297 | 888,340 | 172,081 | 130,876 | 113,934 |
| - | (3,709) | | 97,102 | 5,955 | - |
| (1,956,123) | (1,989,968) | (2,515,045) | (2,439,902) | (2,346,927) | |
| (63,400) | | | 85,806 | | 54,723 |
| (554,458) | (723,380) | (1,626,705) | (2,084,913) | (2,210,096) | 168,657 |
| \$ 56,661,989 | \$ 58,956,081 | \$ 59,787,037 | \$ 59,390,600 | \$ 61,302,700 | \$ 61,764,126 |
| 4,444,590 | 4,684,746 | 4,778,948 | 4,630,827 | 5,121,318 | 4,984,518 |
| 338,827 | 198,768 | 35,538 | 23,065 | 61,560 | 96,308 |
| | 17,923 | 109,273 | 16,226 | 13,037 | 22,195 |
| 239,053 | | 5,873 | (3,452) | | 99,895 |
| 47,067 | - | - | - | - | - |
| \$ 5,069,537 | \$ 4,901,437 | \$ 4,929,632 | \$ 4,666,666 | \$ 5,195,915 | \$ 5,202,916 |
| \$ 7,685,154 | \$ 2,469,904 | \$(369,922) | \$ 1,878,325 | \$ 4,683,245 | \$ 716,376 |
| (1,157,973) | (1,634,223) | (3,556,109) | (3,464,534) | 2,622,222 | 2,002,490 |
| \$ 6,527,181 | \$ 835,681 | \$(3,926,031) | \$(1,586,209) | \$ 7,305,467 | \$ 2,718,866 |

CITY OF LONGVIEW, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General fund | | | | | | | | | | |
| Reserved | \$ 177,027 | \$ 600,760 | \$ 175,641 | \$ 334,465 | \$ 942,735 | \$ 1,303,835 | \$ 606,186 | \$ 131,091 | \$ - | \$ - |
| Unreserved | 15,061,791 | 15,415,263 | 18,817,362 | 17,074,060 | 14,967,077 | 14,366,291 | 14,675,839 | 16,992,517 | - | - |
| Nonspendable | | | | | | | | | 155,600 | 141,623 |
| Restricted | | | | | | | | | 71,183 | 75,884 |
| Committed | | | | | | | | | - | - |
| Assigned | | | | | | | | | 3,805,751 | 4,692,239 |
| Unassigned | | | | | | | | | 17,415,534 | 14,659,946 |
| Total general fund | <u>\$ 15,238,818</u> | <u>\$ 16,016,023</u> | <u>\$ 18,993,003</u> | <u>\$ 17,408,525</u> | <u>\$ 15,909,812</u> | <u>\$ 15,670,126</u> | <u>\$ 15,282,025</u> | <u>\$ 17,123,608</u> | <u>\$ 21,448,068</u> | <u>\$ 19,569,692</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ 6,419,797 | \$ 4,400,278 | \$ 17,187,849 | \$ 17,973,428 | \$ 26,789,843 | \$ 17,430,753 | \$ 11,565,277 | \$ 7,029,215 | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Capital Projects | | | | | | | 8,078,271 | 5,658,710 | - | - |
| Special revenue funds | 4,756,359 | 4,083,308 | 3,949,014 | 4,067,275 | 5,144,028 | 5,559,614 | 4,011,235 | 4,653,079 | - | - |
| Nonspendable | | | | | | | | | - | - |
| Restricted | | | | | | | | | 30,159,407 | 28,326,422 |
| Committed | | | | | | | | | 4,153,961 | 3,702,598 |
| Assigned | | | | | | | | | 50,000 | - |
| Unassigned | | | | | | | | | (316,480) | (201,248) |
| Total all other governmental funds | <u>\$ 11,176,156</u> | <u>\$ 8,483,586</u> | <u>\$ 21,136,863</u> | <u>\$ 22,040,703</u> | <u>\$ 31,933,871</u> | <u>\$ 22,990,367</u> | <u>\$ 23,654,783</u> | <u>\$ 17,341,004</u> | <u>\$ 34,046,888</u> | <u>\$ 31,827,772</u> |

