



**CITY OF
LONGVIEW, TEXAS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

CITY OF LONGVIEW, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2006

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i – vii
Principal Officials	viii
Certificate of Achievement for Excellence in Financial Reporting.....	ix
Organizational Chart.....	x
FINANCIAL SECTION	
Independent Auditors’ Report.....	1 – 2
Management’s Discussion and Analysis	3 – 13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	14
Statement of Activities.....	15 – 16
Fund Financial Statements	
Balance Sheet – Governmental Funds	17 – 18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19 – 20

(continued)

CITY OF LONGVIEW, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2006**

**Page
Number**

FINANCIAL SECTION (Continued)

Fund Financial Statements (Continued)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	22 – 23
Statement of Net Assets – Proprietary Funds	24 – 25
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	26 – 27
Statement of Cash Flows – Proprietary Funds.....	28 – 29
Statement of Net Assets – Fiduciary Funds.....	30
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	31
Notes to Financial Statements.....	32 – 64

Required Supplementary Information (Unaudited)

Schedule of TMRS Funding	65
Schedule of Longview Firemen’s Relief and Retirement Fund.....	66

(continued)

CITY OF LONGVIEW, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2006**

**Page
Number**

FINANCIAL SECTION (Continued)

Combining Fund Statements and Schedules

Nonmajor Governmental Funds

Combining Balance Sheet.....	67 – 69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	70 – 72
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund	73 – 74
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund.....	75 – 76

Nonmajor Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Municipal Court Fund	77 – 78
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Community Development Block Grant Fund	79 – 80
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Housing Assistance Fund	81 – 82
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Unclaimed Money Fund.....	83 – 84
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Transit System Fund.....	85 – 86

(continued)

CITY OF LONGVIEW, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2006**

**Page
Number**

FINANCIAL SECTION (Continued)

Combining Fund Statements and Schedules (Continued)

Nonmajor Special Revenue Funds (Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Local Law Enforcement Block Grant Fund.....	87 – 88
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Police Department Special Fund.....	89 – 90
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – E-911 Fund.....	91 – 92
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Hotel Occupancy Tax Fund.....	93 – 94
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Maude Cobb Activity Fund.....	95 – 96
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Drainage Sales Tax Fund	97 – 98
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Cable Franchise Fee Agreement Fund.....	99 – 100
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Grants Fund	101 – 102
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Donations Fund	103 – 104

(continued)

CITY OF LONGVIEW, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2006**

		<u>Page Number</u>
FINANCIAL SECTION (Continued)		
Combining Fund Statements and Schedules (Continued)		
Internal Service Funds		
Combining Statement of Net Assets		105 – 106
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets		107 – 108
Combining Statement of Cash Flows		109 – 110
	<u>Table Number</u>	<u>Page Number</u>
STATISTICAL SECTION (UNAUDITED)		
Net Assets by Component.....	1	111
Changes in Net Assets	2	112 – 113
Fund Balances – Governmental Funds	3	114
Changes in Fund Balances – Governmental Funds	4	115 – 116
Assessed Value and Estimated Actual Value of Taxable Property.....	5	117
Direct and Overlapping Property Tax Rates.....	6	118

(continued)

CITY OF LONGVIEW, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2006**

	<u>Table Number</u>	<u>Page Number</u>
STATISTICAL SECTION (UNAUDITED) (Continued)		
Principal Property Taxpayers.....	7	119
Property Tax Levies and Collections.....	8	120
Ratios of Outstanding Debt by Type	9	121
Ratios of General Bonded Debt Outstanding.....	10	122
Direct and Overlapping Governmental Activities Debt.....	11	123
Legal Debt Margin Information.....	12	124
Pledged Revenue Coverage	13	125
Demographic and Economic Statistics	14	126
Principal Employers.....	15	127
Fulltime Equivalent City Government Employees by Function/Program	16	128
Operating Indicators by Function/Program	17	129 – 130
Capital Asset Statistics by Function/Program.....	18	131

(continued)

CITY OF LONGVIEW, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2006**

**Page
Number**

COMPLIANCE SECTION

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	132 – 133
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and the State of Texas Single Audit Circular.....	134 – 135
Schedule of Expenditures of Federal and State Awards.....	136 – 139
Note to Schedule of Expenditures of Federal and State Awards.....	140
Schedule of Findings and Questioned Costs.....	141
Summary Schedule of Prior Audit Findings.....	142 – 143

INTRODUCTORY SECTION



P.O. Box 1952
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December 21, 2006

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, 2006, 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 compliment 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.

To facilitate the understanding of the City's financial affairs, the CAFR is divided into introductory, financial, statistical and governmental compliance sections. The introductory section includes a letter of transmittal, a list of principal officials, the Certificate of Achievement for Excellence in Financial Reporting, and an organizational chart. The financial section of the CAFR consists of the Independent Auditors' Report, MD&A, government-wide and fund financial statements, required supplementary information, and combining fund statements and schedules. Information included in the statistical section is not part of the City's financial statements although the material is part of the CAFR. The governmental compliance section contains a Schedule of Federal Expenditures and reports required by the Federal Single Audit Act of 1996.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. The Single Audit reports can be found in the governmental compliance section of the report.

The CAFR includes all the funds of the City, the funds of the Longview Economic Development Corporation (LEDCO), and the Longview Firemen's Relief and Retirement Fund.

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. There are approximately 54.8 square miles in the City's corporate boundary. Longview serves as the county seat of Gregg County. The City of Longview is an oilfield distribution center and located in one of the largest proven oil fields in the world. However, declining oil prices and depletion of mineral reserves has contributed to several years of slow economic growth. The City continues to approach this situation as an opportunity to diversify its revenue base through growth in the industrial sector. The Longview economy continues to diversify away from oil and gas, which, as recently as six years ago, had a significant hold over the economic picture of the area. In fiscal year 1995, mineral values represented 13.7% of the assessed values while in fiscal year 2006 those values represented just 3.1% of the assessed values. Health care, distribution, retail, food processing and manufacturing have replaced the oil and gas industry as the economic base for the area.

The City offers to industrial and business prospects a growing labor force available at competitive wage rates, adequate and reliable utilities at affordable prices, a ready market of office and industrial facilities, quality schools and advanced educational facilities, and affordable housing. The City anticipates continued growth in the industrial and business sector as a result of these resources. The City's \$4 billion tax base grew by approximately 7.66% from fiscal 2005 to 2006. New construction, mineral values, inventories and property re-evaluation contributed to the growth. Sales tax revenue increased 14% compared to the prior year.

Historically elevated energy prices continue to propel the Longview economy forward. The strongest job gains are in the goods-producing industries, although the majority of service-providing sectors are also experiencing robust growth. LeTourneau, Inc., a construction and drilling equipment manufacturer and one of the largest employers in the area, plans a sizable expansion to meet rising demand for its products as oil exploration continues in East Texas. This expansion will boost the local incomes and downstream to industries such as Wal-Mart, which is building its third Super Center to meet rising demand.

MAJOR INITIATIVES

For the Year

This year, we continued the trend of adding six patrol officers reaching a total increase of 12 officers towards the goal of 18 new officers, which will be completed this coming year. The first Hispanic Citizens Police Academy was created to engage and assist our emerging Hispanic population to become more familiar with the community. It was very successful with 31 individuals participating. A trailer that indicates to passing motorists their speed is being utilized to slow drivers down where there exists a speeding problem. A Youth Crime Watch program began this year to get our younger citizens involved in crime prevention efforts. The Harvey Johnson Community Center police sub-station will be opened in August 2006 and will be utilized by the Neighborhood Resource and School Resource Units to focus on crime prevention in targeted areas. The Jail Renovation Training Area projects begun in 2005 are now complete and in use.

The fire department began expansion of Station No. 3 at Birdsong and MLK and new construction to relocate Station 4 in Spring Hill on George Richey Road. A new Hazardous Materials Building at Station No. 2 on N. Eastman Rd. was completed this year and a new engine was purchased for Station No. 1 on Cotton Street. The beginning of this budget year required our response to support evacuees for Hurricanes Katrina and Rita. Shelter operations were conducted with the support of Gregg County and local nonprofit agencies at Maude Cobb Activity Center and the Exhibit Building. Our staff's performance in providing shelter and support to the evacuees was nothing less than outstanding.

The City continued for the fifth year its efforts to become a Higher Performing Organization. Parallel employee teams work on a variety of projects to improve the quality and level of services provided to the citizens of Longview and to ensure all employees understood and exhibited the City's values of accountability, teamwork, integrity, and professionalism in their day to day operations. The fourth Celebration of Excellence was held that allowed all divisions the opportunity to display how they contribute to the City of Longview's organizational excellence.

Water and wastewater rates cost were increased by 1.82% and this increase would have been higher if not for the use of the fund balance. The fund will maintain a 15% required reserve balance. The sanitation rates were not increased for FY05-06. The increases in expenditures for sanitation were funded by the use of fund balance.

Budget policy continues the same service level. Renewed interest in the adequacy of fund balance is demonstrated in the budget. Fund balances continue to meet reserve requirements of 10% in the General Fund, 10% in other operating funds and 15% in funds with large investments in plant and equipment.

Construction of new parks facilities has begun to include Lear Park and Spring Hill Park. The next phase of the Paul Boorman trail will begin soon. To further enhance our youth summer recreation opportunities, Spray ground (or Splash Pad) was constructed at Broughton Park and has been very popular. Numerous tournaments have been hosted furthering our Sports Tourism initiatives. This year saw the completion of Lear Park Phase II and a successful Build Day for the Neal McCoy Playground at Spring Hill Park in recognition of his humanitarian award. The Longview First fundraising campaign has begun to assist with the development of the sports tourism initiative

In the City's fiscal year 2006 budget, the property tax rate remained at \$.4834 per \$100 valuation. The operational rate increased .42 and the debt rate decreased .42. The operating revenue is balanced with fees for services coupled with cost savings on the expense side.

For the Future

Strategic initiatives continue to shape the delivery of future municipal services. The goals include: maintenance of current service levels; continuation of additional cost savings; and implementation of recommendations from the Longview 21st Century Committee.

This multi-year improvement plan links our strategic initiatives, departmental realignments, and the strategic planning process to provide a structure to attain increasing levels of accountability and fiscal responsibility. An internal process has been established to identify and pursue improvement opportunities in the following areas: cost avoidance, cost reduction, customer service improvements, productivity improvement and revenue enhancement.

The Capital Improvement Projects Committee appointed by City Council has begun meeting to plan for future projects. The committee anticipates making recommendations to the City Council early in 2007 in preparation for a proposed May 2007 bond election.

The long-term goals for the community have been adopted in a report called, "2010 Strategic Planning Initiative Report." The City Council appointed a 26-member commission to oversee the implementation of the recommendations contained in this report. This five-year vision plan for Longview will identify, prioritize, focus and market the community. In addition, it is intended to reinforce the importance of setting goals that will enhance our community and enable Longview to attract people and opportunities to our community. The City Council Vision 2010 Committee completed its work during this past summer, making eight recommendations. The City Council Capital Improvements Committee is reviewing these projects to determine which are appropriate for funding through a proposed bond election.

The City of Longview expects to have the citywide business plan completed this fall to state the direction and focus of the staff. The plan will include strategies for achieving our vision and measurements to ensure we are achieving our goals.

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 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, 2006.

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 General's office. Resources received from federal agencies generally are subject to audit 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

There were no new issuance of General Obligation Bonds or Waterworks and Sewer improvement bonds for FY2005-06.

Cash Management and Investments

The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Idle cash is invested in various instruments with various maturity dates, depending on the anticipated cash requirements during the period. All investments are insured or registered, with securities held by the City or its agent in the City's name.

Category 1 Insured or registered, with securities held by the City or its agent in the City's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the City's name.

Risk Management

General Liability

The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance.

Risk control techniques have been established to reasonably ensure that the City's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned by or under the control of the City. Furthermore, supervisory personnel are held responsible for monitoring risk control techniques on an operational basis.

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a deductible amount. The use of a deductible clause reduces the cost of insurance, but, should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the City.

Workers' Compensation

The City utilizes the Workers' Compensation Fund to charge other funds for the cost of coverage and pay insurance premiums and claims still outstanding from a self-insured period. Current coverage is through the purchase of an insurance policy through the Texas Municipal League.

Health, Dental and Life Plans

The City has a self-insured health plan for its employees, their dependants and retirees. The employee pays a portion of the insurance premiums and the City pays the remainder. The City maintains the Group Health Fund to track premiums charged to other funds and claim and administrative costs. The City purchased an insurance policy for specific and aggregate stop-loss coverage. There is an individual stop-loss of \$100,000 per participant and \$6,608,639 in the aggregate at September 30, 2006. Claims in excess of those amounts are fully insured up to insurance maximums. A third-party administrator administers health claims and payments.

OTHER INFORMATION

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Pattillo, Brown, & Hill, L.L.P. 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, 2006. This was the 19th 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 U. S. 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 Pattillo, Brown, & Hill, L.L.P. 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,



Chuck Ewings
Interim City Manager

CITY OF LONGVIEW, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2006

PRINCIPAL OFFICIALS

MAYOR

Jay Dean

CITY COUNCIL

Karen Hailey, District 1
Daryl Williams, District 2
Sidney B. Willis, District 3
Wayne Frost, District 4
John Bolster, District 5
Tommy Finklea, District 6

CITY MANAGER

Rickey Childers

FINANCE DIRECTOR

Linda Symank, CPA

WEBSITE

www.longviewtexas.com

EMAIL

Longview@internetnetwork.net

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, 2005

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

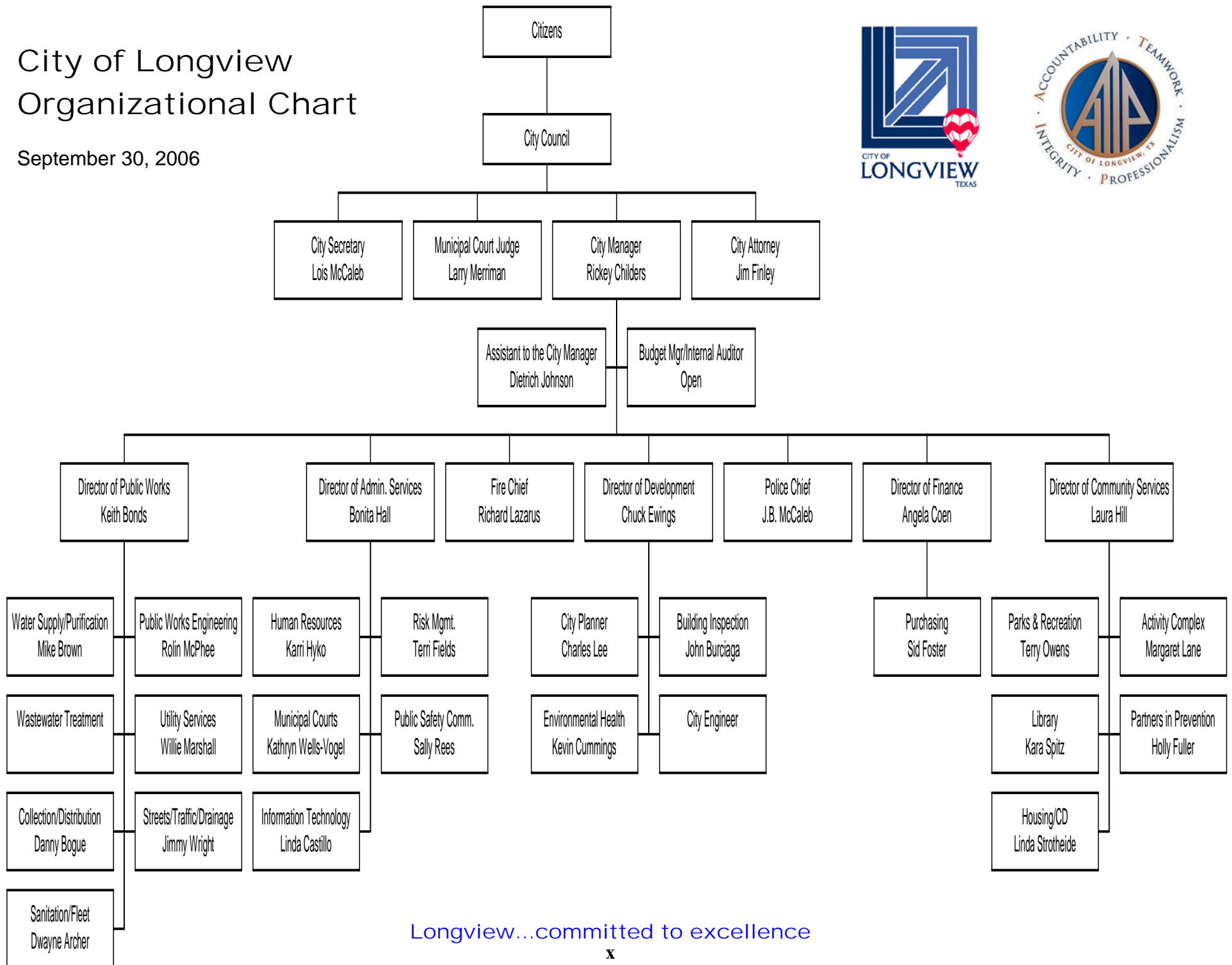


President

Executive Director

City of Longview Organizational Chart

September 30, 2006



Longview...committed to excellence

FINANCIAL SECTION



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Longview, Texas, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Longview, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Longview Firemen's Relief and Retirement Fund or the Longview Economic Development Corporation, which represents 100 percent, respectively, of the assets and revenues of the fiduciary funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Longview Firemen's Relief and Retirement Fund and the Longview Economic Development Corporation is based on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, 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, 2006, and the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, on our consideration of the City of Longview, Texas' 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 of 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.

The management's discussion and analysis and the required supplementary information on pages 3 through 13 and 66 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 and individual 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 and State 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 the State of Texas Uniform Grant Management Standards, and is also not a required part of the basic financial statements of the City of Longview, Texas. The combining and individual fund financial statements and the Schedule of Expenditures of Federal and State Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pattillo, Brown & Hill, L.L.P.

December 21, 2006

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2006. 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, 2006, by \$135,542,830 (net assets). Of this amount, \$59,490,780 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3,544,609 for the year ended September 30, 2006. The increase in net assets can be attributed mainly to an increase in revenues for the business-type activities Water Utilities Fund, coupled with an increase in property tax revenue of \$721,733 and an increase in sales tax revenue of \$1,941,999.
- As of September 30, 2006, the City's governmental funds reported combined ending fund balances of \$39,449,228, a decrease of \$680,638 in comparison with the prior fiscal year.
- The General Fund balance decreased by \$1,584,478, mainly due to cost containing measures in the current year to have funds available to cash fund capital improvement projects.
- The City's total government-wide liabilities decreased by \$7,508,414 during the current fiscal year.

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 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 is reported as a "blended" component unit in the financial statements. Although legally separate, these component units are important because the City is financially accountable for them.

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 is 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 and Debt Service Fund, which are considered to be major funds. Data for the other 14 governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor 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 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 nonmajor funds, but is considered a nonmajor fund.

The City's basic governmental fund financial statements can be found on pages 17 – 29 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. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The activities of these funds 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 these funds are used for their intended purpose. The basic fiduciary fund financial statements can be found on pages 30 – 31 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 32 – 64 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 to the employees. Required supplementary information can be found on pages 65 – 66 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and Internal Service Funds are presented immediately following the required supplemental information on pensions. Combining statements and schedules can be found on pages 67 – 110 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net assets were \$135,542,830 as of September 30, 2006. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets are \$70,756,063. 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 (43%) reflects its investment in capital assets (e.g. land, buildings, equipment, 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 52,033,529	\$ 48,332,296	\$ 31,174,946	\$ 30,848,232	\$ 83,208,475	\$ 79,180,528
Capital assets	<u>68,783,208</u>	<u>67,383,500</u>	<u>131,005,601</u>	<u>137,257,588</u>	<u>199,788,809</u>	<u>204,641,088</u>
Total assets	<u>120,816,737</u>	<u>115,715,796</u>	<u>162,180,547</u>	<u>168,105,820</u>	<u>282,997,284</u>	<u>283,821,616</u>
Long-term liabilities	43,469,442	48,066,220	84,889,272	89,573,815	128,358,714	137,640,035
Other liabilities	<u>12,560,258</u>	<u>10,811,857</u>	<u>6,535,212</u>	<u>6,510,706</u>	<u>19,095,470</u>	<u>17,322,563</u>
Total liabilities	<u>56,029,700</u>	<u>58,878,077</u>	<u>91,424,484</u>	<u>96,084,521</u>	<u>147,454,184</u>	<u>154,962,598</u>
Net assets:						
Invested in capital assets, net of related debt	16,429,990	18,331,455	41,806,901	43,541,845	58,236,891	61,873,300
Restricted	8,648,244	16,594,089	9,166,915	7,806,590	17,815,159	24,400,679
Unrestricted	<u>39,708,533</u>	<u>21,912,175</u>	<u>19,782,247</u>	<u>20,672,864</u>	<u>59,490,780</u>	<u>42,585,039</u>
Total net assets	<u>\$ 64,786,767</u>	<u>\$ 56,837,719</u>	<u>\$ 70,756,063</u>	<u>\$ 72,021,299</u>	<u>\$ 135,542,830</u>	<u>\$ 128,859,018</u>

Governmental Activities

The City's general revenues increased by approximately 9% or \$4,630,952 when compared to the prior year. The primary reason for this increase was an increase in tax revenue, due mainly to increased property valuations and the addition of new property throughout the City. The assessed value of the property in the City increased by \$104,603,826 or 3% compared to the prior year while the City's property tax rate remained at \$0.4834 per \$100 assessed valuation for the current year. Property tax revenue increased due to higher appraised values as well as successful collection efforts related to delinquent taxes. Sales tax increased due to an improving economy after the City experienced a couple of years of decline in this revenue source.