Sources: City of Longview Finance Department

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CITY OF LONGVIEW, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| REVENUES | | | | | | | | | | |
| Taxes | \$ 39,923,064 | \$ 41,412,391 | \$ 44,455,498 | \$ 47,570,415 | \$ 51,151,530 | \$ 54,242,619 | \$ 55,791,115 | \$ 56,169,174 | \$ 58,463,767 | \$ 58,936,599 |
| Licenses and permits | 1,190,094 | 2,012,041 | 1,367,731 | 1,355,532 | 1,426,042 | 1,379,603 | 1,041,044 | 1,165,887 | 1,014,188 | 1,272,516 |
| Fines and forfeitures | 2,084,219 | 1,991,636 | 2,066,680 | 1,962,978 | 2,174,181 | 2,225,890 | 2,185,603 | 2,449,613 | 2,771,417 | 3,309,089 |
| Charges for services | 2,087,860 | 2,220,240 | 2,293,720 | 3,400,543 | 3,566,134 | 3,993,768 | 4,403,744 | 4,809,119 | 4,767,098 | 5,093,076 |
| Intergovernmental | 8,102,501 | 7,565,355 | 8,544,566 | 8,450,419 | 10,387,272 | 10,396,979 | 10,319,928 | 11,311,111 | 12,579,027 | 9,815,454 |
| Investment income | 523,815 | 561,453 | 619,368 | 2,157,508 | 2,382,476 | 1,609,669 | 778,702 | 231,266 | 208,071 | 211,732 |
| Contractual fees | 900,000 | 900,000 | 900,000 | 900,000 | 900,000 | 1,100,000 | 1,158,000 | 1,166,320 | 1,724,972 | 1,733,971 |
| Miscellaneous | 417,801 | 552,033 | 500,971 | 640,928 | 384,797 | 915,092 | 765,797 | 988,656 | 1,106,831 | 812,143 |
| Total revenues | 55,229,354 | 57,215,149 | 60,748,534 | 66,438,323 | 72,372,432 | 75,863,620 | 76,443,933 | 78,291,146 | 82,635,371 | 81,184,580 |
| EXPENDITURES | | | | | | | | | | |
| General government | 4,865,801 | 5,166,418 | 5,551,177 | 5,552,308 | 5,783,900 | 4,538,139 | 5,045,923 | 5,343,613 | 5,075,012 | 2,973,445 |
| Public safety | 24,624,587 | 24,959,958 | 25,964,364 | 27,883,621 | 30,336,154 | 34,296,990 | 35,684,092 | 36,184,465 | 36,396,690 | 36,515,537 |
| Public works | 4,495,547 | 4,642,868 | 5,162,280 | 5,090,174 | 5,874,124 | 6,045,967 | 6,384,244 | 6,009,023 | 6,105,838 | 6,900,308 |
| Culture and recreation | 4,876,444 | 5,047,704 | 5,237,992 | 5,769,439 | 6,293,196 | 8,312,921 | 8,893,765 | 8,110,382 | 8,671,942 | 8,949,232 |
| Developmental services | 2,222,016 | 2,333,920 | 2,288,998 | 2,468,446 | 2,867,298 | 3,901,766 | 3,171,102 | 3,171,665 | 3,476,516 | 3,201,941 |
| Public welfare | 5,783,782 | 5,536,409 | 5,633,209 | 6,014,640 | 5,165,454 | 6,073,466 | 6,672,434 | 6,719,784 | 6,949,009 | 6,868,627 |
| Public transit | 649,401 | 936,685 | 1,264,534 | 1,349,149 | 1,420,489 | 1,580,378 | 1,391,198 | 2,122,742 | 1,222,924 | 1,834,871 |
| Arts and culture | 652,079 | 527,677 | 537,825 | 634,008 | 619,248 | - | - | - | - | - |
| Capital outlay | 6,971,178 | 5,328,547 | 5,804,225 | 7,748,041 | 15,720,346 | 15,253,541 | 20,272,572 | 9,628,842 | 9,677,027 | 9,685,498 |
| Debt service: | | | | | | | | | | |
| Principal | 3,687,823 | 3,935,081 | 4,476,769 | 4,953,629 | 5,293,592 | 5,499,659 | 5,546,307 | 5,583,952 | 5,304,445 | 5,897,682 |
| Interest and fiscal charges | 2,327,017 | 2,149,102 | 1,746,256 | 2,012,461 | 1,790,967 | 2,153,682 | 2,634,963 | 2,397,814 | 2,455,848 | 2,498,075 |
| Bond issue expenses | - | - | 413,146 | - | - | - | - | - | - | - |
| Total expenditures | 61,155,675 | 60,564,369 | 64,080,775 | 69,475,916 | 81,164,768 | 87,656,509 | 95,696,600 | 85,272,282 | 85,335,251 | 85,325,216 |

(continued)

TABLE 4

CITY OF LONGVIEW, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|-----------------|
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | \$ (5,926,321) | \$ (3,349,220) | \$ (3,332,241) | \$ (3,037,593) | \$ (8,792,336) | \$ (11,792,889) | \$ (19,252,667) | \$ (6,981,136) | \$ (2,699,880) | \$ (4,140,636) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Issuance of bonds | - | - | 38,990,000 | - | 14,790,000 | - | 11,250,000 | - | 21,303,620 | - |
| Payments to escrow account | - | - | (25,513,273) | - | - | - | - | - | - | - |
| Premium on refunded bonds | - | - | 426,287 | - | - | - | 140,190 | - | - | - |
| Proceeds from lease | 377,893 | - | 565,750 | - | 373,699 | 404,374 | 5,724,939 | - | - | - |
| Sale of capital assets | - | - | 131,088 | 8,615 | 60,404 | 143,260 | 3,793 | 67,055 | 67,660 | 32,042 |
| Proceeds from insurance | - | - | - | 25,144 | 6,565 | - | - | - | - | 18,876 |
| Transfers in | 5,049,258 | 4,967,142 | 5,475,569 | 9,204,941 | 11,519,782 | 7,601,787 | 7,464,161 | 6,701,596 | 8,759,908 | 7,826,891 |
| Transfers out | (3,134,437) | (3,185,232) | (3,262,162) | (7,359,746) | (9,563,659) | (5,539,722) | (5,061,181) | (4,259,711) | (6,428,356) | (7,826,891) |
| Total other financing sources (uses) | <u>2,292,714</u> | <u>1,781,910</u> | <u>16,813,259</u> | <u>1,878,954</u> | <u>17,186,791</u> | <u>2,609,699</u> | <u>19,521,902</u> | <u>2,508,940</u> | <u>23,702,832</u> | <u>50,918</u> |
| NET CHANGE IN FUND BALANCES | \$ (3,633,607) | \$ (1,567,310) | \$ 13,481,018 | \$ (1,158,639) | \$ 8,394,455 | \$ (9,183,190) | \$ 269,235 | \$ (4,472,196) | \$ 21,002,952 | \$ (4,089,718) |
| DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES | <u>11.1%</u> | <u>11.0%</u> | <u>10.7%</u> | <u>11.3%</u> | <u>10.8%</u> | <u>10.6%</u> | <u>10.8%</u> | <u>10.6%</u> | <u>10.3%</u> | <u>11.1%</u> |

Sources: City of Longview Finance Department

CITY OF LONGVIEW, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

| Fiscal Year | Assessed Value | | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value |
|----------------|------------------|----------------------|------------------------------------|-----------------------------|---|
| | Real Property | Personal Property | | | |
| 2003 | \$ 2,404,029,370 | \$ 1,079,655,456 | \$ 3,483,684,826 | 0.48340 | \$ 3,483,684,826 |
| 2004 | 2,615,613,343 | 1,052,540,902 | 3,668,154,245 | 0.48340 | 3,668,154,245 |
| 2005 | 2,809,756,758 | 1,137,492,313 | 3,947,249,071 | 0.48340 | 3,947,249,071 |
| 2006 | 2,968,216,443 | 1,233,532,549 | 4,201,748,992 | 0.48340 | 4,201,748,992 |
| 2007 | 3,161,628,873 | 1,366,616,901 | 4,528,245,774 | 0.48340 | 4,528,245,774 |
| 2008 | 3,417,163,747 | 1,515,933,570 | 4,933,097,317 | 0.48400 | 4,933,097,317 |
| 2009 | 3,546,110,109 | 1,493,178,970 | 5,039,289,079 | 0.48400 | 5,039,289,079 |
| 2010 | 3,638,519,229 | 1,383,497,413 | 5,022,016,642 | 0.48400 | 5,022,016,642 |
| 2011 | 3,743,596,826 | 1,370,413,085 | 5,114,009,911 | 0.48400 | 5,114,009,911 |
| 2012 | 3,823,157,606 | 1,372,559,758 | 5,195,717,364 | 0.50090 | 5,195,717,364 |