TABLE 2**CITY OF LONGVIEW'S GENERAL REVENUES**

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Taxes	\$ 47,007,461	\$ 44,371,385	\$ -	\$ -	\$ 47,007,461	\$ 44,371,385
Interest income	<u>2,157,508</u>	<u>715,616</u>	<u>1,217,691</u>	<u>664,707</u>	<u>3,375,199</u>	<u>1,380,323</u>
Total	<u>\$ 49,164,969</u>	<u>\$ 45,087,001</u>	<u>\$ 1,217,691</u>	<u>\$ 664,707</u>	<u>\$ 50,382,660</u>	<u>\$ 45,751,708</u>

Governmental and business-type activities increased the City's net assets by \$3,544,609. The key elements in this increase are as follows:

TABLE 3
CITY OF LONGVIEW'S STATEMENT ACTIVITIES

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 6,861,893	\$ 6,123,852	\$ 30,514,084	\$ 29,353,194	\$ 37,375,977	\$ 35,477,046
Operating grants and contributions	8,452,958	7,650,016	-	-	8,452,958	7,650,016
Capital grants and contributions	313,385	498,829	-	-	313,385	498,829
General revenues:						
Taxes	47,007,461	44,371,324	-	-	47,007,461	44,371,324
Other	3,733,093	2,251,110	1,217,691	796,786	4,950,784	3,047,896
Total revenues	<u>66,368,790</u>	<u>60,895,131</u>	<u>31,731,775</u>	<u>30,149,980</u>	<u>98,100,565</u>	<u>91,045,111</u>
Expenses:						
General government	6,072,058	5,596,388	-	-	6,072,058	5,596,388
Public safety	30,954,625	28,599,429	-	-	30,954,625	28,599,429
Public works	6,690,824	9,627,021	-	-	6,690,824	9,627,021
Developmental services	2,744,376	2,134,167	-	-	2,744,376	2,134,167
Culture and recreation	6,384,926	6,653,171	-	-	6,384,926	6,653,171
Public transit	1,479,733	1,399,305	-	-	1,479,733	1,399,305
Public welfare	6,253,531	5,558,072	-	-	6,253,531	5,558,072
Arts and culture	763,948	537,825	-	-	763,948	537,825
Interest and fiscal charges	2,060,119	1,948,090	-	-	2,060,119	1,948,090
Water utilities	-	-	27,044,288	25,189,692	27,044,288	25,189,692
Sanitation	-	-	3,690,267	3,397,459	3,690,267	3,397,459
Nonmajor - Longview recreation	-	-	461,520	545,897	461,520	545,897
Total expenses	<u>63,404,140</u>	<u>62,053,468</u>	<u>31,196,075</u>	<u>29,133,048</u>	<u>94,600,215</u>	<u>91,186,516</u>
Increases in net assets before transfers						
	2,964,650	(1,158,337)	535,700	1,016,932	3,500,350	(141,405)
Transfers						
	<u>1,845,195</u>	<u>1,198,170</u>	<u>(1,800,936)</u>	<u>(1,198,170)</u>	<u>44,259</u>	<u>-</u>
Change in net assets						
	4,809,845	39,833	(1,265,236)	(181,238)	3,544,609	(141,405)
Net assets, beginning						
	56,837,719	54,009,192	72,021,299	72,202,537	128,859,018	126,211,729
Prior period adjustment						
	<u>3,139,203</u>	<u>2,788,633</u>	<u>-</u>	<u>-</u>	<u>3,139,203</u>	<u>2,788,633</u>
Net assets, ending						
	<u>\$ 64,786,767</u>	<u>\$ 56,837,658</u>	<u>\$ 70,756,063</u>	<u>\$ 72,021,299</u>	<u>\$ 135,542,830</u>	<u>\$ 128,858,957</u>

The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$31,335,624, an increase of \$2,736,195, or 9.6% over prior year. This increase is due primarily to contributions for fleet vehicle replacement, an increase in salaries expense, an increase in depreciation expense, as well as purchases of minor apparatus. These expenses were offset by revenues collected from a variety of sources, with the largest being fines and forfeitures and ambulance fees, which totaled \$3,818,886 for the period ended September 30, 2006. The major components of public safety are police and fire services. Police accounted for \$13,058,337 in public safety expense of which \$10,805,906 was incurred for salary and benefits. Fire accounted for \$12,379,857 in public safety expense, of which \$10,186,362 was incurred for salary and benefits.

Business-type Activities

Revenues of the City's business-type activities were \$30,514,084 and expenses were \$31,549,941, resulting in a net loss of \$1,035,857 for the fiscal year ended September 30, 2006. The most significant expenses for the Water Utilities were \$5,532,070 for salaries and benefits and \$9,107,816 for depreciation. The most significant expenses for Solid Waste Disposal were \$958,052 for salaries and benefits and \$824,775 for landfill charges.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2006, the City had \$199,788,809 (net of accumulated depreciation) invested in a broad range of capital assets, a net decrease (including additions and disposals) of \$4,852,279 from prior year. The decline is due mainly to a cleanup of the City's inventory by disposing or selling outdated and unusable equipment. 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	
	2006	2005	2006	2005	2006	2005
Land	\$ 3,003,175	\$ 3,003,175	\$ 755,576	\$ 755,576	\$ 3,758,751	\$ 3,758,751
Buildings	10,606,767	10,606,767	21,308,462	21,308,462	31,915,229	31,915,229
Equipment	26,866,301	24,481,869	30,454,088	30,590,373	57,320,389	55,072,242
Infrastructure	121,450,402	119,784,712	-	-	121,450,402	119,784,712
Water and sewer system	-	-	163,820,711	156,281,348	163,820,711	156,281,348
Construction in progress	5,609,986	1,983,905	1,815,805	6,413,263	7,425,791	8,397,168
Total capital assets	\$ <u>167,536,631</u>	\$ <u>159,860,428</u>	\$ <u>218,154,642</u>	\$ <u>215,349,022</u>	\$ <u>385,691,273</u>	\$ <u>375,209,450</u>

Current Year Major Additions:

	2006
M.L King Waterline Rehabilitation	\$ 2,395,712
Vehicle and Equipment Replacement	1,818,945
Hawkins Parkway 16" Trans. Line	1,650,567
School Branch Interceptor	1,552,299
Estes Parkway Utility Relocations	1,466,580
Jail Renovation	714,500
LeTourneau Lift Station Improvements	463,215
Pierce Enforcer Pumper	373,889
Mobile Command Post	275,188
Hinsley Park Restrooms	260,759
Maude Cobb Roof Replacement	251,021
Total	\$ <u>11,222,675</u>

The City's 2006 – 2007 five-year capital improvement projects budget has approximately \$54 million in projects over five years with \$1.4 million in year one. The first year projects are as follows: Drainage – \$.4 million; Wastewater – \$.6 million; and Water – \$.4 million.

Completion of these projects will result in the successful construction of the improvements and/or home purchases to mitigate flooding at 7 Covington, miscellaneous structural repairs to bridges within the City of Longview as identified by TxDOT's annual Bridge Inspection Program. Additionally, this year's revenue projects include the replacement of the main power supply, duct banks, power feeders and necessary switchgear and appurtenances for the Cherokee Water Treatment Plant High Service Pump Station and the extension of a sewer line from Loop 281 north along US 259 to serve the annexed areas.

The five-year capital improvement budget is adopted by City Council but is subject to change based on findings and is updated each year. Each individual project listed above is also subject to change.

Additional information regarding the City's capital assets can be found in Note IV on pages 46 – 49 of this report.

Debt Administration

At the end of the current fiscal year, the City had \$133,354,662 in general obligation and certificates of obligation, and revenue bonds outstanding. This represents a decrease of \$8,964,079 compared to the prior year. The following table shows the debt outstanding at September 30, 2006 and 2005:

**TABLE 5
CITY OF LONGVIEW'S OUTSTANDING DEBT**

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
General and certificates of obligation bonds	\$ 44,449,090	\$ 49,052,045	\$ -	\$ -	\$ 44,449,090	\$ 49,052,045
Revenue bonds	-	-	88,855,572	93,266,696	88,855,572	93,266,696
	<u>\$ 44,449,090</u>	<u>\$ 49,052,045</u>	<u>\$ 88,855,572</u>	<u>\$ 93,266,696</u>	<u>\$ 133,304,662</u>	<u>\$ 142,318,741</u>

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, 2006, the City had a total of \$1,457,353 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	
	2006	2005	2006	2005	2006	2005
Capital lease obligations	\$ 1,114,225	\$ 1,373,018	\$ 343,128	\$ 449,048	\$ 1,457,353	\$ 1,822,066

During the year, the City entered into a new capital lease agreement for a new fire truck, which is recorded in the governmental activities section. The decline in total capital lease obligation is due to the City making principal payments against lease obligations held as of September 30, 2006.

The City's General and Certificates of Obligation and Waterworks and Sewer System Bond ratings are as follows:

	Moody's Investors Service	Fitch	Standard & Poor's
General obligation and certificate of obligation	Aaa	AAA	AAA
Revenue	Aaa	AAA	AAA

Several of the City's bonds are insured thus holding triple A status from Moody's, Fitch and Standard & Poor's. For additional information regarding the City's outstanding debt or capital lease obligations, refer to Note IV on pages 54 – 59 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined fund balance of \$39,449,228, a decrease of \$680,638 in comparison of the prior year. Approximately 70% of this amount (\$27,546,771) represents unreserved 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 committed to pay for encumbrances of \$9,652,041, inventories of \$7,608, and debt service of \$2,242,808.

The General Fund is the chief operating fund of the City of Longview. At the end of the current fiscal year, unreserved fund balance was \$17,074,060 while total fund balance remained at \$17,408,525. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 39.0% of total General Fund expenditures, while the total fund balance represents 39.8% of that same amount.

The fund balance of the City of Longview's General Fund decreased \$1,584,478 during the current fiscal year. Key factors in this growth are as follows:

- An increase in property tax revenue of \$721,733 and
- An increase in sales tax revenue of \$1,941,999 offset by
- An increase in capital improvement projects of \$4,323,155

The Debt Service Fund has a total fund balance of \$2,242,808, 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 \$109,949, which can be attributed to increased property tax revenue.

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 \$16,974,438, and those for the Solid Waste Disposal Fund amounted to \$1,031,235. The Water Utilities Fund experienced a decline in fund balance of \$1,489,313 during the current year. The Solid Waste Disposal Fund had a decrease in fund balance of \$139,914. 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 was approximately \$5 million of budget adjustments. \$4,323,155 of fund balance was designated for construction projects scheduled to commence in FY 2005-06. \$380,000 was designated for the purchase of a fire truck, and \$250,089 to repair existing emergency warning sirens. The remaining \$142,372 in budget adjustments was from encumbrances that were carried over from the previous year.

For the 2006 fiscal year, actual expenditures on a budgetary basis were \$43,903,655 compared to the final budgeted amount of \$45,120,066. The positive variance was due to saving achieved mainly through containing capital improvement expenditures. The cost savings were implemented in order to increase fund balance to allow cash funding for capital improvement projects.

For the 2006, fiscal year, actual revenues on a budgetary basis were \$44,915,672 as compared to the final budget amount of \$42,802,293. The majority of this increase can be attributable to higher sales tax collections than anticipated.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for the business-type activities. One of these factors is the economy. The national economy continues to improve and that improvement is witnessed in our local economy. Sales taxes for the last two years have witnessed a steady increase and are expected to continue to increase over the next year.

These indicators were taken into account when adopting the General Fund budget. The total 2006–07 combined budget appropriation is \$135,201,737. This represents an approximate 5 percent increase over the prior year. The General Fund's two largest revenue sources are property taxes and sales taxes. The property tax rate for fiscal year 2007 is \$0.4834 per \$100 valuation. Of this tax rate, 76 percent or \$0.3658 is utilized for General Fund operating activities. The remaining 24 percent or \$0.1176 is used for debt service. The General Fund's portion of property tax revenue for the fiscal year 2007 is estimated to be \$15,861,979. The City's portion of the sales tax rate is 1.5 percent. The General Fund's sales tax revenue for the fiscal year 2007 is budgeted at \$16,935,556. This is an increase of approximately 8 percent compared to the prior year.

The largest revenue source for the Water Utilities Fund is water sales at \$13,690,330. The next largest revenue source for this fund is the wastewater charge at \$9,916,499. The water rate was increased 4% and for the fiscal year 2007.

The Solid Waste Fund's largest revenue source is the service charge paid by customers for residential waste services, at \$4,073,271. Sanitation rates for fiscal year 2007 were increased by \$1.26.

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**

CITY OF LONGVIEW, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Longview Economic Development Corporation
ASSETS				
Cash and equivalents	\$ 22,334,987	\$ 7,077,038	\$ 29,412,025	\$ 2,238,782
Investments	21,537,628	-	21,537,628	3,993,760
Receivables	9,046,463	3,831,461	12,877,924	769,117
Internal balances	(1,517,751)	1,517,751	-	-
Due from other governmental agencies	302,900	-	302,900	-
Inventories	106,654	369,408	476,062	-
Prepaid expenses	93,187	58,047	151,234	34,345
Accrued interest	129,191	26,601	155,792	-
Restricted assets:				
Cash and equivalents	-	9,708,270	9,708,270	-
Investments	-	8,586,370	8,586,370	-
Capital assets:				
Land	3,033,175	755,576	3,788,751	1,900,876
Buildings and improvements	10,606,767	21,308,462	31,915,229	158,180
Water and sewer system	-	163,820,711	163,820,711	-
Machinery and equipment	26,866,301	30,454,088	57,320,389	106,502
Infrastructure	121,450,402	-	121,450,402	7,302,843
Construction in progress	5,609,986	1,815,805	7,425,791	-
Less: accumulated depreciation	(98,783,423)	(87,149,041)	(185,932,464)	(3,322,414)
Total capital assets	<u>68,783,208</u>	<u>131,005,601</u>	<u>199,788,809</u>	<u>6,145,987</u>
Total assets	<u>120,816,467</u>	<u>162,180,547</u>	<u>282,997,014</u>	<u>13,181,991</u>
LIABILITIES				
Accounts payable and accrued expenses	4,492,520	647,651	5,140,171	20,403
Unearned revenues	380,027	-	380,027	-
Accrued interest	580,023	-	580,023	-
Payable from restricted assets				
Accounts payable and accrued liabilities	-	199,616	199,616	-
Accrued interest	-	332,487	332,487	-
Meter deposits	-	533,238	533,238	-
Other accrued liabilities	661,090	42,011	703,101	-
Noncurrent liabilities:				
Due within one year	6,446,598	4,780,209	11,226,807	2,135,489
Due in more than one year	<u>43,469,442</u>	<u>84,889,272</u>	<u>128,358,714</u>	<u>4,935,652</u>
Total liabilities	<u>56,029,700</u>	<u>91,424,484</u>	<u>147,454,184</u>	<u>7,091,544</u>
NET ASSETS				
Invested in capital assets, net of related debt	16,429,990	41,806,901	58,236,891	6,145,987
Restricted for:				
Capital projects	6,405,436	529,688	6,935,124	-
Debt service	2,242,808	8,637,227	10,880,035	563,490
Unrestricted	<u>39,708,533</u>	<u>19,782,247</u>	<u>59,490,780</u>	<u>(619,030)</u>
Total net assets	<u>\$ 64,786,767</u>	<u>\$ 70,756,063</u>	<u>\$ 135,542,830</u>	<u>\$ 6,090,447</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, 2006

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 6,072,058	\$ 1,821,712	\$ 296,534	\$ -
Public safety	30,954,625	3,088,404	628,490	253,083
Public works	6,690,824	-	156,562	-
Developmental services	2,744,376	1,745,944	-	-
Culture and recreation	6,384,926	164,458	27,075	60,302
Public transit	1,479,733	-	1,291,200	-
Public welfare	6,253,531	41,375	6,053,097	-
Arts and culture	763,948	-	-	-
Interest and fiscal charges	2,060,119	-	-	-
Total governmental activities	<u>63,404,140</u>	<u>6,861,893</u>	<u>8,452,958</u>	<u>313,385</u>
Business-type activities:				
Water utilities	27,044,288	26,110,235	-	-
Sanitation	3,690,267	3,879,969	-	-
Nonmajor funds - Longview				
Recreation Association	461,520	523,880	-	-
Total business-type activities	<u>31,196,075</u>	<u>30,514,084</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 94,600,215</u>	<u>\$ 37,375,977</u>	<u>\$ 8,452,958</u>	<u>\$ 313,385</u>
Component unit				
Longview Economic Development Corporation	\$ 4,959,868	\$ 254,931	\$ -	\$ -
Total component unit	<u>\$ 4,959,868</u>	<u>\$ 254,931</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes				
Sales taxes				
Franchise taxes				
Other taxes				
Interest				
Miscellaneous				
Gain on sale of asset				
Proceeds from insurance				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning				
Prior period adjustment				
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
\$(3,953,812)	\$ -	\$(3,953,812)	\$ -
(26,984,648)	-	(26,984,648)	-
(6,534,262)	-	(6,534,262)	-
(998,432)	-	(998,432)	-
(6,133,091)	-	(6,133,091)	-
(188,533)	-	(188,533)	-
(159,059)	-	(159,059)	-
(763,948)	-	(763,948)	-
<u>(2,060,119)</u>	<u>-</u>	<u>(2,060,119)</u>	<u>-</u>
<u>(47,775,904)</u>	<u>-</u>	<u>(47,775,904)</u>	<u>-</u>
-	(934,053)	(934,053)	-
-	189,702	189,702	-
-	62,360	62,360	-
<u>-</u>	<u>(681,991)</u>	<u>(681,991)</u>	<u>-</u>
<u>(47,775,904)</u>	<u>(681,991)</u>	<u>(48,457,895)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,704,937)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,704,937)</u>
19,951,302	-	19,951,302	-
20,855,105	-	20,855,105	4,168,450
4,643,213	-	4,643,213	-
1,557,841	-	1,557,841	-
2,157,508	1,217,691	3,375,199	265,327
1,541,826	-	1,541,826	-
8,615	-	-	17,782
25,144	-	-	-
1,845,195	(1,800,936)	44,259	-
<u>52,585,749</u>	<u>(583,245)</u>	<u>52,002,504</u>	<u>4,451,559</u>
4,809,845	(1,265,236)	3,544,609	(253,378)
56,837,719	72,021,299	128,859,018	5,975,522
<u>3,139,203</u>	<u>-</u>	<u>3,139,203</u>	<u>368,803</u>
<u>\$ 64,786,767</u>	<u>\$ 70,756,063</u>	<u>\$ 135,542,830</u>	<u>\$ 6,090,947</u>

CITY OF LONGVIEW, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	General Fund	Debt Service	Capital Projects
ASSETS			
Cash and cash equivalents	\$ 6,624,553	\$ 2,202,670	\$ 4,209,780
Investments	8,432,069	-	12,105,559
Accounts receivable, net	4,587,715	303,977	-
Due from other funds	617,710	-	-
Due from other governments	-	-	-
Other receivables	143,704	-	-
Inventory	7,608	-	-
Accrued interest	117,635	-	-
Total assets	\$ 20,530,994	\$ 2,506,647	\$ 16,315,339
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	838,009	-	1,281,974
Accrued liabilities	1,393,100	-	702
Due to other funds	-	-	-
Deferred revenue	534,840	263,839	-
Unclaimed property	-	-	-
Other payables	356,520	-	-
Family self-sufficiency escrow	-	-	-
Total liabilities	3,122,469	263,839	1,282,676
Fund balances:			
Reserved for:			
Encumbrances	326,857	-	8,627,227
Debt service	-	2,242,808	-
Inventories	7,608	-	-
Unreserved	17,074,060	-	-
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	6,405,436
Total fund balances	17,408,525	2,242,808	15,032,663
Total liabilities and fund balances	\$ 20,530,994	\$ 2,506,647	\$ 16,315,339

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.

Other Governmental Funds	Total Governmental Funds
\$ 5,214,197	\$ 18,251,200
-	20,537,628
858,356	5,750,048
2,526	620,236
302,900	302,900
500,296	644,000
-	7,608
-	117,635
<u>\$ 6,878,275</u>	<u>\$ 46,231,255</u>

588,573	2,708,556
62,692	1,456,494
617,710	617,710
539,498	1,338,177
197,742	197,742
-	356,520
<u>106,828</u>	<u>106,828</u>
<u>2,113,043</u>	<u>6,782,027</u>

697,957	9,652,041
-	2,242,808
-	7,608
-	17,074,060
4,067,275	4,067,275
-	6,405,436
<u>4,765,232</u>	39,449,228
<u>\$ 6,878,275</u>	

65,484,181
3,608,039
5,942,225
(49,696,906)
<u>\$ 64,786,767</u>

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

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>
REVENUES			
Taxes	\$ 37,065,141	\$ 5,013,017	\$ -
Fines and forfeitures	1,758,303	-	-
Licenses and permits	1,355,532	-	-
Intergovernmental	-	-	127,873
Charges for services	2,313,473	-	-
Investment earnings	1,125,479	186,458	619,851
Contractual fees	900,000	-	-
Miscellaneous	397,744	-	23,134
Total revenues	<u>44,915,672</u>	<u>5,199,475</u>	<u>770,858</u>
EXPENDITURES			
Current:			
General government	4,392,982	-	27,372
Public safety	26,987,595	-	-
Public works	3,291,406	-	-
Developmental services	2,468,446	-	-
Arts and culture	-	-	-
Public welfare	-	-	-
Culture and recreation	5,737,609	-	-
Public transit	-	-	-
Debt service:			
Principal	-	4,953,629	-
Interest and other charges	-	2,012,461	-
Capital outlay	<u>864,909</u>	<u>-</u>	<u>5,099,477</u>
Total expenditures	<u>43,742,947</u>	<u>6,966,090</u>	<u>5,126,849</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER EXPENDITURES	<u>1,172,725</u>	<u>(1,766,615)</u>	<u>(4,355,991)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from insurance	25,144	-	-
Sale of capital assets	8,615	-	-
Transfers in	2,344,500	1,999,952	4,449,423
Transfers out	<u>(5,135,462)</u>	<u>(123,388)</u>	<u>-</u>
Total other financing sources and uses	<u>(2,757,203)</u>	<u>1,876,564</u>	<u>4,449,423</u>
NET CHANGE IN FUND BALANCES	<u>(1,584,478)</u>	<u>109,949</u>	<u>93,432</u>
FUND BALANCES, BEGINNING	18,993,003	2,132,859	14,461,230
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>478,001</u>
FUND BALANCES, BEGINNING AS RESTATED	<u>18,993,003</u>	<u>2,132,859</u>	<u>14,939,231</u>
FUND BALANCES, ENDING	<u>\$ 17,408,525</u>	<u>\$ 2,242,808</u>	<u>\$ 15,032,663</u>

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

Other Governmental	Total Governmental
\$ 5,492,257	\$ 47,570,415
204,675	1,962,978
-	1,355,532
8,322,546	8,450,419
1,087,070	3,400,543
225,720	2,157,508
-	900,000
220,050	640,928
<u>15,552,318</u>	<u>66,438,323</u>
1,131,954	5,552,308
896,026	27,883,621
1,798,768	5,090,174
-	2,468,446
634,008	634,008
6,014,640	6,014,640
31,830	5,769,439
1,349,149	1,349,149
-	4,953,629
-	2,012,461
<u>1,783,655</u>	<u>7,748,041</u>
<u>13,640,030</u>	<u>69,475,916</u>
<u>1,912,288</u>	<u>(3,037,593)</u>
-	25,144
-	8,615
411,066	9,204,941
<u>(2,100,896)</u>	<u>(7,359,746)</u>
<u>(1,689,830)</u>	<u>1,878,954</u>
<u>222,458</u>	<u>(1,158,639)</u>
4,542,774	40,129,866
-	478,001
<u>4,542,774</u>	<u>40,607,867</u>
<u>\$ 4,765,232</u>	<u>\$ 39,449,228</u>

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, 2006

Net change in fund balances - total governmental funds:	\$(1,158,639)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	141,996
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(103,292)
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,811,748
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	(548,492)
Internal Service Funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain Internal Service Funds is reported with governmental activities.	<u>1,666,524</u>
Change in net assets of governmental activities	<u>\$ 4,809,845</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, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Taxes	\$ 34,770,705	\$ 34,770,705
Fines and forfeitures	2,700,000	2,700,000
Licenses and permits	1,056,595	1,056,595
Charges for services	2,329,043	2,329,043
Investment earnings	715,950	715,950
Contractual fees	900,000	900,000
Miscellaneous	330,000	330,000
Total revenues	42,802,293	42,802,293
EXPENDITURES		
Current:		
General government	4,867,908	4,871,770
Public safety	27,389,892	27,408,138
Public works	3,583,692	3,583,692
Developmental services	2,586,693	2,586,693
Culture and recreation	5,817,965	5,872,215
Capital outlay	442,350	797,558
Total expenditures	44,688,500	45,120,066
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,886,207)	(2,317,773)
OTHER FINANCING SOURCES (USES)		
Proceeds from insurance	-	-
Sale of capital assets	21,500	21,500
Transfers in	2,344,500	2,344,500
Transfers out	(253,370)	(5,010,307)
Total other financing sources and uses	2,112,630	(2,644,307)
NET CHANGE IN FUND BALANCES	226,423	(4,962,080)
FUND BALANCES, BEGINNING	18,993,003	18,993,003
FUND BALANCES, ENDING	\$ 19,219,426	\$ 14,030,923