Source: Gregg County Appraisal District

TABLE 6

CITY OF LONGVIEW, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

| Fiscal Year | City Direct Rates | | | Overlapping Rates | | | | |
|-------------|-------------------|-------------------|-------------------|-------------------|--------------|-----------------|---------------|----------------|
| | Operating Rate | Debt Service Rate | Total Direct Rate | Gregg County | Longview ISD | Spring Hill ISD | Pine Tree ISD | Hallsville ISD |
| 2003 | 0.35670 | 0.12670 | 0.48340 | 0.23500 | 1.55327 | 1.64500 | 1.63170 | 1.65444 |
| 2004 | 0.35670 | 0.12670 | 0.48340 | 0.23500 | 1.61900 | 1.64500 | 1.63170 | 1.65500 |
| 2005 | 0.36640 | 0.11700 | 0.48340 | 0.28000 | 1.61000 | 1.64500 | 1.63280 | 1.62500 |
| 2006 | 0.36160 | 0.12180 | 0.48340 | 0.28000 | 1.46800 | 1.64500 | 1.69830 | 1.58700 |
| 2007 | 0.36580 | 0.11760 | 0.48340 | 0.28000 | 1.13805 | 1.51500 | 1.61390 | 1.44000 |
| 2008 | 0.36580 | 0.11820 | 0.48400 | 0.27000 | 1.13805 | 1.18500 | 1.34690 | 1.35900 |
| 2009 | 0.37070 | 0.11330 | 0.48400 | 0.26750 | 1.29795 | 1.54000 | 1.34850 | 1.30000 |
| 2010 | 0.37070 | 0.11330 | 0.48400 | 0.26750 | 1.43800 | 1.58000 | 1.37850 | 1.35300 |
| 2011 | 0.36620 | 0.11780 | 0.48400 | 0.26500 | 1.51300 | 1.54000 | 1.37850 | 1.42300 |
| 2012 | 0.36620 | 0.13470 | 0.50090 | 0.26250 | 1.51300 | 1.54000 | 1.51100 | 1.42300 |

Source: Tax departments of respective entities

TABLE 7

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

| Taxpayer | 2012 | |
|-------------------------------------|-------------------------------|---|
| | Taxable Assessed Value* | Percentage of Total City Taxable Assessed Value** |
| LeTourneau, Inc. | \$ 166,483,930 | 3.20% |
| Trican (Liberty Pressure Pump) | 73,187,820 | 1.41% |
| Wal-Mart/Sam's | 64,158,260 | 1.23% |
| Longview Medical/Longview Regional | 56,719,720 | 1.09% |
| Trinity Industries | 47,202,760 | 0.91% |
| Rexam Beverage | 39,616,160 | 0.76% |
| Well Services Division of STC | 36,883,460 | 0.71% |
| AEP Southwestern Electric Power Co. | 35,733,480 | 0.69% |
| General Motors, LLC | 32,796,460 | 0.63% |
| GSHS Inc/Good Shepherd Hospital | 30,675,010 | 0.59% |
| Total | <u>\$ 583,457,060</u> | <u>11.23%</u> |

| Taxpayer | 2003 | |
|-------------------------------------|-------------------------------|---|
| | Taxable Assessed Value* | Percentage of Total City Taxable Assessed Value** |
| LeTourneau, Inc. | \$ 98,381,410 | 2.89% |
| Longview Regional Medical Center | 47,967,140 | 1.41% |
| Southwestern Electric Power Co. | 37,759,630 | 1.11% |
| Southwestern Bell Telephone | 37,673,160 | 1.11% |
| Dowell Shlumberger Inc | 36,918,050 | 1.08% |
| Walmart Stores/ Sams | 32,670,790 | 0.96% |
| Bemis Company/Bemis Custom Products | 24,566,580 | 0.72% |
| Longview Mall/Simon Property Group | 24,356,030 | 0.72% |
| Rexam Beverage Can Company | 21,247,120 | 0.62% |
| Trinity Industries, Inc. | 20,281,860 | 0.60% |
| Total | <u>\$ 381,821,770</u> | <u>11.22%</u> |

Sources:

* Gregg County Appraisal District

** City of Longview Finance Department

TABLE 8

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

| Fiscal Year Ended | Taxes Levied for the Fiscal Year | Collected With the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|----------------------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2003 | \$ 16,829,997 | \$ 16,452,002 | 97.75% | \$ 336,458 | \$ 16,788,460 | 99.75% |
| 2004 | 17,242,435 | 16,888,390 | 97.95% | 317,674 | 17,206,064 | 99.79% |
| 2005 | 18,512,716 | 18,154,826 | 98.07% | 315,161 | 18,469,987 | 99.77% |
| 2006 | 19,628,247 | 19,311,792 | 98.39% | 267,825 | 19,579,617 | 99.75% |
| 2007 | 21,019,890 | 20,484,010 | 97.45% | 476,956 | 20,960,966 | 99.72% |
| 2008 | 22,626,702 | 22,262,087 | 98.39% | 299,637 | 22,561,725 | 99.71% |
| 2009 | 24,520,685 | 24,094,184 | 98.26% | 343,832 | 24,438,016 | 99.66% |
| 2010 | 25,358,256 | 25,015,899 | 98.65% | 291,541 | 25,307,440 | 99.80% |
| 2011 | 24,999,971 | 24,649,525 | 98.60% | 192,624 | 24,842,148 | 99.37% |
| 2012 | 26,174,340 | 25,889,469 | 98.91% | - | 25,889,469 | 98.91% |

Sources: Gregg County Tax Assessor/Collector
Harrison County Tax Assessor/Collector

TABLE 9

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

| Fiscal Year | Governmental Activities | | Business-type Activities | | Total Primary Government | Percentage of Personal Income (1) | Per Capita |
|----------------|--------------------------------|-------------------|-----------------------------|-------------------|--------------------------------|---|---------------|
| | General Obligation Bonds | Capital Leases | Water Revenue Bonds | Capital Leases | | | |
| 2003 | \$ 42,808,525 | \$ 1,158,194 | \$ 93,598,533 | \$ 649,138 | \$ 138,214,390 | - % | \$ 1,876 |
| 2004 | 39,045,475 | 986,162 | 98,387,631 | 551,002 | 138,970,270 | - % | 1,863 |
| 2005 | 49,052,045 | 1,373,018 | 93,266,696 | 449,048 | 144,140,807 | - % | 1,914 |
| 2006 | 45,340,000 | 1,114,225 | 88,855,572 | 343,128 | 135,652,925 | 3.75% | 1,777 |
| 2007 | 54,950,000 | 1,219,332 | 85,680,000 | 233,088 | 142,082,420 | 4.85% | 1,847 |
| 2008 | 49,940,000 | 1,289,048 | 93,090,000 | 118,768 | 144,437,816 | 4.35% | 1,822 |
| 2009 | 56,335,000 | 6,322,680 | 87,745,000 | 1,018,575 | 151,421,255 | 9.20% | 1,971 |
| 2010 | 51,530,000 | 5,543,675 | 82,245,000 | 2,527,377 | 141,846,051 | 7.21% | 1,811 |
| 2011 | 68,125,000 | 4,994,900 | 82,200,000 | 2,223,862 | 157,543,762 | 7.76% | 1,939 |
| 2012 | 62,830,000 | 4,390,340 | 76,730,000 | 1,942,695 | 145,893,035 | 7.57% | 1,792 |

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

(1) Personal income was not available in previous fiscal years from 2003 through 2005.

CITY OF LONGVIEW, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

| Fiscal Year | General Bonded Debt Outstanding | | | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|----------------|---------------------------------|------------------------------|-------------------------------|---|-------------------------------------|
| | Gross General Bonded Debt | Less Debt Service Fund | Net General Bonded Debt | | |
| 2003 | \$ 42,808,525 | \$ 2,020,410 | \$ 40,788,115 | 1.1708% | \$ 551 |
| 2004 | 39,045,475 | 2,061,840 | 36,983,635 | 1.0082% | 496 |
| 2005 | 50,035,000 | 2,132,859 | 47,902,141 | 1.2136% | 636 |
| 2006 | 45,340,000 | 2,242,808 | 43,097,192 | 1.0257% | 574 |
| 2007 | 55,105,000 | 2,381,291 | 52,723,709 | 1.1643% | 685 |
| 2008 | 49,940,000 | 2,285,332 | 47,654,669 | 0.9660% | 601 |
| 2009 | 56,335,000 | 2,290,255 | 54,044,745 | 1.0725% | 704 |
| 2010 | 51,530,000 | 2,369,331 | 49,160,669 | 0.9789% | 628 |
| 2011 | 68,125,000 | 2,529,887 | 65,595,113 | 1.2827% | 807 |
| 2012 | 62,830,000 | 2,857,328 | 59,972,672 | 1.1543% | 737 |

CITY OF LONGVIEW, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2012

| Government Unit | Debt Outstanding | Estimated Percentage Applicable | (1) | Estimated Share of Direct and Overlapping Debt |
|---|---------------------|---------------------------------------|-----|--|
| Total Direct Bonded Debt | | | | |
| City of Longview | \$ 62,830,000 | 100.00% | | \$ 62,830,000 |
| Total Overlapping Debt | | | | |
| Gregg County | - | 54.98% | | - |
| Harrison County | 4,025,000 | 3.57% | | 143,693 |
| Longview Independent School District | 254,685,258 | 81.46% | | 207,466,611 |
| Pine Tree Independent School District | 74,505,000 | 38.05% | | 28,349,153 |
| Spring Hill Independent School District | 41,130,000 | 100.00% | | 41,130,000 |
| Hallsville Independent School District | 88,230,000 | 10.68% | | 9,422,964 |
| Total Overlapping Debt | | | | <u>286,512,420</u> |
| City direct debt | | | | <u>62,830,000</u> |
| Total direct and overlapping debt | | | | <u>\$ 349,342,420</u> |

Sources: Southwest Securities

Notes: (1) 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 overlapping government's boundaries and dividing it by the overlapping government's total taxable assessed value.

CITY OF LONGVIEW, TEXAS**COMPUTATION OF LEGAL DEBT MARGIN****SEPTEMBER 30, 2012
(UNAUDITED)**

Article XI, Section 5 of the State of Texas Constitution states in part: "...no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city."

As a home rule city, the City of Longview is not limited by law in the amount of debt it may issue. The City's Charter provides that general property taxes are limited to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation bonds.

The tax rate for fiscal year 2011 was established at \$.5009 per \$100 of assessed valuation based on 100% of appraised value.

CITY OF LONGVIEW, TEXAS

PLEGGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

| Fiscal Year | Water Revenue Bonds | | | | | | Coverage |
|----------------|---------------------|--------------------------------|-----------------------------|--------------|--------------|------|----------|
| | Water Revenue | Less: Operating Expenses | Net Available Revenue | Debt Service | | | |
| | | | | Principal | Interest | | |
| 2003 | \$ 23,711,860 | \$ 11,963,922 | \$ 11,747,938 | \$ 4,015,000 | \$ 4,573,388 | 1.37 | |
| 2004 | 24,367,855 | 11,545,103 | 12,822,752 | 4,305,000 | 4,392,350 | 1.47 | |
| 2005 | 25,658,259 | 12,380,983 | 13,277,276 | 4,450,000 | 4,372,965 | 1.50 | |
| 2006 | 27,287,589 | 13,568,848 | 13,718,741 | 4,630,000 | 4,114,971 | 1.57 | |
| 2007 | 26,934,946 | 14,258,856 | 12,676,090 | 4,815,000 | 3,910,544 | 1.45 | |
| 2008 | 28,629,169 | 15,553,522 | 13,075,647 | 5,130,000 | 4,165,043 | 1.41 | |
| 2009 | 27,300,073 | 16,078,269 | 11,221,804 | 5,345,000 | 4,038,268 | 1.20 | |
| 2010 | 26,601,574 | 15,882,851 | 10,718,724 | 5,680,000 | 3,688,494 | 1.14 | |
| 2011 | 32,417,302 | 16,425,569 | 15,991,733 | 6,005,000 | 3,291,675 | 1.72 | |
| 2012 | 31,967,160 | 18,577,748 | 13,389,412 | 6,120,000 | 3,633,906 | 1.37 | |