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

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 37,065,141	\$ -	\$ 37,065,141	\$ 2,294,436
1,758,303	-	1,758,303	(941,697)
1,355,532	-	1,355,532	298,937
2,313,473	-	2,313,473	(15,570)
1,125,479	-	1,125,479	409,529
900,000	-	900,000	-
397,744	-	397,744	67,744
<u>44,915,672</u>	<u>-</u>	<u>44,915,672</u>	<u>2,113,379</u>
4,392,982	114,043	4,507,025	364,745
26,987,595	16,657	27,004,252	403,886
3,291,406	-	3,291,406	292,286
2,468,446	-	2,468,446	118,247
5,737,609	(13,518)	5,724,091	148,124
864,909	43,526	908,435	(110,877)
<u>43,742,947</u>	<u>160,708</u>	<u>43,903,655</u>	<u>1,216,411</u>
<u>1,172,725</u>	<u>(160,708)</u>	<u>1,012,017</u>	<u>3,329,790</u>
25,144	-	25,144	25,144
8,615	-	8,615	(12,885)
2,344,500	-	2,344,500	-
(5,135,462)	-	(5,135,462)	(125,155)
<u>(2,757,203)</u>	<u>-</u>	<u>(2,757,203)</u>	<u>(112,896)</u>
(1,584,478)	(160,708)	(1,745,186)	3,216,894
<u>18,993,003</u>	<u>-</u>	<u>18,993,003</u>	<u>-</u>
<u>\$ 17,408,525</u>	<u>\$(160,708)</u>	<u>\$ 17,247,817</u>	<u>\$ 3,216,894</u>

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

	Enterprise Funds	
	Water Utilities	Solid Waste Disposal
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,186,765	\$ 618,992
Investments	-	-
Accounts receivable, net	3,267,482	563,979
Inventories	369,408	-
Accrued interest	26,601	-
Prepaid expenses	-	58,047
Restricted assets		
Cash and cash equivalents	9,708,270	-
Investments	8,586,370	-
Total current assets	28,144,896	1,241,018
Non-current assets		
Capital assets:		
Land	750,000	5,576
Buildings	21,308,462	-
Water and sewer system	163,820,711	-
Machinery and equipment	27,745,861	2,680,454
Construction in progress	1,815,805	-
Less accumulated depreciation	(85,249,039)	(1,872,791)
Total non-current assets	130,191,800	813,239
Total assets	\$ 158,336,696	\$ 2,054,257
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 342,069	\$ 126,718
Accrued liabilities	141,935	24,471
Other accrued liabilities:	42,011	-
Compensated absence:	61,828	12,217
Capital lease obligation	-	110,040
Claims and judgments:	-	-
Current liabilities payable from restricted assets:		
Accounts payable - construction	199,616	-
Accrued interest payable	332,487	-
Revenue bonds	4,596,124	-
Customer deposits	533,238	-
Total current liabilities	6,249,308	273,446
Non-current liabilities		
Compensated absence:	350,359	46,377
Capital lease obligation	-	233,088
Bonds, notes and loans payable	84,259,448	-
Total non-current liabilities	84,609,807	279,465
Total liabilities	90,859,115	552,911
NET ASSETS		
Invested in capital assets, net of related debt	41,336,228	470,111
Restricted for debt service	8,637,227	-
Restricted for capital project	529,688	-
Unrestricted	16,974,438	1,031,235
Total net assets	\$ 67,477,581	\$ 1,501,346

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.

Enterprise Funds		
Nonmajor - Longview Recreation Association	Total	Internal Service Funds
\$ 271,281	\$ 7,077,038	\$ 4,083,787
-	-	1,000,000
-	3,831,461	-
-	369,408	99,046
-	26,601	11,556
-	58,047	93,187
-	9,708,270	-
-	8,586,370	-
<u>271,281</u>	<u>29,657,195</u>	<u>5,287,576</u>
-	755,576	50,000
-	21,308,462	738,516
-	163,820,711	-
27,773	30,454,088	4,509,503
-	1,815,805	-
(27,211)	(87,149,041)	(1,998,992)
<u>562</u>	<u>131,005,601</u>	<u>3,299,027</u>
\$ <u>271,843</u>	\$ <u>160,662,796</u>	\$ <u>8,586,603</u>
\$ 12,458	\$ 481,245	\$ 302,935
-	166,406	24,535
-	42,011	-
-	74,045	8,626
-	110,040	-
-	-	764,858
-	199,616	-
-	332,487	-
-	4,596,124	-
-	533,238	-
<u>12,458</u>	<u>6,535,212</u>	<u>1,100,954</u>
-	396,736	25,673
-	233,088	-
-	84,259,448	-
-	84,889,272	25,673
<u>12,458</u>	<u>91,424,484</u>	<u>1,126,627</u>
562	41,806,901	3,299,027
-	8,637,227	-
-	529,688	-
<u>258,823</u>	<u>18,264,496</u>	<u>4,160,949</u>
\$ <u>259,385</u>	69,238,312	\$ <u>7,459,976</u>
	<u>1,517,751</u>	
	\$ <u>70,756,063</u>	

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

	Enterprise Funds	
	Water Utilities	Solid Waste Disposal
OPERATING REVENUES		
Water revenue	\$ 15,242,390	\$ -
Sewer revenue	9,865,184	-
Solid waste collection:	-	3,879,969
Installation fees:	538,346	-
Penalties	464,315	-
Recreation revenue	-	-
Premiums	-	-
Vehicle revenue	-	-
GIS revenue	-	-
Total operating revenues	<u>26,110,235</u>	<u>3,879,969</u>
OPERATING EXPENSES		
Administrative	430,787	-
Utility services	1,148,812	-
Water supply	2,176,628	-
Water distribution	2,150,084	-
Water purification	3,073,007	-
Sanitary sewer maintenance	1,147,460	-
Sanitary sewer treatment	2,496,292	-
Public works engineering	337,757	-
Non-departmental expenses	608,021	-
Sanitation services	-	3,741,448
Claims, net of reimbursement	-	-
Fleet service	-	-
Depreciation	9,107,816	124,525
Recreation expenses	-	-
Total operating expenses	<u>22,676,664</u>	<u>3,865,973</u>
OPERATING INCOME	<u>3,433,571</u>	<u>13,996</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	1,177,354	30,403
Miscellaneous revenue:	-	-
Interest expense	(4,461,997)	(17,468)
Miscellaneous expenses	(4,150)	-
Total non-operating revenues (expenses)	<u>(3,288,793)</u>	<u>12,935</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	144,778	26,931
Transfers in	-	123,388
Transfers out	(1,634,091)	(290,233)
SPECIAL ITEM		
Gain (loss) on sale of land	-	-
CHANGE IN NET ASSETS	(1,489,313)	(139,914)
TOTAL NET ASSETS, BEGINNING	<u>68,966,894</u>	<u>1,641,260</u>
TOTAL NET ASSETS, ENDING	<u>\$ 67,477,581</u>	<u>\$ 1,501,346</u>

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.

Enterprise Funds		
Nonmajor - Longview Recreation Association	Total	Internal Service Funds
\$ -	\$ 15,242,390	\$ -
-	9,865,184	-
-	3,879,969	-
-	538,346	-
-	464,315	-
523,880	523,880	-
-	-	7,237,115
-	-	3,321,397
-	-	444,273
<u>523,880</u>	<u>30,514,084</u>	<u>11,002,785</u>
-	430,787	-
-	1,148,812	-
-	2,176,628	-
-	2,150,084	-
-	3,073,007	-
-	1,147,460	-
-	2,496,292	-
-	337,757	-
-	608,021	-
-	3,741,448	-
-	-	5,627,759
-	-	3,028,233
4,928	9,237,269	694,060
<u>456,592</u>	<u>456,592</u>	<u>-</u>
<u>461,520</u>	<u>27,004,157</u>	<u>9,350,052</u>
<u>62,360</u>	<u>3,509,927</u>	<u>1,652,733</u>
9,934	1,217,691	221,421
-	-	11,705
-	(4,479,465)	-
-	(4,150)	-
<u>9,934</u>	<u>(3,265,924)</u>	<u>233,126</u>
72,294	244,003	1,885,859
-	123,388	394,855
-	(1,924,324)	(449,890)
-	-	127,397
72,294	(1,556,933)	1,958,221
<u>187,091</u>	<u>70,795,245</u>	<u>5,501,755</u>
<u>\$ 259,385</u>	<u>\$ 69,238,312</u>	<u>\$ 7,459,976</u>
	\$(1,556,933)	
	<u>291,697</u>	
	<u>\$(1,265,236)</u>	

CITY OF LONGVIEW, TEXAS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities Enterprise Funds			Total	Governmental
	Water Utilities	Solid Waste Disposal	Nonmajor Longview Recreation Association		Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 26,018,669	\$ 3,823,331	\$ 523,880	\$ 30,365,880	\$ -
Cash received from City departments	-	-	-	-	3,589,724
Cash received from premiums/contributions	-	-	-	-	7,231,948
Cash payments for claims	-	-	-	-	(5,774,901)
Cash payments for goods and services	(7,909,943)	(2,762,639)	(491,211)	(11,163,793)	(1,990,056)
Cash payments to employees/retirees	(5,719,564)	(958,051)	-	(6,677,615)	(900,115)
Net cash provided by operating activities	<u>12,389,162</u>	<u>102,641</u>	<u>32,669</u>	<u>12,524,472</u>	<u>2,156,600</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash paid for miscellaneous items	(4,150)	-	-	(4,150)	11,705
Transfers in (out)	(1,634,091)	(166,845)	-	(1,800,936)	(55,035)
Net cash used by noncapital financing activities	<u>(1,638,241)</u>	<u>(166,845)</u>	<u>-</u>	<u>(1,805,086)</u>	<u>(43,330)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	-	-	-	-	127,397
Acquisition and construction of capital assets	(2,990,856)	-	-	(2,990,856)	(1,951,772)
Disposal of capital assets	-	5,574	-	5,574	-
Principal paid on long-term debt	(4,411,124)	(105,920)	-	(4,517,044)	-
Interest and fiscal charges on debt	(4,461,997)	(17,468)	-	(4,479,465)	-
Net cash used by capital and related financing activities	<u>(11,863,977)</u>	<u>(117,814)</u>	<u>-</u>	<u>(11,981,791)</u>	<u>(1,824,375)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	<u>1,177,354</u>	<u>30,403</u>	<u>9,934</u>	<u>1,217,691</u>	<u>221,421</u>
Net cash provided by investing activities	<u>1,177,354</u>	<u>30,403</u>	<u>9,934</u>	<u>1,217,691</u>	<u>221,421</u>
NET INCREASE (DECREASE) IN CASH	64,298	(151,615)	42,603	(44,714)	510,316
CASH AND CASH EQUIVALENTS, BEGINNING	<u>24,417,107</u>	<u>770,607</u>	<u>228,678</u>	<u>25,416,392</u>	<u>4,573,471</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 24,481,405</u>	<u>\$ 618,992</u>	<u>\$ 271,281</u>	<u>\$ 25,371,678</u>	<u>\$ 5,083,787</u>

(continued)

CITY OF LONGVIEW, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities Enterprise Funds			Total	Governmental Activities
	Water Utilities	Solid Waste Disposal	Nonmajor Longview Recreation Association		Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 3,433,571	\$ 13,996	\$ 62,360	\$ 3,509,927	\$ 1,652,733
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	9,107,816	124,525	4,928	9,237,269	694,060
Change in assets and liabilities:					
Decrease (increase) in assets:					
Receivables	52,631	(56,638)	-	(4,007)	-
Prepays	-	9,260	-	9,260	1,408
Inventories	(83,500)	-	-	(83,500)	(13,775)
Due from other funds	-	92,895	-	92,895	-
Accrued interest	10,368	3,342	1,911	-	(3,560)
Increase (decrease) in liabilities:					
Accounts payable	(110,640)	(104,285)	(36,530)	(251,455)	(46,880)
Accrued liabilities	(12,596)	5,524	-	(7,072)	10,375
Customer deposits	(44,565)	-	-	(44,565)	-
Claims payable	-	-	-	-	(147,142)
Advances from other funds	(110,000)	-	-	(110,000)	-
Compensated absences	15,447	14,022	-	29,469	9,381
Accrued interest payable	130,630	-	-	130,630	-
Total adjustments	<u>8,955,591</u>	<u>88,645</u>	<u>(29,691)</u>	<u>9,014,545</u>	<u>503,867</u>
Net cash provided by operating activities	<u>\$ 12,389,162</u>	<u>\$ 102,641</u>	<u>\$ 32,669</u>	<u>\$ 12,524,472</u>	<u>\$ 2,156,600</u>

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

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

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 3,517,007
Receivables:	
Interest and dividends	64,759
Total receivables	64,759
Investments:	
U. S. Government obligations	2,433,565
Corporate bonds and notes	1,637,597
Corporate stocks	24,359,760
Limited partnership interest	4,468,510
Total investments	32,899,432
Capital assets:	
Equipment	2,472
Less accumulated depreciation	(1,375)
Total capital assets	1,097
Total assets	\$ 36,482,295
LIABILITIES	
Accounts payable and accrued liabilities	\$ 206,251
Due to general fund	2,526
Benefits payable	217,665
Total liabilities	426,442
NET ASSETS	
Held in trust for pension benefits	\$ 36,055,853

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

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

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 1,062,035
Employee	<u>1,057,427</u>
Total contributions	<u>2,119,462</u>
Investment earnings:	
Interest income	848,476
Net increase in fair value of investments	<u>952,470</u>
Total net investment earnings	1,800,946
Less investment expense	<u>232,504</u>
Net investment earnings	<u>1,568,442</u>
Other additions:	
Other income	<u>1,208</u>
Total other additions	<u>1,208</u>
Total additions	<u>3,689,112</u>
DEDUCTIONS	
Benefits	2,559,568
Refunds of contributions	50,959
Interest	5,144
Plan administration	<u>47,852</u>
Total deductions	<u>2,663,523</u>
CHANGE IN NET ASSETS	1,025,589
NET ASSETS, BEGINNING	<u>35,030,264</u>
NET ASSETS, ENDING	<u>\$ 36,055,853</u>

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

CITY OF LONGVIEW, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Longview, Texas (the "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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

Component Units (Continued)

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) 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 unit has 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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government 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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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

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

C. Measurement Focus and Basis of Accounting

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

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 available if they are collected within 60 days of the end of 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 it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when only the liability has matured and payment is due.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Ad valorem, franchise and sales tax revenues in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are all considered to be susceptible to accrual 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.

Business-type activities, 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the City's water and sewer, and sanitary landfill 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 nonoperating 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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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.

Additionally, the City reports the following fund types:

The **Internal Service Funds** are used to account for general liability insurance, group health insurance, workers' compensation insurance, fleet management services, vehicle replacement services, 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.

D. 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, 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.

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Cash, Cash Equivalents and Investments (Continued)

Effective September 1, 1995, the legislature of the State of Texas amended the Public Funds Investment Act (the "Investment Act"). Effective September 1, 1997, the legislature further amended the Investment Act. The current Investment Act governs items such as investment strategies and policies, training for investment officers, reporting requirements, and types of investments allowed.

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 in the Water Utilities Fund are as follows:

	<u>09/30/06</u>
Customer deposits	\$ 533,238
Water development	529,688
Capital projects	7,594,487
Bond reserve	<u>9,637,227</u>
Total restricted assets	<u>\$ 18,294,640</u>

Inventories and Prepaid Items

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 a fund balance reserve, 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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

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

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 Equity

In the fund financial statements, the unreserved fund balance for governmental funds represents the amount available for budgeting future operations. Designations of fund balance represent tentative management plans that are subject to change. Reserved balances for governmental funds represent the amount that has been legally identified for specific purposes.

Net Assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, 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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

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.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$49,696,906 difference are as follows:

(continued)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Continued)

Bonds payable	\$ 47,624,567
Capital leases payable	849,601
Accrued interest payable	580,023
Compensated absences	<u>642,715</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>49,696,906</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* 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 allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(513,884) difference are as follows:

Capital outlay	\$ 6,811,931
Depreciation expense	<u>(7,325,815)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(513,884)</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 activities.” The details of this \$4,811,748 difference are as follows:

(continued)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Principal repayments:	
General obligation debt	\$ 4,695,000
Capital leases	258,793
Amortization of premium on bonds	<u>(142,045)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>4,811,748</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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. Unencumbered appropriations for annual budgets lapse at fiscal year-end. The City Manager is authorized to transfer appropriation balances within a fund of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund to another.

The budgetary comparison statement presents a comparison of budgetary data to actual results of operations for all funds for which an annual operating budget is legally adopted. The City prepares its annual operating budget based on cash and available resources (budget basis) which differs from generally accepted accounting principles (GAAP basis). In governmental funds, encumbrances constitute the equivalent of expenditures for budgetary purposes. 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.

Reconciliation of GAAP basis to budget basis amounts for the General Fund:

Net change in fund balances - GAAP basis	\$(1,584,478)
Beginning of year adjustments for encumbrances not recognized as expenditures	166,149
End of year adjustments for encumbrances not recognized as expenditures	<u>(326,857)</u>
Deficiency of revenues and other sources under Net change in fund balances - budget basis	\$ <u>(1,745,186)</u>

(continued)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deficit Fund Equity

Deficit fund equity in individual funds at September 30, 2006, consists of the following:

	<u>Deficit Fund Equity</u>
Non-major Governmental Funds	
Community Development Block Grant	\$(90,867)
Transit	(348,511)
Special Revenue - Grants	(40,373)

The City plans to cover the deficit fund equities of the Community Development Block Grant Fund, Transit Fund and Special Revenue – Grants Fund through reimbursements from the State of Texas for approved expenditures. The City anticipates the funds will be fully reimbursed by the State, however, if the costs are not approved for reimbursement, the City plans to transfer funds to cover the deficit fund equities.

The City plans on the Workers’ Compensation Internal Service Fund to eliminate the deficit equity of \$88,396 through future charges to the various funds that it services.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2006, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Primary government:		
U. S. Treasuries	\$ 11,433,874	530
TexPool	17,014,271	39
MBIA Texas Class	<u>18,690,123</u>	35
Total fair value	<u>\$ 47,138,268</u>	
Portfolio weighted average maturity (days)		157
Component unit:		
Mortgage-backed securities	\$ <u>3,993,760</u>	136
	<u>\$ 3,993,760</u>	

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments of the City, other than for 2a7-like pools, are valued based upon quotes obtained from Interactive Data Corporation (IDC). Investments in 2a7-like pools are valued based upon the value of pool shares. No investments are reported at amortized cost. The City currently invests in two 2a7-like pools, the Texas Local Government Investment Pool (TexPool) and the Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS).

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 Investments Act, Texas Government Code Ann. Ch. 2256. of Public Accounts for review.

Texas CLASS was created under the Texas Government Code Ann. Ch. 2256. Municipal Investors Service Corporation (MBIA) 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.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting weighted average maturity of the portfolio to a period of up to two years, and maturities to a period of up to five years. As of September 30, 2006, all of the City's investments were invested for a period less than five years, and the weighted average maturity was less than two years.

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 all 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, 2006, \$22,596,405 of the City's \$22,696,405 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance \$100,000 was covered by FDIC insurance.

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, 2006, were rated as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>
MBIA Class	AAA	Fitch
TexPool	AAAm	Standard & Poor's
U. S. Treasuries	AAA	Standard & Poor's

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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 \$100,000;
3. No-load money market mutual funds; and
4. TexPool, Lone Star Investment Pool and MBIA Class.

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). 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.

B. 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, 2006, were 98.40% of the tax levy with total tax collections at 100.30%.

Appraised values are established by the Gregg County District at 100% of estimated market value and certified by the Appraisal Review Board. The assessed value less exemptions for the tax roll of January 1, 2005, upon which the original 2006 levy was based, was \$4,077,521,037.

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 six days after year-end. An allowance is provided for delinquent personal property taxes not expected to be collected in the future.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Property Taxes (Continued)

For the fiscal year ended September 30, 2006, the City had a tax rate of \$0.4834 per \$100 valuation with a tax margin of \$2.0166 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% 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%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of previous years.

C. Receivables

Receivables at September 30, 2006, for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts, consist of the following:

	Governmental Funds					Total
	General	Debt Service	Nonmajor Governmental	Water Utilities	Solid Waste Disposal	
Receivables:						
Taxes	\$ 764,038	\$ 353,413	\$ -	\$ -	\$ -	\$ 1,117,451
Franchise fees	977,000	-	-	-	-	977,000
Trade accounts	-	-	-	2,462,090	363,631	2,825,721
Unbilled trade accounts	-	-	-	1,326,012	300,050	1,626,062
Sales taxes	2,956,712	-	858,356	-	28,936	3,844,004
Grants	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Other	143,704	-	500,296	-	-	644,000
Gross receivables	4,841,454	353,413	1,358,652	3,788,102	692,617	11,034,238
Less: allowance for uncollectibles	110,035	49,436	-	520,620	128,638	808,729
Net total receivables	\$ 4,731,419	\$ 303,977	\$ 1,358,652	\$ 3,267,482	\$ 563,979	\$ 10,225,509

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Deferred Revenue

Governmental funds report *deferred revenue* in connection 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:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Delinquent property taxes	\$ 534,840	\$ -
Total General Fund	<u>534,840</u>	<u>-</u>
Debt Service Fund		
Delinquent property taxes	<u>263,839</u>	<u>-</u>
Total Debt Service Fund	<u>263,839</u>	<u>-</u>
Nonmajor Governmental Funds		
Intergovernmental	-	494,007
Other	<u>45,491</u>	<u>-</u>
Total Nonmajor Governmental Funds	<u>45,491</u>	<u>494,007</u>
Total Governmental Funds	<u>\$ 844,170</u>	<u>\$ 494,007</u>

E. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,033,175	\$ -	\$ -	\$ 3,033,175
Construction in progress	<u>1,983,905</u>	<u>4,938,569</u>	<u>1,312,488</u>	<u>5,609,986</u>
Total assets not being depreciated	<u>5,017,080</u>	<u>4,938,569</u>	<u>1,312,488</u>	<u>8,643,161</u>
Capital assets, being depreciated:				
Buildings and improvements	10,606,767	-	-	10,606,767
Infrastructure	119,784,712	1,665,690	-	121,450,402
Equipment	<u>24,481,869</u>	<u>4,376,268</u>	<u>1,991,836</u>	<u>26,866,301</u>
Total capital assets being depreciated	<u>154,873,348</u>	<u>6,041,958</u>	<u>1,991,836</u>	<u>158,923,470</u>
Less accumulated depreciation:				
Buildings and improvements	8,169,095	279,340	-	8,448,435
Infrastructure	67,280,898	5,502,154	-	72,783,052
Equipment	<u>17,056,935</u>	<u>2,238,380</u>	<u>1,743,379</u>	<u>17,551,936</u>
Total accumulated depreciation	<u>92,506,928</u>	<u>8,019,874</u>	<u>1,743,379</u>	<u>98,783,423</u>
Total capital assets being depreciated, net	<u>62,366,420</u>	<u>(1,977,916)</u>	<u>248,457</u>	<u>60,140,047</u>
Governmental activities capital assets, net	<u>\$ 67,383,500</u>	<u>\$ 2,960,653</u>	<u>\$ 1,560,945</u>	<u>\$ 68,783,208</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Water utilities:				
Capital assets, not being depreciated:				
Land	\$ 750,000	\$ -	\$ -	\$ 750,000
Construction in progress	6,413,263	2,941,904	7,539,362	1,815,805
Total assets not being depreciated	<u>7,163,263</u>	<u>2,941,904</u>	<u>7,539,362</u>	<u>2,565,805</u>
Capital assets, being depreciated:				
Buildings and improvements	21,308,462	-	-	21,308,462
Water and sewer systems	156,281,348	7,539,363	-	163,820,711
Machinery and equipment	27,766,086	178,705	198,930	27,745,861
Total capital assets being depreciated	<u>205,355,896</u>	<u>7,718,068</u>	<u>198,930</u>	<u>212,875,034</u>
Less accumulated depreciation:				
Buildings and improvements	13,309,324	919,198	-	14,228,522
Water and sewer systems	44,888,073	7,487,112	-	52,375,185
Machinery and equipment	18,013,002	820,484	188,154	18,645,332
Total accumulated depreciation	<u>76,210,399</u>	<u>9,226,794</u> (1)	<u>188,154</u>	<u>85,249,039</u>
Total capital assets being depreciated, net	<u>129,145,497</u>	<u>(1,508,726)</u>	<u>10,776</u>	<u>127,625,995</u>
Water utilities capital assets, net	<u>\$ 136,308,760</u>	<u>\$ 1,433,178</u>	<u>\$ 7,550,138</u>	<u>\$ 130,191,800</u>

(1) Additions to accumulated depreciation include \$118,977 of accumulated depreciation transferred in from other funds.

	Beginning Balance	Increases	Decreases	Ending Balance
Solid waste:				
Capital assets, not being depreciated:				
Land	\$ 5,576	\$ -	\$ -	\$ 5,576
Total assets not being depreciated	<u>5,576</u>	<u>-</u>	<u>-</u>	<u>5,576</u>
Capital assets, being depreciated:				
Machinery and equipment	2,796,514	32,301	148,361	2,680,454
Total capital assets being depreciated	<u>2,796,514</u>	<u>32,301</u>	<u>148,361</u>	<u>2,680,454</u>
Less accumulated depreciation:				
Machinery and equipment	1,858,752	156,826	142,787	1,872,791
Total accumulated depreciation	<u>1,858,752</u>	<u>156,826</u> (1)	<u>142,787</u>	<u>1,872,791</u>
Total capital assets being depreciated, net	<u>937,762</u>	<u>(124,525)</u>	<u>5,574</u>	<u>807,663</u>
Solid waste capital assets, net	<u>\$ 943,338</u>	<u>\$(124,525)</u>	<u>\$ 5,574</u>	<u>\$ 813,239</u>

(1) Additions to accumulated depreciation include \$32,301 of accumulated depreciation transferred in from other funds.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Nonmajor - Longview Recreation Association:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 27,773	\$ -	\$ -	\$ 27,773
Total assets being depreciated	<u>27,773</u>	<u>-</u>	<u>-</u>	<u>27,773</u>
Less accumulated depreciation:				
Machinery and equipment	22,283	4,928	-	27,211
Total accumulated depreciation	<u>22,283</u>	<u>4,928</u>	<u>-</u>	<u>27,211</u>
Total capital assets being depreciated, net	<u>5,490</u>	<u>(4,928)</u>	<u>-</u>	<u>562</u>
Nonmajor - Longview Recreation Association capital assets, net	<u>\$ 5,490</u>	<u>\$ (4,928)</u>	<u>\$ -</u>	<u>\$ 562</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 755,576	\$ -	\$ -	\$ 755,576
Construction in progress	6,413,263	2,941,904	7,539,362	1,815,805
Total assets not being depreciated	<u>7,168,839</u>	<u>2,941,904</u>	<u>7,539,362</u>	<u>2,571,381</u>
Capital assets, being depreciated:				
Buildings	21,308,462	-	-	21,308,462
Water and sewer systems	156,281,348	7,539,363	-	163,820,711
Machinery and equipment	30,590,373	211,006	347,291	30,454,088
Total capital assets being depreciated	<u>208,180,183</u>	<u>7,750,369</u>	<u>347,291</u>	<u>215,583,261</u>
Less accumulated depreciation:				
Buildings	13,309,324	919,198	-	14,228,522
Water and sewer systems	44,888,073	7,487,112	-	52,375,185
Machinery and equipment	19,894,037	982,238	330,941	20,545,334
Total accumulated depreciation	<u>78,091,434</u>	<u>9,388,548</u>	<u>330,941</u>	<u>87,149,041</u>
Total capital assets being depreciated, net	<u>130,088,749</u>	<u>(1,638,179)</u>	<u>16,350</u>	<u>128,434,220</u>
Business-type activities capital assets, net	<u>\$ 137,257,588</u>	<u>\$ 1,303,725</u>	<u>\$ 7,555,712</u>	<u>\$ 131,005,601</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 503,923
Public safety	3,589,830
Public works	1,840,901
Developmental services	282,379
Arts and culture	126,698
Public welfare	197,004
Culture and recreation	660,555
Public transit	124,525
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	694,060
Total depreciation expense - governmental activities	\$ 8,019,875
Business-type activities:	
Water utilities	\$ 9,107,816
Solid waste disposal	124,525
Nonmajor funds - Longview Recreation Fund	4,928
Total depreciation expense - business-type activities	\$ 9,237,269

Discretely presented component units:

	Beginning Balance	Increases	Decreases	Ending Balance
Longview Economic Development Corp:				
Capital assets, not being depreciated:				
Land	\$ 1,913,094	\$ -	\$ 12,218	\$ 1,900,876
Total assets not being depreciated	1,913,094	-	12,218	1,900,876
Capital assets, being depreciated:				
Buildings and improvements	158,180	-	-	158,180
Infrastructure	7,302,843	-	-	7,302,843
Equipment	95,148	11,354	-	106,502
Total capital assets being depreciated	7,556,171	11,354	-	7,567,525
Less accumulated depreciation:				
Buildings and improvements	158,180	-	-	158,180
Infrastructure	2,746,864	336,477	-	3,083,341
Equipment	76,304	4,589	-	80,893
Total accumulated depreciation	2,981,348	341,066	-	3,322,414
Total capital assets being depreciated, net	4,574,823	(329,712)	-	4,245,111
Longview Economic Development Corp. activities capital assets, net	\$ 6,487,917	\$(329,712)	\$ 12,218	\$ 6,145,987

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Pension and Employee Benefit Plans

Texas Municipal Retirement System

The City provides pension benefits for all its fulltime employees (with the exception of firefighters) through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 811 administered by TMRS, an agent multiple-employer retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P. O. Box 149153, Austin, Texas 78714.

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

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Pension and Employee Benefit Plans (Continued)

Texas Municipal Retirement System (Continued)

The contribution rate for the employee is 7%, and the City matching percent is currently 200%, both as adopted by the City Council. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the period service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year open amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began in January 1997. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. A schedule of actuarial assumptions is as follows:

Actuarial Assumptions

Actuarial Valuation Date	-	December 31, 2005
Actuarial Cost Method	-	Unit credit
Amortization Method	-	Level percent of payroll
Remaining Amortization Period	-	25 Years - open period
Asset Valuation Method	-	Amortized cost (to accurately reflect the requirements of GASB Statement No. 25, paragraphs 36e and 138)
Investment Rate of Return	-	7%
Projected Salary Increases	-	None
Includes Inflation At	-	3.5%
Cost-of-Living Adjustments	-	None

All annual required contributions have been paid; therefore, there is no net pension liability.

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 2,821,156	100%	\$ -
2005	3,071,895	100%	-
2006	3,139,985	100%	-

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Pension and Employee Benefit Plans (Continued)

Longview Firemen’s Relief and Retirement Plan

The Board of Trustees of the Longview Firemen’s Relief and Retirement Fund (LFR&RF) is the administrator of a single employer defined benefit plan providing retirement, death, disability, and withdrawal benefit to plan members and their beneficiaries. The plan covers the employees of the fire department of the City of Longview, Texas. 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. The plan’s fiscal year corresponds with the City’s. The plan issues its own audited financial statements, which can be obtained by writing or calling the City of Longview Finance Department.

Summary of Significant Accounting Policies

Basis of Accounting – The LFR&RF 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. Gains and losses on sales and exchanges of investments are included in the net appreciation (depreciation) in fair value of investments.

Contributions

Contribution rates are established and may be amended by the LFR&RF’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 firefighter’s total pay as defined by the plan.

The required contribution percentages for the 2005 plan year are as follows:

City contribution percentage	14%
Active plan members contribution percentage	14%

The City of Longview, in addition to the above contribution, annually makes a contribution of \$4,608 to the plan, in accordance with an agreement between the City and the LFR&RF Board of Trustees.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Pension and Employee Benefit Plans (Continued)

Longview Firemen’s Relief and Retirement Plan (Continued)

Actuarial Valuation

The plan had an actuarial valuation performed as of December 31, 2005. The information presented by this valuation is presented in the Required Supplementary Information following these notes. The actuary's report determined “that the benefit obligations are not being funded on an actuarially sound basis as of December 31, 2005. The amortization period needed to amortize the unfunded actuarial accrued liability was determined to be 40 years. In the opinion of the actuary, this was due primarily to the investment loss in 2002 due to the market downturn. The Board concurs that the unfunded status of the fund is due primarily to the poor market investment returns over the last several years, and believes that with improving market conditions, and actively working with the investment manager to obtain the best investment return possible within an appropriate level of risk will improve the amortization period to an acceptable level within the next few years.

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1999	\$ 659,814	100%
2000	821,928	100%
2001	869,206	100%
2002	922,605	100%
2003	937,122	100%
2004 *	1,236,949	81.0%
2005 *	1,320,708	80.4%

* The annual required contribution was determined based on a minimum amortization period of 40 years.

The information presented was determined as part of the actuarial valuation as of December 31, 2005, and was calculated in accordance with the plan provisions in effect at the dates indicated. The actuarial assumptions and methodology used are as follows:

Economic assumptions	Investment return Projected salary increases Amortization increase Inflation rate	8.0% 3.0% 3.0% None
Actuarial cost method	Variation of the aggregate entry age Normal actuarial cost method	
Amortization method	Level percentage of pay. Closed.	
Remaining amortization period	Infinity	

The latest plan amendment was effective September 1, 2006.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Pension and Employee Benefit Plans (Continued)

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

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, 145 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. An additional 12 retirees received benefits under the City's Plan but were not eligible for the City's contribution. 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 the Medicare Part D donut hole. Expenditures for postretirement health care benefits are recognized as retirees report claims. During the year, expenditures of approximately \$1,103,170 were recognized for postretirement health care.

G. Long-term Debt

A summary of long-term debt transactions for governmental activities, including current portion, for the year ended September 30, 2006, are as follows:

	Balance September 30, 2005	Additions	Retirements	Balance September 30, 2006	Amounts Due Within One Year
<u>Governmental activities</u>					
General obligation and certificates of obligation	\$ 50,035,000	\$ -	\$(4,695,000)	\$ 45,340,000	\$ 5,025,000
Less bond premiums and deferred amount on refunds	(982,955)	-	142,045	(840,910)	(142,045)
Total bonds payable	49,052,045	-	(4,552,955)	44,499,090	4,882,955
Capital lease obligation	1,373,018	-	(258,793)	1,114,225	264,624
Accrued compensated absences	2,885,771	1,084,961	(432,865)	3,537,867	534,161
Claims payable	912,000	5,480,617	(5,627,759)	764,858	764,858
Total governmental activities	<u>\$ 54,222,834</u>	<u>\$ 6,565,578</u>	<u>\$(10,872,372)</u>	<u>\$ 49,916,040</u>	<u>\$ 6,446,598</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.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Debt (Continued)

The principal and interest requirements of the above general and capital lease obligation debt at September 30, 2006, are as follows:

General Obligation Debt:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2007	\$ 5,025,000	\$ 1,745,484	\$ 6,770,484
2008	4,805,000	1,547,855	6,352,855
2009	4,395,000	1,368,911	5,763,911
2010	4,605,000	1,200,586	5,805,586
2011	4,525,000	1,031,478	5,556,478
2012-2016	17,200,000	2,670,265	19,870,265
2017-2021	4,785,000	375,238	5,160,238
Total	\$ 45,340,000	\$ 9,939,817	\$ 55,279,817

Capital Lease Obligation:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2007	\$ 268,591	\$ 43,056	\$ 311,647
2008	266,541	32,167	298,708
2009	259,249	22,007	281,256
2010	143,351	11,776	155,127
2011	86,639	6,548	93,187
2012-2016	89,854	3,334	93,188
Total	\$ 1,114,225	\$ 118,888	\$ 1,233,113

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Debt (Continued)

Long-term debt at September 30, 2006, includes the following individual issues (not including bond issuance costs, unamortized discounts, and unamortized deferred losses of \$840,910):

General Long-term Debt:

	Interest Rates	Original Issue	Net Retirement	Outstanding 09/30/06
General Obligation Bonds:				
Issue of 1995/maturing 2015	4.10 - 7.10	\$ 6,745,000	\$(6,745,000)	\$ -
Issue of 1996/maturing 2016	5.00 - 7.00	5,985,000	(5,685,000)	300,000
Issue of 1998/maturing 2017	3.70 - 5.00	11,550,000	(10,785,000)	765,000
Issue of 1998/maturing 2013	4.00 - 4.60	6,350,000	(5,475,000)	875,000
Issue of 1999/maturing 2013	5.00 - 7.00	11,050,000	(8,715,000)	2,335,000
Issue of 2001/maturing 2014	4.00 - 4.50	4,555,000	(1,690,000)	2,865,000
Issue of 2004/maturing 2015	2.00 - 3.75	11,810,000	(590,000)	11,220,000
Issue of 2005/maturing 2018	3.30 - 4.625	13,500,000	(200,000)	13,300,000
Issue of 2005A/maturing 2016	3.00 - 5.00	<u>13,680,000</u>	<u>(305,000)</u>	<u>13,375,000</u>
Total general obligation		<u>\$ 85,225,000</u>	<u>\$(40,190,000)</u>	<u>\$ 45,035,000</u>
Certificates of Obligation:				
Issue of 1997/maturing 2008	4.60 - 6.60	\$ 8,000,000	\$(8,000,000)	\$ -
Issue of 1998/maturing 2012	4.50 - 6.50	<u>4,000,000</u>	<u>(3,695,000)</u>	<u>305,000</u>
Total certificates of obligation		<u>\$ 12,000,000</u>	<u>\$(11,695,000)</u>	<u>\$ 305,000</u>

A summary of long-term debt transactions for business-type activities, including current portion, for the year ended September 30, 2006, are as follows:

	Balance September 30, 2005	Additions	Retirements	Balance September 30, 2006	Amounts Due Within One Year
<u>Business-type activities</u>					
Waterworks and Sewer System - Revenue bonds	\$ 82,610,000	\$ -	\$(3,810,000)	\$ 78,800,000	\$ 3,960,000
Waterworks and Sewer System - Revenue bonds - state revolving	12,515,000	-	(820,000)	11,695,000	855,000
Less bond discount and deferred amount on refunds	<u>(1,858,304)</u>	<u>-</u>	<u>218,876</u>	<u>(1,639,428)</u>	<u>(218,876)</u>
Total bonds payable	93,266,696	-	(4,411,124)	88,855,572	4,596,124
Capital lease obligation	449,048	-	(105,920)	343,128	110,040
Accrued compensated absences	<u>441,312</u>	<u>112,815</u>	<u>(83,346)</u>	<u>470,781</u>	<u>74,045</u>
Total business-type activities	<u>\$ 94,157,056</u>	<u>\$ 112,815</u>	<u>\$(4,600,390)</u>	<u>\$ 89,669,481</u>	<u>\$ 4,780,209</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Debt (Continued)

The principal and interest requirements at September 30, 2006, 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,	Business-type Activities		
	Principal	Interest	Total
2007	\$ 4,815,000	\$ 3,910,544	\$ 8,725,544
2008	5,010,000	3,709,804	8,719,804
2009	5,225,000	3,497,381	8,722,381
2010	5,455,000	3,270,902	8,725,902
2011	5,670,000	3,049,909	8,719,909
2012-2016	28,030,000	11,775,068	39,805,068
2017-2021	14,475,000	7,099,756	21,574,756
2022-2026	14,345,000	3,541,181	17,886,181
2027-2031	7,470,000	496,375	7,966,375
Total	\$ 90,495,000	\$ 40,350,920	\$ 130,845,920

Capital Lease Obligation:

Fiscal Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2007	\$ 110,040	\$ 13,348	\$ 123,388
2008	114,321	9,067	123,388
2009	118,767	4,620	123,387
Total	\$ 343,128	\$ 27,035	\$ 370,163

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Debt (Continued)

Long-term debt at September 30, 2006, includes the following individual issues (not including bond issuance costs, unamortized discounts, and unamortized deferred losses of \$1,639,431):

Water Utilities Debt:

	Interest Rates	Original Issue	Net Retirement	Outstanding 09/30/06
Revenue bonds:				
Issue of 1995/maturing 2015	4.10 - 7.10	\$ 6,255,000	\$(6,255,000)	\$ -
Issue of 1996/maturing 2016	5.00 - 7.00	11,815,000	(11,185,000)	630,000
Issue of 1998/maturing 2017	4.35 - 6.35	2,230,000	(510,000)	1,720,000
Issue of 1998/maturing 2028	4.25 - 6.00	22,970,000	(21,420,000)	1,550,000
Issue of 1999/maturing 2029	5.50 - 7.375	20,590,000	(19,000,000)	1,590,000
Issue of 2001/maturing 2016	4.25 - 5.70	4,455,000	(405,000)	4,050,000
Issue of 2001A/maturing 2015	3.70 - 5.50	6,585,000	(1,050,000)	5,535,000
Issue of 2003/maturing 2014	2.00 - 4.00	11,730,000	(3,220,000)	8,510,000
Issue of 2004/maturing 2013	2.00 - 4.00	9,965,000	(240,000)	9,725,000
Issue of 2004A/maturing 2014	4.00 - 4.50	9,070,000	-	9,070,000
Issue of 2005/maturing 2029	3.00 - 5.25	36,475,000	(55,000)	36,420,000
1995 CO Bond		1,580,000	(1,580,000)	-
Total revenue bonds		<u>\$ 143,720,000</u>	<u>\$(64,920,000)</u>	<u>\$ 78,800,000</u>
Revenue Bonds - State				
Revolving Fund:				
Issue of 1998/maturing 2017	2.65 - 3..80	\$ 15,335,000	\$(3,640,000)	\$ 11,695,000
Total revenue bonds - State Revolving Fund		<u>\$ 15,335,000</u>	<u>\$(3,640,000)</u>	<u>\$ 11,695,000</u>

Federal Arbitrage:

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

Discretely Presented Component Unit Debt:

A summary of long-term debt transactions for the discretely presented component unit, including current portion, for the year ended September 30, 2006, are as follows:

	Balance September 30, 2005	Additions	Retirements	Balance September 30, 2006	Amounts Due Within One Year
Discretely presented component unit					
General obligation debt	\$ 2,340,000	\$ -	\$ 175,000	\$ 2,165,000	\$ 180,000
Total bonds payable	2,340,000	-	175,000	2,165,000	180,000
Economic incentives payable	3,502,568	3,691,250	2,348,722	4,845,096	1,946,363
Accrued compensated absences	53,630	7,415	-	61,045	9,126
Total discretely presented component unit	<u>\$ 5,896,198</u>	<u>\$ 3,698,665</u>	<u>\$ 2,523,722</u>	<u>\$ 7,071,141</u>	<u>\$ 2,135,489</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Debt (Continued)

The principal and interest requirements at September 30, 2005, for the component unit debt are as follows:

Fiscal Year Ending September 30,	Discretely Presented Component Unit		
	Principal	Interest	Total
2007	\$ 180,000	\$ 103,990	\$ 283,990
2008	190,000	95,710	285,710
2009	195,000	86,970	281,970
2010	400,000	78,000	478,000
2011	400,000	59,200	459,200
2012-2013	800,000	60,000	860,000
Total	\$ 2,165,000	\$ 483,870	\$ 2,648,870

Long-term debt at September 30, 2006, includes the following individual issues:

Component Unit – Longview Economic Development Corporation:

	Interest Rates	Original Issue	Net Retirement	Outstanding 09/30/06
General Obligation Bonds:				
Issue of 1998/maturing 2013	5.00 - 6.60	\$ 2,340,000	\$ 175,000	\$ 2,165,000
Total general obligation bonds		\$ 2,340,000	\$ 175,000	\$ 2,165,000

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 unit's 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.

H. Prior Year Bond Refunding

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. As of September 30, 2006, previously defeased debt still outstanding amounted to \$60,215,000. During the current year, \$7,370,000 of defeased debt was retired.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Interfund Transactions

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other governmental	\$ 617,710
Other governmental	Fiduciary funds	<u>2,526</u>
Total		<u>\$ 620,236</u>

Transfers between funds during the year were as follows:

	<u>Transfers In</u>						<u>Total</u>
	<u>Governmental</u>						
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Solid Waste Disposal</u>	<u>Internal Service</u>	
Transfers Out:							
General	\$ -	\$ -	\$ 4,448,310	\$ 307,152	\$ -	\$ 380,000	\$ 5,135,462
Debt service	-	-	-	-	123,388	-	123,388
Nonmajor governmental	688,465	1,315,987	-	96,444	-	-	2,100,896
Water utilities	1,369,122	248,930	1,113	4,150	-	-	1,623,315 (1)
Solid waste disposal	286,913	-	-	3,320	-	-	290,233
Internal service	-	<u>435,035</u>	-	-	-	<u>14,855</u>	<u>449,890</u>
Totals	<u>\$ 2,344,500</u>	<u>\$ 1,999,952</u>	<u>\$ 4,449,423</u>	<u>\$ 411,066</u>	<u>\$ 123,388</u>	<u>\$ 394,855</u>	<u>\$ 9,723,184</u>

- (1) In the schedule, total transfers out of \$1,623,315 are less than total transfers out of \$1,634,091 because of the treatment of transfers of capital assets from the Water Utilities Fund. During the year, existing capital assets of \$10,776 in the Water Utilities Fund were transferred to governmental activities. No amounts were reported in the governmental funds, as the transaction did not involve the transfer of financial resources. However, the Water Utilities Fund did report a transfer out for the capital resources removed.

Amounts transferred between funds relate to the following activities:

- \$4,448,310 was transferred from the General Fund to the Construction Projects Fund for the new fire station, Womack Center remodeling and other Council approved projects.
- \$1,153,987 was transferred from the Drainage ¼ Cent Sales Tax Fund to the Debt Service Fund, along with \$162,000 from the Communication Center Fund and \$435,035 from Vehicle Replacement, for payment of bond principal and interest for the year.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Interfund Transactions (Continued)

- \$380,000 was transferred from the General Fund to the Vehicle Replacement Fund, per Council approval, for the purchase of a fire truck.
- \$1,379,898 was transferred from the Water Utilities Fund to the General Fund, along with \$539,775 from the Drainage Fund, and \$148,690 from the Hotel/Motel Fund, for the reimbursement of administrative expenses allocated to those funds.