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

| <u>Calendar Year</u> | <u>Population</u> | <u>School Enrollment</u> | <u>Personal Income (1)</u> | <u>Per Capita Personal Income</u> | <u>Unemployment Rate</u> |
|----------------------|-------------------|--------------------------|----------------------------|-----------------------------------|--------------------------|
| 2003 | 73,692 | 18,316 | \$ - | \$ - | 7.2% |
| 2004 | 74,583 | 18,118 | - | - | 5.0% |
| 2005 | 75,306 | 18,257 | - | - | 5.0% |
| 2006 | 76,335 | 19,757 | 3,619,118,685 | 47,411 | 4.6% |
| 2007 | 76,918 | 20,322 | 2,928,191,342 | 38,069 | 4.4% |
| 2008 | 79,294 | 18,542 | 3,323,608,010 | 41,915 | 4.4% |
| 2009 | 76,816 | 19,018 | 1,645,091,456 | 21,416 | 8.8% |
| 2010 | 78,318 | 19,453 | 1,966,408,344 | 25,108 | 7.9% |
| 2011 | 81,238 | 19,717 | 2,029,650,192 | 24,984 | 7.4% |
| 2012 | 81,407 | 19,656 | 1,928,043,388 | 23,684 | 5.7% |

Sources: School enrollment provided by Longview ISD, Pine Tree ISD, Spring Hill ISD and Hallsville ISD.
 Unemployment rate and per Capita Personal income was provided by the Longview Partnership.

Note:

(1) Personal income was not available for previous fiscal years from 2003 through 2005.

CITY OF LONGVIEW, TEXAS

PRINCIPAL EMPLOYERS

| Employer | 2012 | |
|----------------------------------|---------------|-------------------------------------|
| | Employees | Percentage of Total City Employment |
| Good Shepherd Medical Center | 3,000 | 2.60% |
| Eastman Chemical | 1,477 | 1.28% |
| Longview ISD | 1,239 | 1.08% |
| Wal-mart Supercenters | 1,207 | 1.05% |
| Trinity Rail, LLC | 1,143 | 0.99% |
| Joy Global | 1,075 | 0.93% |
| City of Longview | 927 | 0.80% |
| Longview Regional Medical Center | 763 | 0.66% |
| Diagnostic Clinic of Longview | 690 | 0.60% |
| Pine Tree ISD | 671 | 0.58% |
| Total | <u>12,192</u> | <u>10.59%</u> |

| Employer | 2007 | |
|------------------------------------|---------------|-------------------------------------|
| | Employees | Percentage of Total City Employment |
| Good Shepherd Medical Center | 1,883 | 1.87% |
| Eastman Chemical | 1,500 | 1.49% |
| Trinity Rail, LLC | 1,333 | 1.33% |
| Longview ISD | 1,180 | 1.17% |
| LeTourneau Technologies | 1,125 | 1.12% |
| City of Longview | 815 | 0.81% |
| Regional Hospital of Longview, LLC | 690 | 0.69% |
| Pine Tree ISD | 686 | 0.68% |
| Dana Corporation | 602 | 0.60% |
| Gregg County | 525 | 0.52% |
| Total | <u>10,339</u> | <u>10.28%</u> |

Note 1: Percentage of City Employment based on Longview MSA employment of 115,180.

Sources: provided by Longview Partnership

TABLE 16

CITY OF LONGVIEW, TEXAS
FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| Function/Program | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2009 | 2011 | 2012 |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| General government | | | | | | | | | | |
| Administrative services | 71 | 67 | 72 | 73 | 73 | 73 | 73 | 73 | 73 | 73 |
| Human resources | 10 | 10 | 10 | 11 | 11 | 11 | 10 | 10 | 10 | 11 |
| Finance | 3 | 3 | 3 | 3 | 3 | 5 | 6 | 6 | 7 | 7 |
| Purchasing | 5 | 5 | 5 | 5 | 5 | 2 | 2 | 2 | 2 | 2 |
| Planning and zoning | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| MPO | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Building inspection | 8 | 8 | 9 | 10 | 10 | 9 | 9 | 9 | 9 | 9 |
| Environmental health | 18 | 18 | 18 | 24 | 24 | 24 | 24 | 24 | 24 | 18 |
| Developmental service | 9 | 9 | 8 | 2 | 2 | 2 | 2 | 2 | 3 | 3 |
| Other | 19 | 19 | 19 | 29 | 27 | 27 | 27 | 27 | 27 | 34 |
| Police | | | | | | | | | | |
| Officers | 143 | 143 | 149 | 155 | 173 | 173 | 173 | 173 | 177 | 175 |
| Civilians | 22 | 22 | 21 | 20 | 21 | 21 | 21 | 21 | 18 | 18 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 150 | 154 | 155 | 156 | 161 | 161 | 161 | 161 | 160 | 159 |
| Civilians | 8 | 9 | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 9 |
| Sanitation | 41 | 31 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 31 |
| Other public works | - | - | - | - | - | - | - | - | - | - |
| Engineering | 4 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Administration | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 4 | 3 | 4 |
| Utility services | 19 | 20 | 22 | 22 | 12 | 13 | 13 | 13 | 13 | 14 |
| Streets | 22 | 23 | 23 | 22 | 24 | 25 | 24 | 24 | 23 | 20 |
| Drainage | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 18 |
| Fleet services | 10 | 12 | 12 | 12 | 12 | 13 | 13 | 13 | 13 | 13 |
| Traffic maintenance | 6 | 7 | 7 | 7 | 8 | 6 | 6 | 6 | 6 | 7 |
| Parks and recreation | 51 | 50 | 53 | 54 | 54 | 54 | 52 | 52 | 52 | 53 |
| Library | 19 | 19 | 19 | 19 | 19 | 19 | 17 | 17 | 18 | 18 |
| Water services | - | - | - | - | - | - | - | - | - | - |
| Water purification | 31 | 31 | 31 | 31 | 31 | 29 | 29 | 29 | 29 | 29 |
| Water supply | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Water distribution | 25 | 25 | 26 | 26 | 31 | 31 | 31 | 31 | 31 | 31 |
| Wastewater collection | 18 | 18 | 18 | 18 | 22 | 22 | 22 | 22 | 22 | 22 |
| Wastewater treatment | 22 | 22 | 23 | 23 | 23 | 22 | 22 | 22 | 21 | 21 |
| Plant Automation | | | | | | 4 | 4 | 4 | 4 | 4 |
| Transit | - | 1 | 1 | 1 | 1 | - | - | - | - | - |
| Total | 760 | 756 | 772 | 791 | 815 | 814 | 811 | 811 | 811 | 815 |