J. 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, 2006. The projects include street construction, park construction, and the construction of water and sewer facilities. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to-Date</u>	<u>Remaining Commitment</u>
Street, park and municipal facilities construction	\$ 4,309,020	\$ 8,978,314
Drainage construction	1,300,966	232,657
Water and sewer construction	2,009,136	1,617,135

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.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

J. Commitments and Contingencies (Continued)

Water Purchase Contracts

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

<u>Provider</u>	<u>Minimal Amount Purchase (before Escalation Clauses)</u>	<u>Contract Expiration Date</u>
Sabine River Authority of Texas	\$ 651,702	January 1, 2008
Cherokee Water Company	729,912	September 30, 2035
Northeast Texas Municipal Water District	197,532	April 19, 2045

K. Risk Management

The City's risk management activities are administered through various Internal Service Funds.

Workers' 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 workers' 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 approximately \$497,012 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 \$100,000 per participant and \$6,608,639 in the aggregate at September 30, 2006. The City has accrued a liability of approximately \$452,858 for estimated unreported claims at September 30, 2006.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

K. Risk Management (Continued)

General Liability

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors 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 coverage, 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 \$101,000 at September 30, 2006.

Changes in the balance of claims liabilities during fiscal year 2006 are as follows:

Fund	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
2006				
General liability	\$ 101,000	\$ 30,172	\$ 30,172	\$ 101,000
Workers' compensation	211,000	38,567	38,567	211,000
Group health	<u>600,000</u>	<u>5,411,878</u>	<u>5,559,020</u>	<u>452,858</u>
Total	<u>\$ 912,000</u>	<u>\$ 5,480,617</u>	<u>\$ 5,627,759</u>	<u>\$ 764,858</u>
2005				
General liability	\$ 101,000	\$ 36,779	\$ 36,779	\$ 101,000
Workers' compensation	371,000	24,785	184,785	211,000
Group health	<u>700,000</u>	<u>5,050,924</u>	<u>5,150,924</u>	<u>600,000</u>
Total	<u>\$ 1,172,000</u>	<u>\$ 5,112,488</u>	<u>\$ 5,372,488</u>	<u>\$ 912,000</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

L. Capital Leases

The City has entered into several capital leases in order to obtain needed equipment. All assets obtained under the capital leases are classified as equipment in the financial statements. The leases are reported as follows:

Governmental Funds

The City entered into capital leases in fiscal year 2002 to obtain a fire truck and ambulance. In 2003 and in 2004, the City entered into additional leases for the purchase of one fire truck in each year. The capital assets are reported as equipment in the government-wide statements and had an original cost of \$1,828,544. The scheduled maturity amounts are included with bond debt in Note IV H. The leases are payable over five to seven years.

Proprietary Funds

In 2003, the City entered into a capital lease to purchase sanitation trucks. The trucks are included in the financial statements as equipment with an original cost value of \$731,160. The scheduled maturity amounts are included with bond debt in Note IV H. The lease is payable over a seven-year term.

M. Prior Period Restatements

In the prior year, the City understated revenues in the Capital Projects Fund. Accordingly, the City restated beginning fund balance in its financial statements. This restatement increased beginning fund balance in the Capital Projects Fund in the amount of \$478,001. Additionally, the City understated revenues in the Governmental Activities. As a result, the beginning fund balance was restated in the government-wide financial statements. This restatement increased beginning fund balance in the government-wide financial statements in the amount of \$2,661,202.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF LONGVIEW, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

REQUIRED SUPPLEMENTARY INFORMATION

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, 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)
09/30/06	09/30/05	\$ 51,260,048	\$ 70,344,160	72.9%	\$ 19,084,112	\$ 21,182,196	90.1%
09/30/05	09/30/04	47,513,488	65,120,105	73.0%	17,606,617	20,590,784	85.5%
09/30/04	09/30/03	44,167,028	62,242,400	71.0%	18,075,372	18,770,673	96.3%
09/30/03	09/30/02	44,598,810	60,404,886	73.8%	15,806,076	19,217,837	82.2%
09/30/02	09/30/01	42,898,418	56,552,840	75.9%	13,654,422	18,301,574	74.6%
09/30/01	09/30/00	40,467,086	53,054,433	76.3%	12,587,347	17,529,899	71.8%
09/30/00	09/30/99	40,516,816	52,282,565	77.5%	11,765,749	17,055,110	69.0%
09/30/99	09/30/98	36,337,573	46,134,004	78.8%	9,796,431	15,980,422	61.3%
09/30/98	09/30/97	32,760,308	42,938,974	76.3%	10,178,666	14,901,778	68.3%
09/30/97	09/30/96	29,796,683	39,028,985	76.3%	9,232,302	15,390,047	60.0%

CITY OF LONGVIEW, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION

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.

Actuarial Valuation Date	Actuarial Value of Assists (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / (c)
12/31/99	\$ 29,927,849	\$ 31,764,203	\$ 1,836,354	94.2%	\$ 5,278,960	34.8%
12/30/00	N/A	-	-	N/A	-	N/A
12/31/01	31,539,354	40,363,204	8,823,850	78.1%	6,012,613	146.8%
12/31/02	N/A	-	-	N/A	-	N/A
12/31/03	31,402,733	45,217,356	13,814,623	69.4%	6,444,195	214.4%
12/31/04	N/A	-	-	N/A	-	N/A
12/31/05	34,952,561	51,834,530	16,881,969	67.4%	7,452,033	226.5%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL 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.

Unclaimed Money – to account for all unclaimed property of the City with a value of less than \$100.

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

Local Law Enforcement Block Grant – to account for funds received for the purpose of underwriting projects to reduce crime and improve public safety.

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.

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

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 website). This special revenue is provided under franchise agreement with Longview Cable Television Co., Inc.

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.

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 Hone Investment Partnership Grant, Shelter Plus Care Grant, COPS More Grant, Metropolitan Planning Organization Grant, TCADA Grant, State Homeland Security Grant, SAMHSA Grant, ICAC I and II grants, LEOSE Police Grant, Police Code Grant, DEA Grant, FEMA Ice Grant, STEP Tobacco Grant, Fire Pension Grant, Crisis Response Grant, Viburnam Foundation Grant, Library Grant, Texas Lone Star Grant, ETCOG Capital Improvement Grant, Safe and Sober Grant, Bulletproof Vests Grant, Community Emergency Response Team Grant, Drug-free Communities Grant, Sexual Assault Nurse Exam Grant, Victim Coordinator Liaison Grant, Fire Protection Grant, Wave – Click it or Ticket Grant, Mentoring Program Grant, Children of Prisoners Grant, and Miscellaneous grants.

Donations – to account for any unrestricted donations made to the City.

CITY OF LONGVIEW, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	<u>Municipal Court</u>	<u>Community Development Block Grant</u>	<u>Housing Assistance</u>	<u>Unclaimed Money</u>
ASSETS				
Cash and cash equivalents	\$ 242,583	\$ -	\$ 838,644	\$ 246,845
Accounts receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	97,577	-	-
Other receivables	-	-	29,311	-
	<u>-</u>	<u>-</u>	<u>29,311</u>	<u>-</u>
Total assets	<u>\$ 242,583</u>	<u>\$ 97,577</u>	<u>\$ 867,955</u>	<u>\$ 246,845</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,941	\$ 124,591	\$ 52,462	\$ 150
Accrued liabilities	-	3,125	8,860	-
Due to other funds	-	60,728	-	-
Deferred revenue	-	-	352,709	-
Unclaimed property	-	-	-	197,742
Family self-sufficiency escrow	-	-	106,828	-
	<u>-</u>	<u>-</u>	<u>106,828</u>	<u>-</u>
Total liabilities	<u>1,941</u>	<u>188,444</u>	<u>520,859</u>	<u>197,892</u>
Fund balances:				
Reserved for:				
Encumbrances	-	94,800	-	-
Unreserved	<u>240,642</u>	<u>(185,667)</u>	<u>347,096</u>	<u>48,953</u>
Total fund balances	<u>240,642</u>	<u>(90,867)</u>	<u>347,096</u>	<u>48,953</u>
Total liabilities and fund balances	<u>\$ 242,583</u>	<u>\$ 97,577</u>	<u>\$ 867,955</u>	<u>\$ 246,845</u>

<u>Transit System</u>	<u>Local Law Enforcement Block Grant</u>	<u>Police Department Special</u>	<u>E-911</u>	<u>Hotel Occupancy Tax</u>	<u>Maude Cobb Activity Fund</u>	<u>Drainage Sales Tax</u>
\$ -	\$ 8,008	\$ 151,097	\$ 1,011,224	\$ 281,239	\$ 241,092	\$ 2,144,145
-	-	-	-	-	119,178	739,178
-	-	-	-	-	-	-
205,323	-	-	-	-	-	-
-	-	-	197,649	-	-	-
<u>\$ 205,323</u>	<u>\$ 8,008</u>	<u>\$ 151,097</u>	<u>\$ 1,208,873</u>	<u>\$ 281,239</u>	<u>\$ 360,270</u>	<u>\$ 2,883,323</u>
\$ 18,744	\$ 195	\$ 262	\$ 7,253	\$ 5,823	\$ 43,945	\$ 159,373
1,597	802	-	4,914	-	9,519	15,148
533,493	-	-	-	-	-	-
-	6,968	45,491	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>553,834</u>	<u>7,965</u>	<u>45,753</u>	<u>12,167</u>	<u>5,823</u>	<u>53,464</u>	<u>174,521</u>
-	-	2,170	198,621	9,182	-	236,907
(348,511)	43	103,174	998,085	266,234	306,806	2,471,895
(348,511)	43	105,344	1,196,706	275,416	306,806	2,708,802
<u>\$ 205,323</u>	<u>\$ 8,008</u>	<u>\$ 151,097</u>	<u>\$ 1,208,873</u>	<u>\$ 281,239</u>	<u>\$ 360,270</u>	<u>\$ 2,883,323</u>

(continued)

CITY OF LONGVIEW, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2006

	Cable Franchise Fee <u>Agreement</u>	Special Revenue - <u>Grants</u>	<u>Donations</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 14,655	\$ -	\$ 34,665	\$ 5,214,197
Accounts receivable, net	-	-	-	858,356
Due from other funds	-	2,526	-	2,526
Due from other governments	-	-	-	302,900
Other receivables	<u>-</u>	<u>273,336</u>	<u>-</u>	<u>500,296</u>
Total assets	<u>\$ 14,655</u>	<u>\$ 275,862</u>	<u>\$ 34,665</u>	<u>\$ 6,878,275</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,607	\$ 141,297	\$ 27,930	\$ 588,573
Accrued liabilities	1,608	17,119	-	62,692
Due to other funds	-	23,489	-	617,710
Deferred revenue	-	134,330	-	539,498
Unclaimed property	-	-	-	197,742
Family self-sufficiency escrow	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,828</u>
Total liabilities	<u>6,215</u>	<u>316,235</u>	<u>27,930</u>	<u>2,113,043</u>
Fund balances:				
Reserved for:				
Encumbrances	-	154,397	1,880	697,957
Unreserved	<u>8,440</u>	<u>(194,770)</u>	<u>4,855</u>	<u>4,067,275</u>
Total fund balances	<u>8,440</u>	<u>(40,373)</u>	<u>6,735</u>	<u>4,765,232</u>
Total liabilities and fund balances	<u>\$ 14,655</u>	<u>\$ 275,862</u>	<u>\$ 34,665</u>	<u>\$ 6,878,275</u>

CITY OF LONGVIEW, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Municipal Court</u>	<u>Community Development Block Grant</u>	<u>Housing Assistance</u>	<u>Unclaimed Money</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	691,930	3,890,991	-
Fines and forfeitures	85,562	-	40,901	-
Charges for services	-	-	-	-
Investment earnings	15,056	-	27,123	11,245
Miscellaneous	-	-	474	-
Total revenues	<u>100,618</u>	<u>691,930</u>	<u>3,959,489</u>	<u>11,245</u>
EXPENDITURES				
Current:				
General government	-	145,771	-	938
Public safety	3,398	-	-	-
Public works	-	-	-	-
Arts and culture	-	-	-	-
Public welfare	-	637,026	3,928,014	-
Culture and recreation	-	-	-	-
Public transit	-	-	-	-
Capital outlay	<u>157,036</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>160,434</u>	<u>782,797</u>	<u>3,928,014</u>	<u>938</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(59,816)</u>	<u>(90,867)</u>	<u>31,475</u>	<u>10,307</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(59,816)</u>	<u>(90,867)</u>	<u>31,475</u>	<u>10,307</u>
FUND BALANCES, BEGINNING	<u>300,458</u>	<u>-</u>	<u>315,621</u>	<u>38,646</u>
FUND BALANCES, ENDING	<u>\$ 240,642</u>	<u>\$ (90,867)</u>	<u>\$ 347,096</u>	<u>\$ 48,953</u>

<u>Transit System</u>	<u>Local Law Enforcement Block Grant</u>	<u>Police Department Special</u>	<u>E-911</u>	<u>Hotel Occupancy Tax</u>	<u>Maude Cobb Activity Fund</u>	<u>Drainage Sales Tax</u>
\$ -	\$ -	\$ -	\$ -	\$ 250,367	\$ 1,070,869	\$ 4,171,021
1,291,200	67,287	-	-	-	-	-
-	-	78,212	-	-	-	-
-	-	-	846,735	-	225,335	-
-	1,453	6,224	47,804	1,993	20,351	93,307
-	4,110	-	115	-	1,251	40,013
<u>1,291,200</u>	<u>72,850</u>	<u>84,436</u>	<u>894,654</u>	<u>252,360</u>	<u>1,317,806</u>	<u>4,304,341</u>
-	-	-	-	-	731,336	-
-	72,807	34,654	334,792	-	-	-
-	-	-	-	-	-	1,629,454
-	-	-	-	237,808	396,200	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,349,149	-	-	-	-	-	-
270,011	-	16,143	167,873	-	251,208	545,301
<u>1,619,160</u>	<u>72,807</u>	<u>50,797</u>	<u>502,665</u>	<u>237,808</u>	<u>1,378,744</u>	<u>2,174,755</u>
(327,960)	43	33,639	391,989	14,552	(60,938)	2,129,586
218,941	-	-	-	93,954	-	-
-	-	-	(162,000)	-	(245,134)	(1,693,762)
<u>218,941</u>	<u>-</u>	<u>-</u>	<u>(162,000)</u>	<u>93,954</u>	<u>(245,134)</u>	<u>(1,693,762)</u>
(109,019)	43	33,639	229,989	108,506	(306,072)	435,824
(239,492)	-	71,705	966,717	166,910	612,878	2,272,978
<u>\$(348,511)</u>	<u>\$ 43</u>	<u>\$ 105,344</u>	<u>\$ 1,196,706</u>	<u>\$ 275,416</u>	<u>\$ 306,806</u>	<u>\$ 2,708,802</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, 2006

	Cable Franchise Fee Agreement	Special Revenue - Grants	Donations	Totals
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 5,492,257
Intergovernmental	-	2,381,138	-	8,322,546
Fines and forfeitures	-	-	-	204,675
Charges for services	15,000	-	-	1,087,070
Investment earnings	1,164	-	-	225,720
Miscellaneous	-	-	174,087	220,050
Total revenues	<u>16,164</u>	<u>2,381,138</u>	<u>174,087</u>	<u>15,552,318</u>
EXPENDITURES				
Current:				
General government	79,960	1,574	172,375	1,131,954
Public safety	-	450,375	-	896,026
Public works	-	169,314	-	1,798,768
Arts and culture	-	-	-	634,008
Public welfare	-	1,449,600	-	6,014,640
Culture and recreation	-	31,830	-	31,830
Public transit	-	-	-	1,349,149
Capital outlay	-	372,600	3,483	1,783,655
Total expenditures	<u>79,960</u>	<u>2,475,293</u>	<u>175,858</u>	<u>13,640,030</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(63,796)</u>	<u>(94,155)</u>	<u>(1,771)</u>	<u>1,912,288</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	44,389	53,782	-	411,066
Transfers out	-	-	-	(2,100,896)
Total other financing sources and uses	<u>44,389</u>	<u>53,782</u>	<u>-</u>	<u>(1,689,830)</u>
NET CHANGE IN FUND BALANCES	<u>(19,407)</u>	<u>(40,373)</u>	<u>(1,771)</u>	222,458
FUND BALANCES, BEGINNING	<u>27,847</u>	<u>-</u>	<u>8,506</u>	<u>4,542,774</u>
FUND BALANCES, ENDING	<u>\$ 8,440</u>	<u>\$(40,373)</u>	<u>\$ 6,735</u>	<u>\$ 4,765,232</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Taxes	\$ 4,892,284	\$ 4,892,284
Investment earnings	<u>200,000</u>	<u>200,000</u>
Total revenues	<u>5,092,284</u>	<u>5,092,284</u>
 EXPENDITURES		
Debt service:		
Principal	4,695,000	4,695,000
Interest and other charges	<u>1,956,201</u>	<u>1,956,201</u>
Total expenditures	<u>6,651,201</u>	<u>6,651,201</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (<u>1,558,917</u>)	 (<u>1,558,917</u>)
 OTHER FINANCING SOURCES (USES)		
Transfers in	1,564,917	1,564,917
Transfers out	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>1,564,917</u>	<u>1,564,917</u>
 NET CHANGE IN FUND BALANCES	 6,000	 6,000
 FUND BALANCES, BEGINNING	 <u>2,132,859</u>	 <u>2,132,859</u>
 FUND BALANCES, ENDING	 <u>\$ 2,138,859</u>	 <u>\$ 2,138,859</u>

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 5,013,017	\$ -	\$ 5,013,017	\$ 120,733
<u>186,458</u>	<u>-</u>	<u>186,458</u>	<u>(13,542)</u>
<u>5,199,475</u>	<u>-</u>	<u>5,199,475</u>	<u>107,191</u>
4,956,871	-	4,956,871	(261,871)
<u>2,009,219</u>	<u>-</u>	<u>2,009,219</u>	<u>(53,018)</u>
<u>6,966,090</u>	<u>-</u>	<u>6,966,090</u>	<u>(314,889)</u>
(1,766,615)	-	(1,766,615)	(207,698)
1,999,952	-	1,999,952	435,035
<u>(123,388)</u>	<u>-</u>	<u>(123,388)</u>	<u>(123,388)</u>
<u>1,876,564</u>	<u>-</u>	<u>1,876,564</u>	<u>311,647</u>
109,949	-	109,949	103,949
<u>2,132,859</u>	<u>-</u>	<u>2,132,859</u>	<u>-</u>
<u>\$ 2,242,808</u>	<u>\$ -</u>	<u>\$ 2,242,808</u>	<u>\$ 103,949</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

CAPITAL PROJECTS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Intergovernmental	\$ -	\$ 1,881,896
Investment earnings	-	-
Miscellaneous	-	-
Total revenues	-	1,881,896
EXPENDITURES		
Current:		
General government	25,993	27,393
Capital outlay	-	19,620,286
Total expenditures	25,993	19,647,679
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,993)	(17,765,783)
OTHER FINANCING SOURCES		
Transfers in	-	4,448,310
Total other financing sources	-	4,448,310
NET CHANGE IN FUND BALANCES	(25,993)	(13,317,473)
FUND BALANCES, BEGINNING	14,461,230	14,461,230
PRIOR PERIOD ADJUSTMENT	-	-
FUND BALANCES, BEGINNING AS RESTATED	14,461,230	14,461,230
FUND BALANCES, ENDING	\$ 14,435,237	\$ 1,143,757

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 127,873	\$ -	\$ 127,873	\$(1,754,023)
619,851	-	619,851	619,851
<u>23,134</u>	<u>-</u>	<u>23,134</u>	<u>23,134</u>
<u>770,858</u>	<u>-</u>	<u>770,858</u>	<u>(1,111,038)</u>
27,372	-	27,372	21
<u>5,099,477</u>	<u>6,829,981</u>	<u>11,929,458</u>	<u>7,690,828</u>
<u>5,126,849</u>	<u>6,829,981</u>	<u>11,956,830</u>	<u>7,690,849</u>
<u>(4,355,991)</u>	<u>(6,829,981)</u>	<u>(11,185,972)</u>	<u>6,579,811</u>
4,449,423	-	4,449,423	1,113
<u>4,449,423</u>	<u>-</u>	<u>4,449,423</u>	<u>1,113</u>
93,432	(6,829,981)	(6,736,549)	6,580,924
<u>14,461,230</u>	<u>-</u>	<u>14,461,230</u>	<u>-</u>
<u>478,001</u>	<u>-</u>	<u>478,001</u>	<u>478,001</u>
<u>14,939,231</u>	<u>-</u>	<u>14,939,231</u>	<u>478,001</u>
<u>\$ 15,032,663</u>	<u>\$(6,829,981)</u>	<u>\$ 8,202,682</u>	<u>\$ 6,580,924</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

MUNICIPAL COURT

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
REVENUES		
Fines and forfeitures	\$ 99,042	\$ 99,042
Investment earnings	<u>3,500</u>	<u>3,500</u>
Total revenues	<u>102,542</u>	<u>102,542</u>
EXPENDITURES		
Current:		
Public safety	49,842	49,842
Capital outlay	<u>-</u>	<u>230,000</u>
Total expenditures	<u>49,842</u>	<u>279,842</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	52,700	(177,300)
FUND BALANCES, BEGINNING	<u>300,458</u>	<u>300,458</u>
FUND BALANCES, ENDING	<u>\$ 353,158</u>	<u>\$ 123,158</u>

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 85,562	\$ -	\$ 85,562	\$ (13,480)
<u>15,056</u>	<u>-</u>	<u>15,056</u>	<u>11,556</u>
<u>100,618</u>	<u>-</u>	<u>100,618</u>	<u>(1,924)</u>
3,398	-	3,398	46,444
<u>157,036</u>	<u>-</u>	<u>157,036</u>	<u>72,964</u>
<u>160,434</u>	<u>-</u>	<u>160,434</u>	<u>119,408</u>
(59,816)	-	(59,816)	117,484
<u>300,458</u>	<u>-</u>	<u>300,458</u>	<u>-</u>
<u>\$ 240,642</u>	<u>\$ -</u>	<u>\$ 240,642</u>	<u>\$ 117,484</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

COMMUNITY DEVELOPMENT BLOCK GRANT

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Intergovernmental	\$ 1,574,192	\$ 1,768,390
Total revenues	1,574,192	1,768,390
EXPENDITURES		
Current:		
General government	418,537	355,949
Public welfare	1,155,902	1,410,341
Total expenditures	1,576,539	1,768,390
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,347)	-
FUND BALANCES, BEGINNING	-	-
FUND BALANCES, ENDING	\$(2,347)	\$ -

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ <u>691,930</u>	\$ <u>-</u>	\$ <u>691,930</u>	\$(<u>1,076,460</u>)
<u>691,930</u>	<u>-</u>	<u>691,930</u>	<u>(1,076,460)</u>
145,771	94,800	240,571	115,378
<u>637,026</u>	<u>-</u>	<u>637,026</u>	<u>773,315</u>
<u>782,797</u>	<u>94,800</u>	<u>877,597</u>	<u>890,793</u>
(90,867)	(94,800)	(185,667)	(185,667)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$(90,867)</u>	<u>\$(94,800)</u>	<u>\$(185,667)</u>	<u>\$(185,667)</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