CITY OF LONGVIEW, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| Function/Program | 2003 | 2004 | 2005 | 2006 |
|--|---------|---------|---------|---------|
| General government | | | | |
| Building permits issued | 1,418 | 1,445 | 1,357 | 1,430 |
| Police | | | | |
| Physical arrests | - | - | - | 5,870 |
| Parking violations | - | - | - | 8,056 |
| Traffic violations | - | - | - | 18,657 |
| Fire | | | | |
| Emergency responses | - | - | - | 13,875 |
| Fires extinguished | - | - | - | 560 |
| Inspections | - | - | - | 4,690 |
| Refuse collection | | | | |
| Refuse collected (tons per day) | - | - | - | 118 |
| Recyclables collected (tons per day) | - | - | - | 14 |
| Other public works | | | | |
| Street resurfacing (miles) | - | - | - | 7 |
| Potholes repaired | - | - | - | 567 |
| Parks and recreation | | | | |
| Park programs (# participants) | - | - | - | 29,692 |
| Facility/field/pavilion rentals | - | - | - | 4,916 |
| Recreation centers (# members) | - | - | - | 1,737 |
| Recreation programs (#classes) | - | - | - | 56 |
| Library | | | | |
| Volumes in collection | 183,194 | 146,016 | 175,026 | 156,200 |
| Water | | | | |
| Service connections | 24,440 | 24,535 | 24,535 | 27,196 |
| Water main breaks | - | - | - | - |
| Average daily consumption (thousands of gallons) | 16 | 15 | 16 | 18 |
| Wastewater | | | | |
| Service connections | 24,440 | 24,535 | 24,740 | 24,690 |
| Average daily sewage treatment (thousands of gallons) | 16 | 12 | 12 | 10 |
| Transit*** | | | | |
| Total route miles | 176,449 | 338,583 | 351,629 | 351,598 |
| Passengers | 47,363 | 92,982 | 113,160 | 156,429 |

Source:
 Various City departments

Notes:

*** City of Longview Transit system began on March 3, 2003.

TABLE 17

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------|---------|---------|---------|---------|---------|
| 1,500 | 2,220 | 3,696 | 4,518 | 3,981 | 3,826 |
| 6,914 | 4,957 | 4,675 | 4,653 | 4,689 | 5,481 |
| 159 | 284 | 312 | 211 | 217 | 81 |
| 20,970 | 24,719 | 20,032 | 15,133 | 11,988 | 21,169 |
| 14,418 | 15,565 | 15,471 | 15,767 | 16,538 | 15,654 |
| 380 | 418 | 516 | 443 | 592 | 389 |
| 5,337 | 4,338 | 3,709 | 3,984 | 3,179 | 1,483 |
| 118 | 118 | 161 | 182 | 119 | 196 |
| 25 | 14 | 4 | 27 | 27 | 30 |
| 6 | 3 | 2 | 16 | 15 | 15 |
| 1,169 | 1,232 | 1,009 | 985 | 927 | 869 |
| 39,368 | 41,506 | 183,109 | 149,570 | 153,904 | 97,702 |
| 7,450 | 6,286 | 3,259 | 2,505 | 8,751 | 5,268 |
| 1,828 | 791 | 856 | 739 | 752 | 1,602 |
| 69 | 45 | 163 | 324 | 379 | 264 |
| 158,899 | 162,823 | 141,170 | 151,467 | 138,512 | 123,754 |
| 27,859 | 28,148 | 28,278 | 28,555 | 28,802 | 28,828 |
| - | - | - | - | - | - |
| 16 | 15 | 15 | 16 | 18 | 16 |
| 25,294 | 25,575 | 25,681 | 25,921 | 26,018 | 26,084 |
| 12 | 12 | 11 | 12 | 10 | 11 |
| 379,988 | 358,649 | 345,426 | 337,770 | 184,925 | 294,958 |
| 170,315 | 184,853 | 198,113 | 187,026 | 334,935 | 214,803 |

TABLE 18

CITY OF LONGVIEW, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| Function/Program | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Substations | 1 | 1 | 1 | - | - | - | - | - | - | 0 |
| Community offices | 6 | 5 | 4 | 3 | 6 | 6 | 6 | 6 | 6 | 6 |
| Fire | | | | | | | | | | |
| Stations | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Hydrants | 2,884 | 2,986 | 3,060 | 3,060 | 3,289 | 3,361 | 3,373 | 3,515 | 3,618 | 3655 |
| Refuse collection | | | | | | | | | | |
| Collection trucks | - | - | - | - | 12 | 12 | 15 | 21 | 21 | 21 |
| Other public works | | | | | | | | | | |
| Asphalt streets (miles) | 363 | 363 | 363 | 386 | 374 | 376 | 494 | 378 | 379 | 384 |
| Concrete, oil dirt, brick streets (miles) | 56 | 56 | 56 | 56 | 54 | 54 | 45 | 61 | 62 | 57 |
| Asphalt, oil dirt alleys (miles) | 9 | 9 | 9 | 9 | 9 | 9 | 1 | 9 | 9 | 9 |
| Traffic signals | - | - | - | - | - | 132 | 133 | 136 | 137 | 131 |
| Parks and recreation | | | | | | | | | | |
| Acreage developed | 620 | 620 | 620 | 610 | 535 | 612 | 612 | 651 | 651 | 651 |
| Acreage undeveloped | 350 | 350 | 350 | 105 | 114 | 129 | 129 | 129 | 138 | 138 |
| Playgrounds | 29 | 28 | 28 | 23 | 23 | 23 | 23 | 23 | 24 | 24 |
| Libraries | | | | | | | | | | |
| Number of libraries (public) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water | | | | | | | | | | |
| Water mains (miles) | 605 | 651 | 643 | 648 | 650 | 663 | 700 | 657 | 674 | 757 |
| Plant capacity millions of gallons daily) | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 |
| Wastewater | | | | | | | | | | |
| Sanitary sewers (miles) | 645 | 623 | 648 | 645 | 645 | 624 | 624 | 628 | 643 | 725 |
| Number of lift stations | 18 | 18 | 18 | 20 | 18 | 18 | 21 | 21 | 21 | 22 |
| Number of disposal plants | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Treatment capacity (thousands of gallons) | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| Transit | | | | | | | | | | |
| Minibuses | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 10 | 10 |