HOUSING ASSISTANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
REVENUES		
Intergovernmental	\$ 3,890,991	\$ 3,890,991
Fines and forfeitures	-	-
Investment earnings	-	-
Miscellaneous	-	-
Total revenues	<u>3,890,991</u>	<u>3,890,991</u>
EXPENDITURES		
Current:		
Public welfare	<u>3,890,991</u>	<u>3,890,991</u>
Total expenditures	<u>3,890,991</u>	<u>3,890,991</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING	<u>315,621</u>	<u>315,621</u>
FUND BALANCES, ENDING	<u>\$ 315,621</u>	<u>\$ 315,621</u>

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 3,890,991	\$ -	\$ 3,890,991	\$ -
40,901	-	40,901	40,901
27,123	-	27,123	27,123
474	-	474	474
<u>3,959,489</u>	<u>-</u>	<u>3,959,489</u>	<u>68,498</u>
<u>3,928,014</u>	<u>-</u>	<u>3,928,014</u>	<u>(37,023)</u>
<u>3,928,014</u>	<u>-</u>	<u>3,928,014</u>	<u>(37,023)</u>
<u>31,475</u>	<u>-</u>	<u>31,475</u>	<u>31,475</u>
<u>315,621</u>	<u>-</u>	<u>315,621</u>	<u>-</u>
<u>\$ 347,096</u>	<u>\$ -</u>	<u>\$ 347,096</u>	<u>\$(31,475)</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

UNCLAIMED MONEY

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
REVENUES		
Investment earnings	\$ <u>6,000</u>	\$ <u>6,000</u>
Total revenues	<u>6,000</u>	<u>6,000</u>
EXPENDITURES		
Current:		
General government	<u>1,900</u>	<u>1,900</u>
Total expenditures	<u>1,900</u>	<u>1,900</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,100</u>	<u>4,100</u>
NET CHANGE IN FUND BALANCES	4,100	4,100
FUND BALANCES, BEGINNING	<u>38,646</u>	<u>38,646</u>
FUND BALANCES, ENDING	<u>\$ 42,746</u>	<u>\$ 42,746</u>

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 11,245	\$ -	\$ 11,245	\$ 5,245
<u>11,245</u>	<u>-</u>	<u>11,245</u>	<u>5,245</u>
938	-	938	962
<u>938</u>	<u>-</u>	<u>938</u>	<u>962</u>
10,307	-	10,307	6,207
10,307	-	10,307	(6,207)
<u>38,646</u>	<u>-</u>	<u>38,646</u>	<u>-</u>
<u>\$ 48,953</u>	<u>\$ -</u>	<u>\$ 48,953</u>	<u>\$ 6,207</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

TRANSIT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Intergovernmental	\$ 1,094,053	\$ 1,094,053
Total revenues	1,094,053	1,094,053
EXPENDITURES		
Current:		
Public transit	1,062,994	1,250,659
Capital outlay	250,000	366,904
Total expenditures	1,312,994	1,617,563
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(218,941)	(523,510)
OTHER FINANCING SOURCES		
Transfers in	218,941	218,941
Total other financing sources	218,941	218,941
NET CHANGE IN FUND BALANCES	-	(304,569)
FUND BALANCES, BEGINNING	(239,492)	(239,492)
FUND BALANCES, ENDING	\$(239,492)	\$(544,061)

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ <u>1,291,200</u>	\$ <u>-</u>	\$ <u>1,291,200</u>	\$ <u>197,147</u>
<u>1,291,200</u>	<u>-</u>	<u>1,291,200</u>	<u>197,147</u>
1,349,149	-	1,349,149	(98,490)
<u>270,011</u>	<u>-</u>	<u>270,011</u>	<u>96,893</u>
<u>1,619,160</u>	<u>-</u>	<u>1,619,160</u>	<u>(1,597)</u>
(<u>327,960</u>)	<u>-</u>	(<u>327,960</u>)	<u>195,550</u>
<u>218,941</u>	<u>-</u>	<u>218,941</u>	<u>-</u>
<u>218,941</u>	<u>-</u>	<u>218,941</u>	<u>-</u>
(109,019)	-	(109,019)	(195,550)
(<u>239,492</u>)	<u>-</u>	(<u>239,492</u>)	<u>-</u>
\$(<u> 348,511</u>)	\$ <u>-</u>	\$(<u> 348,511</u>)	\$ <u>195,550</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

LOCAL LAW ENFORCEMENT BLOCK GRANT

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Intergovernmental	\$ 56,017	\$ 56,017
Investment earnings	-	1,657
Total revenues	56,017	61,784
 EXPENDITURES		
Current:		
Public safety	60,978	74,068
Total expenditures	60,978	74,068
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,961)	(12,284)
 FUND BALANCES, BEGINNING	-	-
 FUND BALANCES, ENDING	\$(4,961)	\$(12,284)

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 67,287	\$ -	\$ 67,287	\$ 11,270
<u>1,453</u>	<u>-</u>	<u>1,453</u>	<u>(204)</u>
<u>72,850</u>	<u>-</u>	<u>72,850</u>	<u>11,066</u>
<u>72,807</u>	<u>-</u>	<u>72,807</u>	<u>1,261</u>
<u>72,807</u>	<u>-</u>	<u>72,807</u>	<u>1,261</u>
43	-	43	12,327
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 12,327</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

POLICE DEPARTMENT SPECIAL

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Fines and forfeitures	\$ 41,500	\$ 61,500
Investment earnings	<u>800</u>	<u>800</u>
Total revenues	<u>42,300</u>	<u>62,300</u>
 EXPENDITURES		
Current:		
Public safety	42,300	65,078
Capital outlay	<u>-</u>	<u>17,222</u>
Total expenditures	<u>42,300</u>	<u>82,300</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(20,000)
 FUND BALANCES, BEGINNING	<u>71,705</u>	<u>71,705</u>
 FUND BALANCES, ENDING	<u><u>\$ 71,705</u></u>	<u><u>\$ 51,705</u></u>

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 78,212	\$ -	\$ 78,212	\$ 16,712
6,224	-	6,224	5,424
84,436	-	84,436	22,136
34,654	2,170	36,824	28,254
16,143	-	16,143	1,079
50,797	2,170	52,967	29,333
33,639	(2,170)	31,469	51,469
71,705	-	71,705	-
\$ 105,344	\$(2,170)	\$ 103,174	\$ 51,469

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

E-911

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Charges for services	\$ 695,000	\$ 695,000
Investment earnings	14,000	14,000
Miscellaneous	-	-
Total revenues	709,000	709,000
EXPENDITURES		
Current:		
Public safety	432,824	448,344
Capital outlay	375,000	418,542
Total expenditures	807,824	866,886
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(98,824)	(157,886)
OTHER FINANCING SOURCES (USES)		
Transfers out	(162,000)	(162,000)
Total other financing sources and uses	(162,000)	(162,000)
NET CHANGE IN FUND BALANCES	(260,824)	(319,886)
FUND BALANCES, BEGINNING	966,717	966,717
FUND BALANCES, ENDING	\$ 705,893	\$ 646,831

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 846,735	\$ -	\$ 846,735	\$ 151,735
47,804	-	47,804	33,804
115	-	115	115
<u>894,654</u>	<u>-</u>	<u>894,654</u>	<u>185,654</u>
334,792	(15,520)	319,272	129,072
<u>167,873</u>	<u>155,079</u>	<u>322,952</u>	<u>95,590</u>
<u>502,665</u>	<u>139,559</u>	<u>642,224</u>	<u>224,662</u>
<u>391,989</u>	<u>(139,559)</u>	<u>252,430</u>	<u>410,316</u>
(162,000)	-	(162,000)	-
<u>(162,000)</u>	<u>-</u>	<u>(162,000)</u>	<u>-</u>
229,989	(139,559)	90,430	410,316
<u>966,717</u>	<u>-</u>	<u>966,717</u>	<u>-</u>
<u>\$ 1,196,706</u>	<u>\$(139,559)</u>	<u>\$ 1,057,147</u>	<u>\$ 410,316</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

HOTEL OCCUPANCY TAX

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Investment earnings	\$ 1,500	\$ 1,500
Total revenues	1,500	1,500
EXPENDITURES		
Current:		
Arts and culture	182,557	247,793
Total expenditures	182,557	247,793
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(181,057)	(246,293)
OTHER FINANCING SOURCES		
Transfers in	102,495	102,495
Total other financing sources	102,495	102,495
NET CHANGE IN FUND BALANCES	(78,562)	(143,798)
FUND BALANCES, BEGINNING	166,910	166,910
FUND BALANCES, ENDING	\$ 88,348	\$ 23,112

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ <u>1,993</u>	\$ <u>-</u>	\$ <u>1,993</u>	\$ <u>493</u>
<u>252,360</u>	<u>-</u>	<u>252,360</u>	<u>250,860</u>
<u>237,808</u>	<u>(122,161)</u>	<u>115,647</u>	<u>132,146</u>
<u>237,808</u>	<u>(122,161)</u>	<u>115,647</u>	<u>132,146</u>
<u>14,552</u>	<u>122,161</u>	<u>136,713</u>	<u>383,006</u>
<u>93,954</u>	<u>-</u>	<u>93,954</u>	<u>8,541</u>
<u>93,954</u>	<u>-</u>	<u>93,954</u>	<u>8,541</u>
108,506	122,161	230,667	374,465
<u>166,910</u>	<u>-</u>	<u>166,910</u>	<u>-</u>
\$ <u>275,416</u>	\$ <u>122,161</u>	\$ <u>397,577</u>	\$ <u>374,465</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

MAUDE COBB ACTIVITY

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Taxes	\$ 1,016,634	\$ 1,016,634
Charges for services	199,763	199,763
Investment earnings	9,512	9,512
Miscellaneous	<u>1,017</u>	<u>1,017</u>
Total revenues	<u>1,226,926</u>	<u>1,226,926</u>
 EXPENDITURES		
Current:		
General government	596,707	613,469
Arts and culture	396,200	396,200
Capital outlay	<u>123,500</u>	<u>355,116</u>
Total expenditures	<u>1,116,407</u>	<u>1,364,785</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>110,519</u>	 <u>(137,859)</u>
 OTHER FINANCING SOURCES (USES)		
Transfers out	<u>(253,675)</u>	<u>(253,675)</u>
Total other financing sources and uses	<u>(253,675)</u>	<u>(253,675)</u>
 NET CHANGE IN FUND BALANCES	 (143,156)	 (391,534)
 FUND BALANCES, BEGINNING	 <u>61,287</u>	 <u>612,878</u>
 FUND BALANCES, ENDING	 <u><u>\$ (81,869)</u></u>	 <u><u>\$ 221,344</u></u>

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 1,070,869	\$ -	\$ 1,070,869	\$ 54,235
225,335	-	225,335	25,572
20,351	-	20,351	10,839
1,251	-	1,251	234
<u>1,317,806</u>	<u>-</u>	<u>1,317,806</u>	<u>90,880</u>
731,336	-	731,336	(117,867)
396,200	-	396,200	-
251,208	-	251,208	103,908
<u>1,378,744</u>	<u>-</u>	<u>1,378,744</u>	<u>(13,959)</u>
(60,938)	-	(60,938)	76,921
(245,134)	-	(245,134)	(8,541)
(245,134)	-	(245,134)	(8,541)
(306,072)	-	(306,072)	85,462
612,878	-	612,878	-
<u>\$ 306,806</u>	<u>\$ -</u>	<u>\$ 306,806</u>	<u>\$ 85,462</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

DRAINAGE SALES TAX

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Taxes	\$ 3,631,105	\$ 3,631,105
Investment earnings	30,000	30,000
Miscellaneous	-	45,876
Total revenues	3,661,105	3,706,981
EXPENDITURES		
Current:		
Public works	1,837,799	1,886,637
Capital outlay	988,302	1,116,983
Total expenditures	2,826,101	3,003,620
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	835,004	703,361
OTHER FINANCING SOURCES (USES)		
Transfers out	(1,693,762)	(1,693,762)
Total other financing sources and uses	(1,693,762)	(1,693,762)
NET CHANGE IN FUND BALANCES	(858,758)	(990,401)
FUND BALANCES, BEGINNING	2,272,978	2,272,978
FUND BALANCES, ENDING	\$ 1,414,220	\$ 1,282,577

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 4,171,021	\$ -	\$ 4,171,021	\$ 539,916
93,307	-	93,307	63,307
40,013	-	40,013	(5,863)
<u>4,304,341</u>	<u>-</u>	<u>4,304,341</u>	<u>597,360</u>
1,629,454	-	1,629,454	257,183
545,301	(166,448)	378,853	738,130
<u>2,174,755</u>	<u>(166,448)</u>	<u>2,008,307</u>	<u>995,313</u>
<u>2,129,586</u>	<u>166,448</u>	<u>2,296,034</u>	<u>1,592,673</u>
(1,693,762)	-	(1,693,762)	-
(1,693,762)	-	(1,693,762)	-
435,824	166,448	602,272	1,592,673
<u>2,272,978</u>	<u>-</u>	<u>2,272,978</u>	<u>-</u>
<u>\$ 2,708,802</u>	<u>\$ 166,448</u>	<u>\$ 2,875,250</u>	<u>\$ 1,592,673</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

CABLE FRANCHISE FEE AGREEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Charges for services	\$ 15,000	\$ 15,000
Investment earnings	<u>2,000</u>	<u>2,000</u>
Total revenues	<u>17,000</u>	<u>17,000</u>
EXPENDITURES		
Current:		
General government	<u>82,545</u>	<u>82,545</u>
Total expenditures	<u>82,545</u>	<u>82,545</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(65,545)</u>	<u>(65,545)</u>
OTHER FINANCING SOURCES		
Transfers in	<u>44,389</u>	<u>44,389</u>
Total other financing sources	<u>44,389</u>	<u>44,389</u>
NET CHANGE IN FUND BALANCES	(21,156)	(21,156)
FUND BALANCES, BEGINNING	<u>27,847</u>	<u>27,847</u>
FUND BALANCES, ENDING	<u>\$ 6,691</u>	<u>\$ 6,691</u>

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 15,000	\$ -	\$ 15,000	\$ -
<u>1,164</u>	<u>-</u>	<u>1,164</u>	<u>(836)</u>
<u>16,164</u>	<u>-</u>	<u>16,164</u>	<u>(836)</u>
<u>79,960</u>	<u>-</u>	<u>79,960</u>	<u>2,585</u>
<u>79,960</u>	<u>-</u>	<u>79,960</u>	<u>2,585</u>
<u>(63,796)</u>	<u>-</u>	<u>(63,796)</u>	<u>1,749</u>
<u>44,389</u>	<u>-</u>	<u>44,389</u>	<u>-</u>
<u>44,389</u>	<u>-</u>	<u>44,389</u>	<u>-</u>
<u>(19,407)</u>	<u>-</u>	<u>(19,407)</u>	<u>1,749</u>
<u>27,847</u>	<u>-</u>	<u>27,847</u>	<u>-</u>
<u>\$ 8,440</u>	<u>\$ -</u>	<u>\$ 8,440</u>	<u>\$ 1,749</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

SPECIAL REVENUE - GRANTS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Intergovernmental	\$ 6,694,527	\$ 8,081,800
Total revenues	6,694,527	8,081,800
EXPENDITURES		
Current:		
General government	-	2,693
Public safety	405,788	638,734
Public works	194,978	215,426
Public welfare	6,094,768	6,727,518
Culture and recreation	-	40,178
Capital outlay	-	457,251
Total expenditures	6,695,534	8,081,800
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,007)	-
NET CHANGE IN FUND BALANCES	(1,007)	-
FUND BALANCES, BEGINNING	-	-
FUND BALANCES, ENDING	\$(1,007)	\$ -

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 2,381,138	\$ -	\$ 2,381,138	\$(5,700,662)
<u>2,381,138</u>	<u>-</u>	<u>2,381,138</u>	<u>(5,700,662)</u>
1,574	-	1,574	1,119
450,375	70,220	520,595	118,139
169,314	-	169,314	46,112
1,449,600	-	1,449,600	5,277,918
31,830	-	31,830	8,348
<u>372,600</u>	<u>84,177</u>	<u>456,777</u>	<u>474</u>
<u>2,475,293</u>	<u>154,397</u>	<u>2,629,690</u>	<u>5,452,110</u>
(94,155)	(154,397)	(248,552)	(248,552)
(40,373)	(154,397)	(194,770)	(194,770)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$(40,373)</u>	<u>\$(154,397)</u>	<u>\$(194,770)</u>	<u>\$(194,770)</u>

CITY OF LONGVIEW, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

DONATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts	
	Original	Final
REVENUES		
Miscellaneous	\$ -	\$ 174,783
Total revenues	-	174,783
EXPENDITURES		
Current:		
General government	-	174,505
Capital outlay	-	3,483
Total expenditures	-	177,988
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(3,205)
FUND BALANCES, BEGINNING	8,506	8,506
FUND BALANCES, ENDING	\$ 8,506	\$ 5,301

<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ <u>174,087</u>	\$ <u>-</u>	\$ <u>174,087</u>	\$ <u>(696)</u>
<u>174,087</u>	<u>-</u>	<u>174,087</u>	<u>(696)</u>
172,375	1,880	174,255	250
<u>3,483</u>	<u>-</u>	<u>3,483</u>	<u>-</u>
<u>175,858</u>	<u>1,880</u>	<u>177,738</u>	<u>250</u>
(1,771)	(1,880)	(3,651)	(446)
<u>8,506</u>	<u>-</u>	<u>8,506</u>	<u>-</u>
\$ <u><u>6,735</u></u>	\$ <u><u>(1,880)</u></u>	\$ <u><u>4,855</u></u>	\$ <u><u>(446)</u></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.

Groups 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.

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

	<u>General Liability</u>	<u>Group Health</u>	<u>Workers' Compensation</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 419,514	\$ 2,318,492	\$ 408,616
Investments	-	1,000,000	-
Inventories	-	-	-
Accrued interest	-	11,556	-
Prepaid expenses	-	-	-
Total current assets	<u>419,514</u>	<u>3,330,048</u>	<u>408,616</u>
Non-current assets:			
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Machinery and equipment	-	-	-
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 419,514</u>	<u>\$ 3,330,048</u>	<u>\$ 408,616</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 23,873	\$ 107,606	\$ -
Accrued liabilities	7,250	-	-
Claims payable	101,000	452,858	211,000
Compensated absences	<u>782</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>132,905</u>	<u>560,464</u>	<u>211,000</u>
Non-current liabilities:			
Compensated absences	<u>1,931</u>	<u>-</u>	<u>-</u>
Total non-current liabilities	<u>1,931</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>134,836</u>	<u>560,464</u>	<u>211,000</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	-	-
Unrestricted	<u>284,678</u>	<u>2,769,584</u>	<u>197,616</u>
Total net assets	<u>\$ 284,678</u>	<u>\$ 2,769,584</u>	<u>\$ 197,616</u>

<u>GIS Services</u>	<u>Fleet Services</u>	<u>Vehicle Replacement</u>	<u>Total</u>
\$ 52,215	\$ 166,283	\$ 718,667	\$ 4,083,787
-	-	-	1,000,000
-	99,046	-	99,046
-	-	-	11,556
-	-	93,187	93,187
<u>52,215</u>	<u>265,329</u>	<u>811,854</u>	<u>5,287,576</u>
-	50,000	-	50,000
-	738,516	-	738,516
184,898	165,620	4,158,985	4,509,503
(32,837)	(811,394)	(1,154,761)	(1,998,992)
<u>152,061</u>	<u>142,742</u>	<u>3,004,224</u>	<u>3,299,027</u>
\$ <u>204,276</u>	\$ <u>408,071</u>	\$ <u>3,816,078</u>	\$ <u>8,586,603</u>
\$ 1,097	\$ 52,172	\$ 118,187	\$ 302,935
3,109	14,176	-	24,535
-	-	-	764,858
-	7,844	-	8,626
<u>4,206</u>	<u>74,192</u>	<u>118,187</u>	<u>1,100,954</u>
-	23,742	-	25,673
-	23,742	-	25,673
<u>4,206</u>	<u>97,934</u>	<u>118,187</u>	<u>1,126,627</u>
152,061	142,742	3,004,224	3,299,027
<u>48,009</u>	<u>167,395</u>	<u>693,667</u>	<u>4,160,949</u>
\$ <u>200,070</u>	\$ <u>310,137</u>	\$ <u>3,697,891</u>	\$ <u>7,459,976</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, 2006

	<u>General Liability</u>	<u>Group Health</u>	<u>Workers' Compensation</u>
OPERATING REVENUES			
Premiums	\$ 268,516	\$ 6,662,486	\$ 306,113
Vehicle revenue	-	-	-
GIS revenue	-	-	-
Total operating revenues	<u>268,516</u>	<u>6,662,486</u>	<u>306,113</u>
OPERATING EXPENSES			
Personnel services	194,210	-	-
Supplies	5,346	-	-
Maintenance	-	-	-
Contractual services	232,203	319,937	357,766
Employee benefits	73,494	-	-
Claims and premiums, net of reimbursements	30,172	5,559,020	38,567
Depreciation	-	-	-
Total operating expenses	<u>535,425</u>	<u>5,878,957</u>	<u>396,333</u>
OPERATING INCOME (LOSS)	(266,909)	783,529	(90,220)
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	20,111	143,657	14,364
Miscellaneous revenues	-	-	-
Total non-operating revenue (expenses)	<u>20,111</u>	<u>143,657</u>	<u>14,364</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(246,798)</u>	<u>927,186</u>	<u>(75,856)</u>
Transfers in	5,742	-	-
Transfers out	-	-	-
SPECIAL ITEM			
Gain on sale of capital assets	-	-	-
CHANGE IN NET ASSETS	(241,056)	927,186	(75,856)
TOTAL NET ASSETS, BEGINNING	<u>525,734</u>	<u>1,842,398</u>	<u>273,472</u>
TOTAL NET ASSETS, ENDING	<u>\$ 284,678</u>	<u>\$ 2,769,584</u>	<u>\$ 197,616</u>

<u>GIS Services</u>	<u>Fleet Services</u>	<u>Vehicle Replacement</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 7,237,115
-	1,459,097	1,862,300	3,321,397
<u>444,273</u>	<u>-</u>	<u>-</u>	<u>444,273</u>
<u>444,273</u>	<u>1,459,097</u>	<u>1,862,300</u>	<u>11,002,785</u>
99,516	356,073	-	649,799
12,600	794,312	-	812,258
-	2,047	-	2,047
343,505	40,646	-	1,294,057
41,771	154,807	-	270,072
-	-	-	5,627,759
<u>21,393</u>	<u>29,545</u>	<u>643,122</u>	<u>694,060</u>
<u>518,785</u>	<u>1,377,430</u>	<u>643,122</u>	<u>9,350,052</u>
(74,512)	81,667	1,219,178	1,652,733
12,051	5,812	25,426	221,421
<u>-</u>	<u>-</u>	<u>11,705</u>	<u>11,705</u>
<u>12,051</u>	<u>5,812</u>	<u>37,131</u>	<u>233,126</u>
(62,461)	<u>87,479</u>	<u>1,256,309</u>	<u>1,885,859</u>
9,113	-	380,000	394,855
-	(14,855)	(435,035)	(449,890)
<u>-</u>	<u>-</u>	<u>127,397</u>	<u>127,397</u>
(53,348)	72,624	1,328,671	1,958,221
<u>253,418</u>	<u>237,513</u>	<u>2,369,220</u>	<u>5,501,755</u>
<u>\$ 200,070</u>	<u>\$ 310,137</u>	<u>\$ 3,697,891</u>	<u>\$ 7,459,976</u>