Source: Various City departments

CITY OF LONGVIEW, TEXAS

Table 19

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Sales Tax</u> | <u>Franchise Tax</u> | <u>Other</u> | <u>Total</u> |
|--------------------|---------------------|------------------|----------------------|--------------|---------------|
| 2002 | \$ 16,995,589 | \$ 16,243,960 | \$ 4,411,447 | \$ 173,189 | \$ 37,824,185 |
| 2003 | 18,461,293 | 15,917,817 | 4,583,223 | 2,029,972 | 40,992,305 |
| 2004 | 17,406,348 | 16,790,564 | 5,143,551 | 2,071,928 | 41,412,391 |
| 2005 | 18,778,484 | 18,227,952 | 5,187,723 | 2,177,226 | 44,371,385 |
| 2006 | 19,951,302 | 20,855,105 | 4,643,213 | 1,557,841 | 47,007,461 |
| 2007 | 21,198,592 | 22,210,092 | 6,318,036 | 1,540,476 | 51,267,195 |
| 2008 | 22,703,305 | 23,423,732 | 6,064,237 | 1,786,966 | 53,978,240 |
| 2009 | 24,631,563 | 23,894,746 | 5,555,973 | 1,708,834 | 55,791,116 |
| 2010 | 26,076,326 | 23,155,083 | 5,673,335 | 1,629,808 | 56,534,552 |
| 2011 | 24,878,943 | 25,605,652 | 5,891,397 | 1,675,448 | 58,051,440 |
| 2012 | 26,463,213 | 24,922,597 | 5,316,765 | 2,201,424 | 58,903,999 |

Sources: City of Longview Finance Department

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**GOVERNMENTAL
COMPLIANCE SECTION**

HENRY & PETERS, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and
Member of the City Council
City of Longview, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Longview, Texas, (the "City") as of and for the year ended September 30, 2012, which collectively comprise the City of Longview Texas' basic financial statements and have issued our report thereon dated March 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Henry & Peters, P.C.

March 25, 2013

HENRY & PETERS, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and
Members of the City Council
City of Longview, Texas

Compliance

We have audited the compliance of the City of Longview, Texas (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. The Organization's major federal programs are identified in the summary of auditors' 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 program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in item 2012-A in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Activities Allowed, Allowable Costs, and Matching that are applicable to the Federal Transit Cluster. Compliance with such requirements is necessary, in our opinion, for the City of Longview to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-A to be a material weakness.

The City of Longview's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Longview's response, and accordingly, we express no opinion on it.

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

Henry & Peters, P.C.

March 25, 2013

CITY OF LONGVIEW, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| Federal Grantor/ Pass-Through Grantor/Program Title | Federal CFDA Number | Agency or Pass-Through Number | Federal Expenditures |
|--|---------------------------|--|-------------------------|
| <u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | |
| Direct Program: | | | |
| <u>CDBG - Entitlement Grants Cluster:</u> | | | |
| Community Development Block Grants/ Entitlement Grants | 14.218 | B-11-MC-48-0032 | \$ 780,988 |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | DRS010101 | 40,364 |
| HOME Investment Partnerships Program | 14.239 | M-12-MC-480227 | 832,116 |
| Shelter Plus Care | 14.238 | TX0157C6T071104 | 268,759 |
| Section 8 Housing Choice Voucher Program | 14.871 | TX459VO | <u>5,141,390</u> + |
| Total U. S. Department of Housing and Urban Development | | | <u>7,063,617</u> |
| <u>U. S. DEPARTMENT OF JUSTICE</u> | | | |
| Direct Program: | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 14,080 |
| Public Safety Partnership and Community Policing Grant | 16.710 | 2009CSWX0021 | 59,749 |
| Edward Byrne Memorial Formula Grant Program | 16.579 | 2006-DJ-BX-0147 2009-DJ-BX-1205 2010-DJ-BX-0497 2011-DJ-BX-3049 | 50,945 |
| ARRA - Edward Byrne Memorial Justice Assistant Grant (JAG) Program/ Grants to Units of Local Government | 16.804 | 2009-SB-B9-3276 | <u>59,424</u> |
| Total Direct Programs | | | 184,198 |
| Pass-Through City of Dallas, Texas: | | | |
| Missing Children's Assistance | 16.543 | N/A | <u>13,272</u> |
| Total passed through City of Dallas, Texas | | | <u>13,272</u> |
| Total U. S. Department of Justice | | | <u>197,470</u> |
| <u>U. S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| Direct Program: | | | |
| <u>Federal Transit Cluster:</u> | | | |
| Federal Transit Formula Grants | 20.507 | TX-951 TX-897 | 1,500,452 + |
| <u>Transit Services Programs Cluster:</u> | | | |
| Capital Assistance Program for Elderly Persons and Persons with Disabilities | 20.513 | TXDOT-ED1102(10)06 TXDOT-ED1102(10)07 | 76,226 |
| New Freedom Program | 20.521 | NF 1201(10)35 | <u>26,694</u> |
| Total Transit Services Programs Cluster | | | 102,920 |
| Pass-Through Texas Department of Transportation: | | | |
| Metropolitan Planning Organization | 20.225 | 50-12XF0022 | 208,479 |
| Highway Planning and Construction | 20.205 | 0910-07-062 2012-LONGVIPD-S-1YG- | 64,657 |
| State and Community Highway Safety - STEP | 20.600 | 0071 | <u>38,616</u> |
| Total passed through Texas Department of Transportation | | | 311,752 |
| Total U. S. Department of Transportation | | | <u>1,915,124</u> |

CITY OF LONGVIEW, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| Federal Grantor/ Pass-Through Grantor/Program Title | Federal CFDA Number | Agency or Pass-Through Number | Federal Expenditures |
|--|---------------------------|-------------------------------------|----------------------------|
| <u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | |
| Direct Program: | | | |
| Children's Justice Grants to States | 93.643 | G-1101TXCJA1 | \$ 4,000 |
| Total U. S. Department of Health and Human Services | | | <u>4,000</u> |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | |
| Direct Program: | | | |
| <u>Homeland Security Cluster:</u> | | | |
| Homeland Security Grant Program | 97.067 | EMW-2011-SS-00019 | 23,855 |
| State Homeland Security Program (SHSP) | 97.073 | 2010-SS-T0-0008 | <u>39,161</u> |
| Total U.S. Department of Homeland Security | | | <u>63,016</u> |
| <u>U.S DEPARTMENT OF ENERGY</u> | | | |
| Direct Program: | | | |
| Energy Efficient and Conservation Block Grant Program (Recovery Act Funded) | 81.128 | DE-SC0001833 | <u>61,707</u> |
| Total U.S. Department of Energy | | | <u>61,707</u> |
| Total expenditures of Federal Awards | | | <u><u>\$ 9,304,934</u></u> |

+ Denotes Major Program

CITY OF LONGVIEW, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all applicable federal assistance programs of the City of Longview. The reporting entity is defined in Note 1 to the City's financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

Federal awards are organized by the City of Longview on the basis of funds, each of which is considered a separate accounting entity. The City has created several types of funds and a number of discrete funds within each fund type.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund Type.

Governmental funds use the modified accrual basis of accounting. Under this method, revenue is recognized in the accounting period in which it becomes both available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

NOTE 2 – INSURANCE COVERAGE

Certain federal awards require the City to maintain adequate insurance coverage. The City's risk management policies (i.e. insurance coverage) is discussed in detail in Note 13 to the City's financial statements. The City's insurance coverage is adequate as related to the requirements of certain federal awards.

CITY OF LONGVIEW, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified
Internal control over financial reporting:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified that are not
considered to be material weaknesses? Yes X None reported
Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? X Yes No
Significant deficiency(ies) identified that are not
considered to be material weaknesses? Yes X None reported

Type of auditors' report issued on compliance
for major programs: Qualified
Any audit findings disclosed that are required to be reported
in accordance with Circular A-133, Section .510(a)? X Yes No

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 14.871 | Section 8 Housing Choice Voucher Program |
| 20.507 | Federal Transit Cluster |

Dollar threshold used to distinguish between
Type A and Type B programs: \$ 300,000
Auditee qualified as low-risk auditee? Yes X No

Continued

CITY OF LONGVIEW, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section II - Financial Statement Findings

No matters requiring reporting under Government Auditing Standards were noted.

Section III - Federal and State Award Findings and Questioned Costs

**U.S. DEPARTMENT OF TRANSPORTATION
Pass-Through: Texas Department of Transportation**

20.507 Federal Transit Cluster

Item 2012-A Activities Allowed/Allowable Costs/Matching

MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition:

Certain items of cost charged to the Federal grant were not properly approved. As such, items of cost were noted to be disallowable.

Criteria:

Guidelines specific to the grant award will dictate what activities are allowed to be funded by the grant. Further, OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* establishes the guidelines for allowable charges to a Federal award administered by a local government. The Basic Guidelines of OMB Circular A-87 require that costs be supported by appropriate documentation, including approvals. In addition they require that costs be properly allocated to a particular cost objective (e.g. a specific function). Finally, for selected items of cost, such as travel, OMB Circular A-87 establishes additional criteria in determining the allowability of those selected items of cost.

Cause:

It appears there is a material weakness in the internal controls related to reviewing and approving costs related to the operation of the transit authority to ensure they are both allowable and properly recorded to their respective functions (e.g. operations, maintenance, etc.)

Effect:

The material weakness in internal controls related to the Activities Allowed and Allowable Costs compliance requirements resulted in costs being charged to the grant that were unallowable, either entirely or in some proportion. In addition, a directly associated result is noncompliance with the Matching compliance requirement. The costs related to providing public transportation are charged to the Federal grant at either 50% or 80%, depending on the type of cost. The remaining cost is then covered by a local match. Therefore, when unallowable costs are charged to the grant, a portion of those costs is being improperly treated as local match. Therefore, it has been concluded that the transit authority is out of compliance with the Activities Allowed, Allowable Costs, and Matching compliance requirements.

CITY OF LONGVIEW, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Context:

Overall, it was noted through the course of the audit that there was a lack of review and approval by the General Manager of Longview Transit Management Inc. Specifically, it was noted during the course of the audit that 2 instances of payroll transactions were charged to the incorrect function. As a result, an incorrect percentage of those payroll costs was charged to the Federal grant. In addition, 2 items of cost were determined to be inadequately documented to determine their allowability. Finally, certain travel costs were noted that did not conform to the requirements related to that specific item of cost, as defined by OMB Circular A-87. Travel costs are required to be substantiated by either the appropriate per diem for the location of travel or by actual costs.

Recommendation:

It is our recommendation that management of Longview Transit Management, Inc. review their processes and internal controls related to the cash disbursement cycle to ensure only activities allowed are being charged to the grants and that the related costs are being properly approved, allocated among functions, and documented to substantiate their allowability.

Management's Response

Internal controls, approval processes, and policies have been reviewed and changes are being implemented to correct deficiencies. Longview Transit Management, Inc. shall provide additional training to personnel to ensure compliance is maintained and verified. A follow-up internal audit will be conducted by August 15, 2013, to verify all items have been corrected. The responsible official to ensure follow-up and compliance is the Assistant City Manager.

CITY OF LONGVIEW, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | |
|--|--|
| <i>Audit Finding Reference:</i> | 2011-C Housing Assistance Payments |
| <i>Status of Prior Finding:</i> | This issue was corrected this fiscal year. However, the Housing Authority decided to cross-reference the invoice listing from the Lindsey Software System to the Updated Pending Transactions Report to review for discrepancies. In addition, the Housing Authority began printing the 50058 reports from the Viewer option in PIC during file review to ensure consistency of the family report. We believe this modified corrective action will accomplish the objective to better manage the HAP payments. |
| <i>Audit Finding Reference:</i> | 2011-D Davis-Bacon Act |
| <i>Status of Prior Finding:</i> | Planned corrective action completed this year |