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

	<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	271,134	6,652,996	307,818
Cash payments for claims	(30,172)	(5,706,162)	(38,567)
Cash payments for goods and services	(215,400)	(159,183)	(360,120)
Cash payments to employees/retirees	<u>(262,487)</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>(236,925)</u>	<u>787,651</u>	<u>(90,869)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received for miscellaneous items	-	-	-
Transfers in (out)	<u>5,742</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>5,742</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds for sale of assets	-	-	-
Acquisition and construction of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>20,111</u>	<u>143,657</u>	<u>14,364</u>
Net cash provided by investing activities	<u>20,111</u>	<u>143,657</u>	<u>14,364</u>
NET INCREASE (DECREASE) IN CASH	(211,072)	931,308	(76,505)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>630,586</u>	<u>2,387,184</u>	<u>485,121</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 419,514</u>	<u>\$ 3,318,492</u>	<u>\$ 408,616</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$(266,909)	\$ 783,529	\$(90,220)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	-	-	-
Change in assets and liabilities:			
Decrease (increase) in assets:			
Prepaid expenses	-	94,595	-
Accrued interest receivable	2,618	(9,490)	1,705
Inventories	-	-	-
Increase (decrease) in liabilities:			
Accounts payable	22,149	66,159	(2,354)
Accrued liabilities	5,002	-	-
Claims payable	-	(147,142)	-
Compensated absences payable	<u>215</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>29,984</u>	<u>4,122</u>	<u>(649)</u>
Net cash provided (used) by operating activities	<u>\$(236,925)</u>	<u>\$ 787,651</u>	<u>\$(90,869)</u>

GIS Services	Fleet Services	Vehicle Replacement	Total
\$ 444,273	\$ 1,459,648	\$ 1,685,803	\$ 3,589,724
-	-	-	7,231,948
-	-	-	(5,774,901)
(372,887)	(882,466)	-	(1,990,056)
(139,117)	(498,511)	-	(900,115)
<u>(67,731)</u>	<u>78,671</u>	<u>1,685,803</u>	<u>2,156,600</u>
-	-	11,705	11,705
<u>9,113</u>	<u>(14,855)</u>	<u>(55,035)</u>	<u>(55,035)</u>
<u>9,113</u>	<u>(14,855)</u>	<u>(43,330)</u>	<u>(43,330)</u>
-	-	127,397	127,397
<u>(121,639)</u>	<u>(11,191)</u>	<u>(1,818,942)</u>	<u>(1,951,772)</u>
<u>(121,639)</u>	<u>(11,191)</u>	<u>(1,691,545)</u>	<u>(1,824,375)</u>
<u>12,051</u>	<u>5,812</u>	<u>25,426</u>	<u>221,421</u>
<u>12,051</u>	<u>5,812</u>	<u>25,426</u>	<u>221,421</u>
(168,206)	58,437	(23,646)	510,316
<u>220,421</u>	<u>107,846</u>	<u>742,313</u>	<u>4,573,471</u>
<u>\$ 52,215</u>	<u>\$ 166,283</u>	<u>\$ 718,667</u>	<u>\$ 5,083,787</u>
<u>\$(74,512)</u>	<u>\$ 81,667</u>	<u>\$ 1,219,178</u>	<u>\$ 1,652,733</u>
21,393	29,545	643,122	694,060
-	-	(93,187)	1,408
-	551	1,056	(3,560)
-	(13,775)	-	(13,775)
(16,782)	(31,686)	(84,366)	(46,880)
3,109	2,264	-	10,375
-	-	-	(147,142)
<u>(939)</u>	<u>10,105</u>	<u>-</u>	<u>9,381</u>
<u>6,781</u>	<u>(2,996)</u>	<u>466,625</u>	<u>503,867</u>
<u>\$(67,731)</u>	<u>\$ 78,671</u>	<u>\$ 1,685,803</u>	<u>\$ 2,156,600</u>

**STATISTICAL SECTION
(UNAUDITED)**

CITY OF LONGVIEW, TEXAS

NET ASSETS BY COMPONENT

LAST FOUR FISCAL YEARS

	Fiscal Year			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 16,429,990	\$ 18,331,455	\$ 29,741,809	\$ 25,914,208
Restricted	8,648,244	16,594,089	4,395,711	6,324,073
Unrestricted	<u>39,708,533</u>	<u>21,912,175</u>	<u>19,871,672</u>	<u>20,639,585</u>
Total governmental activities net assets	<u>\$ 64,786,767</u>	<u>\$ 56,837,719</u>	<u>\$ 54,009,192</u>	<u>\$ 52,877,866</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 41,806,901	\$ 43,541,845	\$ 55,584,264	\$ 65,647,146
Restricted	9,166,915	7,806,590	10,442,146	4,017,396
Unrestricted	<u>19,782,247</u>	<u>20,672,864</u>	<u>6,176,128</u>	<u>870,244</u>
Total business-type activities net assets	<u>\$ 70,756,063</u>	<u>\$ 72,021,299</u>	<u>\$ 72,202,538</u>	<u>\$ 70,534,786</u>

TABLE 2

CITY OF LONGVIEW, TEXAS
CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS

	Fiscal Year			
	2006	2005	2004	2003
EXPENSES				
Governmental activities:				
General government	\$ 6,072,058	\$ 5,596,388	\$ 5,183,021	\$ 5,004,923
Public safety	30,954,625	28,599,429	26,125,950	25,038,656
Public works	6,690,824	9,627,021	9,131,511	8,590,309
Developmental services	2,744,376	2,134,167	2,355,681	2,209,786
Culture and recreation	6,384,926	6,653,171	5,376,023	4,943,945
Public transit	1,479,733	1,399,305	936,685	706,595
Public welfare	6,253,531	5,558,072	5,527,598	5,652,428
Arts and culture	763,948	537,825	527,677	652,079
Interest and fiscal charges	2,060,119	1,948,090	2,411,757	2,307,523
Total governmental activities expenses	<u>63,404,140</u>	<u>62,053,468</u>	<u>57,575,903</u>	<u>55,106,244</u>
Business-type activities:				
Water utilities	27,044,288	25,189,692	21,954,358	21,890,134
Sanitation	3,690,267	3,397,459	2,984,927	3,307,553
Nonmajor funds - Longview Recreation Association	461,520	545,897	489,002	482,615
Total business-type activities expenses	<u>31,196,075</u>	<u>29,133,048</u>	<u>25,428,287</u>	<u>25,680,302</u>
Total primary government program expenses	<u>\$ 94,600,215</u>	<u>\$ 91,186,516</u>	<u>\$ 83,004,190</u>	<u>\$ 80,786,546</u>
Component unit:				
Longview Economic Development Corporation	<u>\$ 4,959,868</u>	<u>\$ 4,104,500</u>	<u>\$ 3,364,486</u>	<u>\$ 3,131,414</u>
Total component unit	<u>\$ 4,959,868</u>	<u>\$ 4,104,500</u>	<u>\$ 3,364,486</u>	<u>\$ 3,131,414</u>
PROGRAM REVENUES				
Governmental activities				
Charges for services:				
General government	\$ 1,821,712	\$ 220,467	\$ 350,221	\$ 356,191
Public safety	3,088,404	4,432,935	4,110,069	3,991,741
Public works	-	-	671,718	-
Developmental services	1,745,944	1,090,372	922,371	839,368
Culture and recreation	164,458	356,648	187,261	157,222
Public transit	-	-	16,571	-
Public welfare	41,375	23,430	3,529	-
Operating grants and contributions	8,452,958	7,650,016	6,950,185	7,203,684
Capital grants and contributions	313,385	498,829	1,052,750	898,817
Total governmental activities program revenues	<u>15,628,236</u>	<u>14,272,697</u>	<u>14,264,675</u>	<u>13,447,023</u>
Business-type activities:				
Charges for services:				
Water utilities	26,110,235	25,019,840	23,836,486	23,238,814
Sanitation	3,879,969	3,814,359	3,628,254	3,553,801
Nonmajor funds - Longview Recreation Association	523,880	518,995	466,545	526,346
Total business-type activities program revenues	<u>30,514,084</u>	<u>29,353,194</u>	<u>27,931,285</u>	<u>27,318,961</u>
Total primary government program revenues	<u>\$ 46,142,320</u>	<u>\$ 43,625,891</u>	<u>\$ 42,195,960</u>	<u>\$ 40,765,984</u>
Component unit:				
Longview Economic Development Corporation	<u>\$ 254,931</u>	<u>\$ 191,250</u>	<u>\$ 565,000</u>	<u>\$ 450,629</u>
Total component unit	<u>\$ 254,931</u>	<u>\$ 191,250</u>	<u>\$ 565,000</u>	<u>\$ 450,629</u>

(continued)

CITY OF LONGVIEW, TEXAS

CHANGES IN NET ASSETS
(Continued)
LAST FOUR FISCAL YEARS

	Fiscal Year			
	2006	2005	2004	2003
NET (EXPENSE) REVENUES				
Governmental activities	\$(47,775,904)	\$(47,780,771)	\$(43,311,228)	\$(41,659,221)
Business-type activities	(681,991)	220,146	2,502,998	1,638,659
Total primary government net expense	<u>\$(48,457,895)</u>	<u>\$(47,560,625)</u>	<u>\$(40,808,230)</u>	<u>\$(40,020,562)</u>
Component unit:				
Longview Economic Development Corporation	\$(4,704,937)	\$(3,913,250)	\$(2,799,486)	\$(2,680,785)
Total component unit	<u>\$(4,704,937)</u>	<u>\$(3,913,250)</u>	<u>\$(2,799,486)</u>	<u>\$(2,680,785)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental activities:				
Taxes				
Property	\$ 19,951,302	\$ 18,778,484	\$ 17,406,348	\$ 18,461,293
Franchise	4,643,213	5,187,723	5,143,551	4,583,223
Sales	20,855,105	18,227,952	16,790,564	15,917,817
Other	1,557,841	2,177,226	2,071,928	2,029,972
Interest	2,157,508	715,616	606,622	550,114
Gain (loss) on disposition of assets	8,615	-	-	(40,673)
Transfers	1,845,195	1,198,170	1,381,910	1,514,821
Other	1,566,970	1,535,494	1,041,631	1,456,452
Total governmental activities	<u>52,585,749</u>	<u>47,820,665</u>	<u>44,442,554</u>	<u>44,473,019</u>
Business-type activities:				
Interest	1,217,691	664,707	402,780	370,419
Gain (loss) on disposition of assets	-	-	-	(40,673)
Transfers	(1,800,936)	(1,198,170)	(1,381,910)	(1,514,821)
Other	-	132,079	143,883	109,277
Total business-type activities	<u>(583,245)</u>	<u>(401,384)</u>	<u>(835,247)</u>	<u>(1,075,798)</u>
Total primary government	<u>\$ 52,002,504</u>	<u>\$ 47,419,281</u>	<u>\$ 43,607,307</u>	<u>\$ 43,397,221</u>
Component unit:				
Sales taxes	4,168,450	3,603,773	3,372,087	3,211,617
Interest	265,327	122,091	85,068	-
Gain (loss) on disposition of assets	17,782	-	-	133,586
Other	-	10,994	-	1,470
Total component unit	<u>\$ 4,451,559</u>	<u>\$ 3,736,858</u>	<u>\$ 3,457,155</u>	<u>\$ 3,346,673</u>
CHANGE IN NET ASSETS				
Governmental activities	\$ 4,809,845	\$ 39,894	\$ 1,131,326	\$ 2,813,798
Business-type activities	(1,265,236)	(181,238)	1,667,751	562,861
Total primary government	<u>\$ 3,544,609</u>	<u>\$(141,344)</u>	<u>\$ 2,799,077</u>	<u>\$ 3,376,659</u>

Note:

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

CITY OF LONGVIEW, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund										
Reserved for encumbrances	\$ 546,287	\$ 1,051,868	\$ 1,204,911	\$ 1,565,578	\$ 539,639	\$ 108,471	\$ 102,391	\$ 590,596	\$ 166,149	\$ 326,857
Reserved for inventories	80,189	81,466	123,187	75,905	65,966	61,146	74,636	10,164	9,492	7,608
Unreserved	<u>6,706,868</u>	<u>8,051,089</u>	<u>7,382,624</u>	<u>7,220,848</u>	<u>9,612,714</u>	<u>10,870,352</u>	<u>15,061,791</u>	<u>15,415,263</u>	<u>18,817,362</u>	<u>17,074,060</u>
Total general fund	<u>\$ 7,333,344</u>	<u>\$ 9,184,423</u>	<u>\$ 8,710,722</u>	<u>\$ 8,862,331</u>	<u>\$ 10,218,319</u>	<u>\$ 11,039,969</u>	<u>\$ 15,238,818</u>	<u>\$ 16,016,023</u>	<u>\$ 18,993,003</u>	<u>\$ 17,408,525</u>
All other governmental funds										
Reserved for encumbrances	\$ 3,618,775	\$ 1,925,663	\$ 1,561,069	\$ 1,270,454	\$ -	\$ 1,523,195	\$ 95,724	\$ 4,567	\$ 2,391,006	\$ 9,325,184
Reserved for debt service	1,671,151	1,842,560	1,809,081	1,970,112	2,014,369	1,977,510	2,020,410	2,061,540	2,132,859	2,242,808
Capital projects	10,584,109	9,930,683	10,038,344	-	12,855,776	8,047,865	4,303,663	2,334,171	12,663,984	6,405,436
Unreserved, reported in:										
Special revenue funds	<u>7,196,794</u>	<u>9,575,023</u>	<u>9,430,571</u>	<u>9,220,904</u>	<u>10,270,609</u>	<u>6,031,550</u>	<u>4,756,359</u>	<u>4,083,308</u>	<u>3,949,014</u>	<u>4,067,275</u>
Total all other governmental funds	<u>\$ 23,070,829</u>	<u>\$ 23,273,929</u>	<u>\$ 22,839,065</u>	<u>\$ 12,461,470</u>	<u>\$ 25,140,754</u>	<u>\$ 17,580,120</u>	<u>\$ 11,176,156</u>	<u>\$ 8,483,586</u>	<u>\$ 21,136,863</u>	<u>\$ 22,040,703</u>

CITY OF LONGVIEW, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
REVENUES										
Taxes	\$ 34,655,516	\$ 35,977,635	\$ 36,600,419	\$ 37,488,678	\$ 38,586,975	\$ 37,824,185	\$ 39,923,064	\$ 41,412,391	\$ 44,455,498	\$ 47,570,415
Licenses and permits	563,451	586,592	620,855	616,292	777,725	858,041	1,190,094	2,012,041	1,367,731	1,355,532
Fines and forfeitures	792,763	804,667	929,908	986,471	1,672,938	1,967,316	2,084,219	1,991,636	2,066,680	1,962,978
Charges for services	1,049,306	1,108,216	1,256,350	1,666,526	1,818,330	1,972,208	2,087,860	2,220,240	2,293,720	3,400,543
Intergovernmental	4,358,418	4,685,403	4,746,722	5,645,696	6,135,204	7,060,496	8,102,501	7,565,355	8,544,566	8,450,419
Investment income	1,574,581	2,172,617	1,915,496	2,428,435	2,406,242	839,618	523,815	561,453	619,368	2,157,508
Contractual fees	-	-	-	-	-	-	900,000	900,000	900,000	900,000
Miscellaneous	1,411,991	1,261,126	2,161,527	1,477,514	1,609,803	2,435,748	417,801	552,033	500,971	640,928
Total revenues	44,406,026	46,596,256	48,231,277	50,309,612	53,007,217	52,957,612	55,229,354	57,215,149	60,748,534	66,438,323
EXPENDITURES										
General government	4,226,330	4,579,461	5,000,126	4,877,708	4,120,828	4,847,126	4,865,801	5,166,418	5,551,177	5,552,308
Public safety	18,644,545	18,528,144	20,071,493	21,498,047	22,273,068	24,948,450	24,624,587	24,959,958	25,964,364	27,883,621
Public works	4,708,905	3,795,586	5,364,617	3,281,235	4,980,683	3,983,623	4,495,547	4,642,868	5,162,280	5,090,174
Culture and recreation	3,436,379	3,557,367	3,648,785	3,987,682	4,422,358	4,714,815	4,876,444	5,047,704	5,237,992	5,769,439
Developmental services	1,588,730	2,139,541	2,594,561	3,444,456	2,508,650	2,379,621	2,222,016	2,333,920	2,288,998	2,468,446
Public welfare	3,226,338	3,698,934	3,616,100	3,985,358	4,523,392	5,184,680	5,783,782	5,536,409	5,633,209	6,014,640
Public transit	-	-	-	-	-	-	649,401	936,685	1,264,534	1,349,149
Arts and culture	153,225	139,743	136,265	631,429	719,955	522,093	652,079	527,677	537,825	634,008
Capital outlay	9,817,378	10,860,135	9,088,854	7,464,355	7,149,268	8,831,556	6,971,178	5,328,547	5,804,225	7,748,041
Debt service:										
Principal	3,780,338	3,806,725	4,442,889	4,065,000	4,075,000	3,515,000	3,687,823	3,935,081	4,476,769	4,953,629
Interest and fiscal charges	1,903,033	2,497,832	2,381,214	2,797,368	2,807,877	2,483,934	2,327,017	2,149,102	1,746,256	2,012,461
Bond issue expenses	-	131,107	-	-	-	-	-	-	413,146	-
Total expenditures	51,485,201	53,734,575	56,344,904	56,032,638	57,581,079	61,410,898	61,155,675	60,564,369	64,080,775	69,475,916

(continued)

CITY OF LONGVIEW, TEXAS

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
EXCESS OF REVENUES OVER (UNDER)										
EXPENDITURES	<u>\$(7,079,175)</u>	<u>\$(7,138,319)</u>	<u>\$(8,113,627)</u>	<u>\$(5,723,026)</u>	<u>\$(4,573,862)</u>	<u>\$(8,453,286)</u>	<u>\$(5,926,321)</u>	<u>\$(3,349,220)</u>	<u>\$(3,332,241)</u>	<u>\$(3,037,593)</u>
OTHER FINANCING SOURCES (USES)										
Issuance of bonds	-	15,550,000	63,500,000	11,050,000	-	4,555,000	-	-	38,990,000	-
Payments to escrow account	-	(6,431,074)	-	-	-	(4,555,000)	-	-	(25,513,273)	-
Premium on refunded bon	-	-	-	-	-	-	-	-	426,287	-
Proceeds from lease	-	-	-	-	-	-	377,893	-	565,750	-
Sale of capital assets	13,985,000	-	-	-	-	-	-	-	131,088	8,615
Proceeds from insurance	-	-	-	-	-	-	-	-	-	25,144
Transfers in	1,519,823	2,456,275	2,496,095	2,964,504	2,890,794	4,299,439	5,049,258	4,967,142	5,475,569	9,204,941
Transfers out	(629,401)	(1,523,144)	(1,541,033)	(1,885,300)	(1,581,684)	(2,829,898)	(3,134,437)	(3,185,232)	(3,262,162)	(7,359,746)
Total other financing sources (uses)	<u>14,875,422</u>	<u>10,052,057</u>	<u>64,455,062</u>	<u>12,129,204</u>	<u>1,309,110</u>	<u>1,469,541</u>	<u>2,292,714</u>	<u>1,781,910</u>	<u>16,813,259</u>	<u>1,878,954</u>
NET CHANGE IN FUND BALANCES	<u>\$ 7,796,247</u>	<u>\$ 2,913,738</u>	<u>\$ 56,341,435</u>	<u>\$ 6,406,178</u>	<u>\$(3,264,752)</u>	<u>\$(6,983,745)</u>	<u>\$(3,633,607)</u>	<u>\$(1,567,310)</u>	<u>\$ 13,481,018</u>	<u>\$(1,158,639)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>13.6%</u>	<u>14.7%</u>	<u>14.4%</u>	<u>14.1%</u>	<u>13.6%</u>	<u>11.4%</u>	<u>11.1%</u>	<u>11.0%</u>	<u>10.7%</u>	<u>11.3%</u>

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			
1997	\$ 2,247,705,217	\$ 704,721,728	\$ 2,952,426,945	0.52340	\$ 2,952,426,945
1998	2,354,291,964	757,909,298	3,112,201,262	0.51584	3,112,201,262
1999	2,398,677,091	821,146,725	3,219,823,816	0.53340	3,219,823,816
2000	2,421,931,618	807,310,540	3,229,242,158	0.53340	3,229,242,158
2001	2,474,291,082	768,932,881	3,243,223,963	0.51840	3,243,223,963
2002	2,568,684,826	834,981,179	3,403,666,005	0.49340	3,403,666,005
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	2,818,320,342	1,233,532,549	4,051,852,897	0.48340	4,051,852,897

Source: Gregg County Appraisal District

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
1997	\$ 0.35246	\$ 0.17094	\$ 0.52340	\$ 0.25500	\$ 1.39550	\$ 1.59750	\$ 1.52380	\$ 1.53425
1998	0.36160	0.15424	0.51584	0.25500	1.40982	1.82400	1.52380	1.61000
1999	0.36920	0.16420	0.53340	0.25500	1.42882	1.82400	1.63620	-
2000	0.36920	0.16420	0.53340	0.25500	1.43882	1.62500	1.63620	-
2001	0.36060	0.15780	0.51840	0.24465	1.47420	1.62500	1.64170	1.65443
2002	0.36210	0.13130	0.49340	0.23500	1.55420	1.62000	1.64170	1.65443
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

Source: Tax departments of respective entities

TABLE 7

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

Taxpayer	2006	
	Taxable Assessed Value*	Percentage of Total City Taxable Assessed Value**
LeTourneau, Inc.	\$ 110,000,370	2.43%
Longview Regional Medical Center	63,108,130	1.40%
General Motors Corporation	54,368,720	1.20%
Wal-Mart/Sam's	49,744,410	1.10%
Trinity Industries	46,452,780	1.03%
AE Southwestern Electric	44,801,280	0.99%
Dana Corporation	44,151,430	0.98%
Southwestern Bell Telephone	33,480,820	0.74%
GSHS, Inc./Good Shepherd Hospital	31,174,880	0.69%
EOG Resources, Inc.	<u>30,931,520</u>	<u>0.68%</u>
Total	<u>\$ 508,214,340</u>	<u>11.24%</u>

Taxpayer	1997	
	Taxable Assessed Value*	Percentage of Total City Taxable Assessed Value**
Oxy USA, Inc.	\$ 80,200,990	2.72%
LeTourneau, Inc.	71,232,880	2.40%
Amoco Production Co.	64,343,960	2.18%
Stroh Brewery	52,198,320	1.78%
Southwestern Bell Telephone	41,861,690	1.42%
Southwester Electric Power	34,810,530	1.18%
Simon Property Group	22,982,850	0.78%
Alcated Network Systems, Inc.	19,581,510	0.66%
Norris Cylinder, Inc.	18,362,700	0.62%
GSHS, Inc./Good Shepherd Hospital	<u>15,058,200</u>	<u>0.51%</u>
Total	<u>\$ 420,633,630</u>	<u>14.25%</u>

Sources:

* Gregg County Appraisal District

** City of Longview Finance Department

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

<u>Fiscal Year Ended</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected With the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1997	\$ 15,453,046	\$ 15,024,121	97.22%	\$ 384,525	\$ 15,408,646	99.71%
1998	16,426,369	15,916,468	96.90%	470,324	16,386,792	99.76%
1999	17,166,080	16,855,894	98.19%	264,946	17,120,840	99.74%
2000	17,272,331	16,860,489	97.62%	358,461	17,218,950	99.69%
2001	17,176,993	16,697,553	97.21%	423,770	17,121,323	99.68%
2002	16,792,089	16,404,347	97.69%	330,716	16,735,063	99.66%
2003	16,829,997	16,452,002	97.75%	309,128	16,761,130	99.59%
2004	17,242,435	16,888,390	97.95%	221,154	17,109,544	99.23%
2005	18,512,716	18,154,826	98.07%	231,473	18,386,299	99.32%
2006	19,628,247	19,311,792	98.39%	-	19,311,792	98.39%

Sources: Gregg County Tax Assessor/Collector

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

Fiscal Year	Governmental Activities <u>General Obligation Bonds</u>	Business-type Activities <u>Water Revenue Bonds</u>	Total Primary <u>Government</u>	Percentage of Personal Income (1) <u>Income (1)</u>	Per Capita <u>Per Capita</u>
1997	\$ 41,655,000	\$ 38,740,000	\$ 80,395,000	- %	\$ 1,079
1998	46,420,000	65,260,065	111,680,065	- %	1,485
1999	47,755,000	84,334,490	132,089,490	- %	1,755
2000	54,740,000	100,759,087	155,499,087	- %	2,120
2001	50,665,000	101,650,000	152,315,000	- %	2,077
2002	47,375,000	97,545,000	144,920,000	- %	1,968
2003	42,808,525	93,598,533	136,407,058	- %	1,851
2004	39,045,475	98,387,631	137,433,106	- %	1,843
2005	49,052,045	93,266,696	142,318,741	- %	1,890
2006	44,499,090	88,855,572	133,354,662	3.68%	1,747

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

(1) Personal income was not available for the previous 9 fiscal years.

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		
1997	\$ 41,655,000	\$ 1,671,151	\$ 39,983,849	1.3543%	\$ 537
1998	46,420,000	1,842,560	44,577,440	1.4324%	592
1999	47,755,000	1,509,081	46,245,919	1.4270%	610
2000	54,740,000	1,970,112	52,769,888	1.6341%	719
2001	49,923,093	2,014,369	47,908,724	1.4836%	653
2002	47,375,000	1,977,510	45,397,490	1.3338%	616
2003	42,808,525	2,020,410	40,788,115	1.1708%	551
2004	39,045,475	2,061,840	36,983,635	1.0028%	496
2005	50,035,000	2,132,859	47,902,141	1.2136%	636
2006	45,340,000	2,242,808	43,097,192	1.0636%	565

CITY OF LONGVIEW, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2006

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Total Direct Bonded Debt			
City of Longview	\$ 45,340,000	100.00%	\$ 45,340,000
Total Overlapping Debt			
Gregg County	1,720,000	62.46%	1,074,312
Harrison County	5,350,000	5.46%	292,110
Longview Independent School District	16,999,998 (a)(b)	90.43%	15,373,098
Pine Tree Independent School District	39,005,000 (a)(d)	69.06%	26,936,853
Spring Hill Independent School District	9,104,735 (a)(c)	100.00%	9,104,735
Hallsville Independent School District	17,150,000	8.78%	<u>1,505,770</u>
City direct debt			<u>45,340,000</u>
Total direct and overlapping debt			<u>\$ 99,626,878</u>

Sources: Southwest Securities

- Notes:
- (a) Capital Appreciation Debt shown on non-accreted basis.
 - (b) Excludes \$708,000 Limited Maintenance Tax Debt
 - (c) Excludes \$19,600 Limited Maintenance Tax Debt
 - (d) Voters of the Pine Tree ISD approved issuance of \$44,930,000 school building bonds at an election held December 19, 2004. Of that authorization, \$34,430,000 has been issued to date, leaving an unissued balance of \$10,500,000 expected to be issued in 2007. On November 7, 2006, voters approved issuance of an additional \$7,000,000 school building bond.

CITY OF LONGVIEW, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2006
(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 2006 was established at \$.4834 per \$100 of assessed valuation based on 100% of appraised value.

TABLE 13

CITY OF LONGVIEW, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds					Coverage
	Water Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
1997	\$ 16,719,002	\$ 7,454,429	\$ 9,264,573	\$ 2,555,000	\$ 2,548,907	\$ 2.44
1998	19,391,360	8,014,147	11,377,213	2,705,000	3,305,898	2.35
1999	20,499,468	8,356,846	12,142,622	3,415,000	4,043,473	2.73
2000	23,376,568	9,754,384	13,622,184	3,390,000	4,875,408	2.88
2001	22,902,846	9,054,655	13,848,191	3,815,000	5,317,952	2.38
2002	22,861,348	10,614,912	12,246,436	4,105,000	4,966,147	2.15
2003	23,602,583	11,963,922	11,638,661	4,015,000	4,741,505	2.07
2004	24,223,972	11,795,064	12,428,908	4,510,086	4,466,408	1.98
2005	25,019,840	12,383,983	12,635,857	4,562,125	4,613,637	2.26
2006	26,110,235	13,568,848	12,541,387	4,630,000	4,114,971	2.20

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>
1997	74,500	18,536	\$ -	\$ -	7.2%
1998	75,200	18,774	-	-	7.2%
1999	75,271	18,775	-	-	7.5%
2000	73,344	18,667	-	-	6.1%
2001	73,344	18,458	-	-	5.5%
2002	73,652	18,113	-	-	6.7%
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%

Sources: Population estimate provided by the City of Longview Planning Department. School enrollment provided by Longview ISD, Pine Tree ISD, Spring Hill ISD and Hallsville ISD. Unemployment rate provided by Texas Workforce Commission. Personal income was provided by the Longview Partnership.

Note:

(1) Personal income was not available for the previous nine fiscal years.

CITY OF LONGVIEW, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

Employer	2006	
	Employees	Percentage of Total City Employment
Good Shepherd Medical Center	1,865	2.01%
Longview ISD	1,266	1.36%
LeTourneau, Inc.	1,028	1.11%
City of Longview	816	0.88%
Wal-Mart Associates	766	0.83%
Trinity Rail	750	0.81%
Regional Hospital of Longview, LLC	700	0.75%
Pine Tree ISD	682	0.73%
Dana Corporation	650	0.70%
SITEL	650	0.70%
Total	9,173	9.88%

Source: Longview Economic Development Corporation

Notes: Percentage of total City employment based on City employment of 92,800.
Information for 9 years prior was not available.

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

Function/Program	Fulltime Equivalent Employees as of June 30,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government										
Administrative service:	8	13	14	78	59	64	71	67	72	73
Human resources	44	43	44	9	10	10	10	10	10	11
Finance	37	35	36	50	3	2	3	3	3	3
Purchasing	-	-	-	-	5	5	5	5	5	5
Planning and zoning	-	-	-	-	4	4	2	2	3	3
MPO	-	-	-	-	4	4	4	3	3	3
Building inspection	-	-	-	-	8	8	8	8	9	10
Environmental health	-	-	-	-	18	18	18	18	18	24
Developmental service	23	23	23	35	-	34	9	9	8	2
Other	152	148	150	138	31	29	19	19	19	29
Police										
Officers	144	143	143	142	143	144	143	143	149	155
Civilians	53	55	56	24	23	23	22	22	21	20
Fire										
Firefighters and officers	146	146	152	156	156	154	150	154	155	156
Civilians	5	5	6	5	7	8	8	9	8	7
Sanitation	-	-	-	-	42	40	41	31	29	29
Other public works	173	172	174	107	-	-	-	-	-	-
Engineering	-	-	-	-	10	10	4	5	5	6
Administration	-	-	-	-	6	6	2	2	2	2
Utility services	16	16	16	-	19	19	19	20	22	22
Streets	-	-	-	-	24	22	22	23	23	22
Drainage	-	-	-	-	14	15	15	15	15	15
Fleet services	-	-	-	-	9	8	10	12	12	12
Traffic maintenance	-	-	-	-	7	6	6	7	7	7
Parks and recreation	-	-	-	-	57	56	51	50	53	54
Library	-	-	-	-	25	25	19	19	19	19
Water services	-	-	-	93	-	-	-	-	-	-
Water purification	-	-	-	-	24	31	31	31	31	31
Water supply	-	-	-	-	2	3	3	3	3	3
Water distribution	-	-	-	-	26	26	25	25	26	26
Wastewater collector	-	-	-	-	16	18	18	18	18	18
Wastewater treatment	-	-	-	-	22	23	22	22	23	23
Transit	-	-	-	-	-	-	-	1	1	1
Total	801	799	814	837	774	815	760	756	772	791

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

Function/Program	Fiscal Year			
	1997	1998	1999	2000
General government				
Building permits issued	1,654	1,727	1,599	2,389
Police****				
Physical arrests	-	-	-	-
Parking violations*	-	-	-	-
Traffic violations**	-	-	-	-
Fire****				
Emergency responses	-	-	-	-
Fires extinguished	-	-	-	-
Inspections	-	-	-	-
Refuse collection****				
Refuse collected (tons per day)	-	-	-	-
Recyclables collected (tons per day)	-	-	-	-
Other public works****				
Street resurfacing (miles)	-	-	-	-
Potholes repaired	-	-	-	-
Parks and recreation****				
Park programs (# participants)	-	-	-	-
Facility/field/pavilion rentals	-	-	-	-
Recreation centers (# members)	-	-	-	-
Recreation programs (#classes)	-	-	-	-
Library				
Volumes in collection	396,682	397,032	399,879	164,943
Water				
Service connections	25,325	25,325	25,325	25,325
Water main breaks	-	-	-	-
Average daily consumption (thousands of gallons)	17	17	17	17
Wastewater				
Service connections	23,352	23,352	23,352	23,352
Average daily sewage treatment (thousands of gallons)	15	15	15	15
Transit***				
Total route miles	-	-	-	-
Passengers	-	-	-	-

Source:

Various City departments

Notes:

* 155 of the parking violations were the result of parking problem calls for service to the Longview Police Department that resulted in a written citation. 7,901 of the parking violations were written by the Parking Enforcement Officer.

** Traffic violation citations are compiled from the monthly information received from the municipal courts for citations written by Longview Police Officers. The total number of traffic stops made by officers resulting in a citation was 10,026; however, because many times multiple citations are given on a single traffic stop, the total number of traffic violations given were 18,657.

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

**** Information was not available for the previous 9 fiscal years.

TABLE 17

2001	2002	2003	2004	2005	2006
2,946	1,515	1,418	1,445	1,357	1,430
-	-	-	-	-	5,870
-	-	-	-	-	8,056
-	-	-	-	-	18,657
-	-	-	-	-	13,875
-	-	-	-	-	560
-	-	-	-	-	4,690
-	-	-	-	-	118,232
-	-	-	-	-	13,536
-	-	-	-	-	7
-	-	-	-	-	567
-	-	-	-	-	29,692
-	-	-	-	-	4,916
-	-	-	-	-	1,737
-	-	-	-	-	56
179,026	179,836	183,194	146,016	175,026	156,200
26,224	26,224	24,440	24,535	24,535	27,196
-	-	-	-	-	-
-	-	-	-	-	-
17	18	16	15	16	18
24,148	24,339	24,440	24,535	24,740	24,690
16	15	16	12	12	10
-	-	176,449	338,583	351,629	351,598
-	-	47,363	92,982	113,160	156,429

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

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	-	-	1	1	1	1	1	1	1	-
Community offices	6	6	6	6	6	6	6	5	4	3
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Hydrants	2,634	2,658	2,658	2,834	2,834	2,845	2,884	2,986	3,060	3,060
Refuse collection										
Collection trucks	-	-	-	-	-	-	-	-	-	-
Other public works										
Asphalt streets (miles)	361	363	363	363	363	363	363	363	363	386
Concrete, oil dirt, brick streets (miles)	56	56	56	56	56	56	56	56	56	56
Asphalt, oil dirt alleys (miles)	9	9	9	9	9	9	9	9	9	9
Traffic signals	-	-	-	-	-	-	-	-	-	-
Parks and recreation										
Acreage developed	426	426	426	429	599	599	620	620	620	610
Acreage undeveloped	228	228	228	253	143	143	350	350	350	105
Playgrounds	21	21	23	24	29	29	29	28	28	23
Libraries										
Number of libraries (public)	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	520	520	520	539	601	601	605	651	643	648
Plant capacity millions of gallons daily)	42	42	42	42	42	42	52	52	52	52
Wastewater										
Sanitary sewers (miles)	520	520	520	524	645	645	645	623	648	645
Number of lift stations	16	16	16	18	20	20	18	18	18	20
Number of disposal plants	1	1	1	1	1	1	1	1	1	1
Treatment capacity (thousands of gallons)	17	17	17	17	17	21	21	21	21	21
Transit										
Minibuses	-	-	-	-	-	-	11	11	11	11

Source: Various City departments

COMPLIANCE SECTION



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Longview, Texas, as of and for the year ended September 30, 2006, which collectively comprise the City of Longview, Texas' basic financial statements and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Longview, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Longview, Texas, in a separate letter dated December 21, 2006.

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

Pattillo, Brown & Hill, L.L.P.

December 21, 2006



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

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

Compliance

We have audited the compliance of the City of Longview, Texas, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* and the State of Texas Uniform Grant Management Standards, issued by the Office of the Governor of the State, that are applicable to each of its major federal and state programs for the year ended September 30, 2006. The City of Longview, Texas' major federal and state 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 and state programs is the responsibility of the City of Longview, Texas' management. Our responsibility is to express an opinion on the City of Longview, Texas' compliance based on our audit.

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

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

Internal Control Over Compliance

The management of the City of Longview, Texas, 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 of Longview, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, and the State of Texas Uniform Grant Management Standards.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Pattillo, Brown & Hill, L.L.P.

December 21, 2006

CITY OF LONGVIEW, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed through Texas Forestry Service:			
2004 Urban Forestry Grant	10.664	04-05-08	\$ 1,573
Total passed through Texas Forestry Service			<u>1,573</u>
Total U. S. Department of Agriculture			<u>1,573</u>
<u>U. S. Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grant	14.218	B-05-MC-0032	691,930
Shelter Plus Care	14.238	TX01C41-3003	101,404
Home Investment Partnership	14.239	M05-MC-48-0227	303,428
Section 8 Housing Choice Voucher Program	14.871	2005-FSSS-TX459-5164	<u>3,928,014</u>
Total Direct Program			<u>5,024,776</u>
Total U. S. Department of Housing and Urban Development			<u>5,024,776</u>
<u>U. S. Department of Justice</u>			
Passed through Texas Office of the Governor - Office of Justice Programs:			
Drug-free Communities Support Program	16.542	2H79SP11432-02	<u>99,160</u>
Total Passed through Texas Office of the Governor - Office of Justice Programs			<u>99,160</u>
Direct Program:			
Internet Crimes Against Children II	16.543	2005-MC-CX-K031	15,000
Local Law Enforcement Block Grant IX	16.592	2004-LB-BX-1030	67,287
Justice Assistance Grant	16.592	2005-DJ-BX-0296	15,937
Bulletproof Vest Partnership Grant	16.607	N/A	<u>3,352</u>
Total Direct Program			<u>101,576</u>
Total U. S. Department of Justice			<u>200,736</u>
<u>U. S. Department of Transportation</u>			
Passed through Texas Department of Transportation:			
Metropolitan Planning Organization	20.225	05-6XXF002	156,537
Safe and Sober STEP	20.600	586XXF6046	<u>32,089</u>
Total passed through Texas Department of Transportation			<u>188,626</u>
Direct Program:			
Federal Transit - Capital Investments	20.507	N/A	<u>907,902</u>
Total Direct Program			<u>907,902</u>
Total U. S. Department of Transportation			<u>1,096,528</u>

(continued)

CITY OF LONGVIEW, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>National Endowment for the Humanities</u>			
Passed through Humanities Texas:			
Humanities Texas	45.129	2006-3242	\$ 434
Total passed through Humanities Texas			<u>434</u>
Total National Endowment for the Humanities			<u>434</u>
<u>Federal Emergency Management Agency</u>			
Passed through Texas Department of Public Safety's Division of Emergency Management:			
Severe Ice Storm	83.544	PW704	8,716
Total passed through Texas Department of Public Safety's Division of Emergency Management			<u>8,716</u>
Total Federal Emergency Management Agency			<u>8,716</u>
<u>U. S. Department of Health and Human Services</u>			
Passed through Wellness Center of East Texas:			
Forever Friends	93.110	N/A	<u>21,067</u>
Total passed through Wellness Center of East Texas			<u>21,067</u>
Direct Program:			
Children of Prisoner's Grant	93.616	90CV0015	<u>175,000</u>
Total Direct Program			<u>175,000</u>
Passed through Texas Commission on Alcohol and Drug Abuse:			
Community Coalitions Development Process	93.959	04-0985-061-CCP	<u>128,451</u>
Total passed through Texas Commission on Alcohol and Drug Abuse			<u>128,451</u>
Total U. S. Department of Health and Human Services			<u>324,518</u>
<u>U. S. Department of Homeland Security</u>			
Passed through Texas Engineering Extension Service:			
2004 State Homeland Security Grant	97.004	2004-GE-T4-0015	<u>253,083</u>
Total passed through Texas Engineering Extension Service			<u>253,083</u>
Direct Program:			
Hurricane Katrina Disaster Relief	97.036	N/A	58,316
Hurricane Rita Disaster Relief	97.036	N/A	228,411
Secret Service Task Force	97.015	N/A	3,000
Assistance to Firefighters	97.044	EMW-2005-FG-17661	<u>84,177</u>
Total Direct Program			<u>373,904</u>
Total U. S. Department of Homeland Security			<u>626,987</u>
Total Expenditures of Federal Awards			<u>\$ 7,284,268</u>

(continued)

CITY OF LONGVIEW, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
YEAR ENDED SEPTEMBER 30, 2006

State Grantor/Pass-through Grantor/ Program Title	Pass-through Grantor's Number	Expenditures
<u>One Star Foundation</u>		
Direct Program:		
One Star Foundation	N/A	\$ 43,300
Total One Star Foundation		<u>43,300</u>
<u>Office of the Attorney General</u>		
Direct Program:		
SANE	302	29,821
VCLG	06-01687	<u>19,378</u>
Total Office of the Attorney General		<u>49,199</u>
<u>Office of the Governor</u>		
Direct Program:		
Crisis Response Team 2006	WF-05-V30-17602-01	16,320
Mentoring Project	ED-05-J21-16607-03	<u>27,192</u>
Total Office of the Governor		<u>43,512</u>
<u>Longview Fireman's Relief</u>		
Direct Program:		
Fire Pension Employee	N/A	<u>33,111</u>
Total Longview Fireman's Relief		<u>33,111</u>
<u>Texas Parks and Wildlife Department</u>		
Direct Program:		
Lear Sports Complex	50-00296	<u>21,999</u>
Total Texas Parks and Wildlife		<u>21,999</u>
<u>Texas Department of Transportation</u>		
Direct Program:		
Click It Or Ticket	585XXF6193	<u>5,000</u>
Total Texas Department of Transportation		<u>5,000</u>
<u>Texas State Library Archives Commission</u>		
Direct Program:		
Lone Star Libraries	442-06296	9,338
Gates Foundation	434-07169	<u>15,169</u>
Total Texas State Library Archives Commission		<u>24,507</u>

(continued)

CITY OF LONGVIEW, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
YEAR ENDED SEPTEMBER 30, 2006

State Grantor/Pass-through Grantor/ Program Title	Pass-through Grantor's Number	Expenditures
<u>East Texas Council of Governments:</u>		
Direct Programs:		
Litter Program	N/A	\$ 16,227
Out of Region Training	N/A	<u>1,500</u>
Total East Texas Council of Governments		<u>17,727</u>
<u>Gregg County:</u>		
Direct Programs:		
Police Code	GC-TX0921400	25,000
Tobacco Grant	N/A	<u>5,776</u>
Total Gregg County		<u>30,776</u>
<u>Texas Comptroller</u>		
Direct Program:		
Police State Education (LEOSE)	902	11,861
Tobacco Compliance	N/A	4,646
Transit Systems	VCR040110624	<u>306,094</u>
Total Texas Comptroller		<u>322,601</u>
<u>Library of Congress</u>		
Direct Program:		
Viburnum	N/A	<u>1,076</u>
Total Library of Congress		<u>1,076</u>
<u>Texas Book Festival</u>		
Direct Program:		
Texas Book Festival	N/A	<u>2,380</u>
Total Texas Book Festival		<u>2,380</u>
<u>Texas Commission on Alcohol and Drug Abuse</u>		
Direct Program:		
Community Coalitions Development Process	N/A	<u>9,601</u>
Total Texas Commission on Alcohol and Drug Abuse		<u>9,601</u>
Total State Awards		<u>604,789</u>
Total Federal and State Awards		<u>\$ 7,889,057</u>

CITY OF LONGVIEW, TEXAS

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federal and state 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 and state 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 and state 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.

CITY OF LONGVIEW, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133 and state awards as defined by the State of Texas Single Audit Circular	None
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee statement	The City was classified as a low-risk auditee in the context of OMB Circular A-133 and the State of Texas Single Audit Circular
Major federal programs	Section 8 Rental Voucher, CFDA #14.871 Transit Systems, CFDA #20.507
Major state program	Transit Systems

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Auditing Standards

None

Findings and Questioned Costs for Federal and State Awards

None

CITY OF LONGVIEW, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Item 2005-1: Sewer Averaging

Condition: The sewer rate which customers are charged is based on a three-month average calculated once a year. It was noted that the billing software was not properly averaging Cycle 1 in order to calculate the sewer rate at which customers would be charged for the following year. The staff had to manually recalculate all of the customers' average in Cycle 1.

Recommendation: It is our recommendation that the software be adapted or the City's process of meter reading be adapted to conform to the limitations of the software.

Current Status: This matter has been resolved.

Item 2005-2: New Accounts

Condition: It was noted that new customers' sewer rates were not always being setup correctly. Procedures state the rate at which new customers are to be billed until the next averaging. Customers moving into the City limits were on occasion being charged based on the previous occupants' average rather than the stated rate.

Recommendation: It is our recommendation that new accounts be reviewed monthly by management or other staff independent of the setup process.

Current Status: This matter has been resolved.

(continued)

CITY OF LONGVIEW, TEXAS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Item 2005-3:

**Assistance to Firefighters, CFDA #97.044
Federal Award #EMW-2004-FG-16815
Federal Award Year: 04/05
Federal Agency: U. S. Department of Homeland Security**

Activities Allowed or Unallowed

- Criteria:** Personnel with knowledge of the activities allowed by the grant should expend grant funds only for items specifically identified in the approved grant request.
- Condition:** Per review of invoices, it was noted that grant funds were expended for items not specifically approved by the grant.
- Questioned Cost:** \$20,048 (unapproved items noted on invoices selected for review).
- Information:** Per discussion with the Grant Specialist for the Fire Department, they were following guidance received in prior years from the funding agency regarding additional purchases not specifically identified in the grant request. They had received this grant in prior years and no costs were disallowed by the funding agency in those years. This appears to be an isolated instance.
- Possible Asserted Effect:** If costs are incurred that are not specifically approved by the granting agency, then those costs may be disallowed and the City must transfer those costs into the department's budgeted expenditures.
- Recommendation:** We recommend the Grant Specialist obtain pre-approval for expenditures not specifically approved in the grant request.
- Current Status:** This matter has been resolved.