

CITY OF LIVE OAK, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Prepared by:
Finance Department
Leroy Kowalik, Director of Finance

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INTRODUCTORY SECTION

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January 23, 2013

Honorable Mayor and City Council
City of Live Oak
8001 Shin Oak Drive
Live Oak, Texas 78233

Dear Mayor and Members of City Council:

The City of Live Oak, Texas, is required to publish each year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Live Oak (the City) for the fiscal year ended September 30, 2012.

This report consists of management's representations concerning the finances of the City and deems the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of all City activities and funds. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The City also acknowledges all disclosures that are necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by Alonzo, Bacarisse, Irvine & Palmer, P.C., a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements for the year ended September 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

As required by GAAP, management has provided a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A, and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City is a home-rule city that was incorporated in 1960 and is located 17 miles northeast of downtown San Antonio. At September 30, 2012, the City has a land area of approximately 5.5 square miles and an estimated population of 13,455. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City has adopted a Council-Manager form of government. Policy-making and legislative authority are vested in a governing Council that is comprised of a Mayor and five Council members. The Mayor and Council members are all elected at large for a two-year term. Elections are staggered with the Mayor and two Council Members elected together (year 2012) and the three remaining members in 2013. The City Manager is appointed by the Council and is responsible for implementing council policy and day-to-day operations of the City.

The City provides a full range of municipal services including public safety (police and fire protection); residential and commercial solid waste sanitation services (through a franchise agreement with Waste Management), water and wastewater services, public improvements, repair and maintenance of infrastructure, recreational and community activities and general administrative services. Transportation, treatment and disposal of sewage are provided under separate contracts with the San Antonio River Authority, Cibolo Creek Municipal Authority and San Antonio Water System (see Note 9, Commitment and Contingencies, pages 46-47 of the notes to the financial statement). The City provides water service to most of the City, with the San Antonio Water System providing water service to the remaining portion of the City.

The City is a principal in the City of Live Oak Incremental Reinvestment Zone #1 for partial funding of tax increment financing and infrastructure improvements for the Woodcrest Residential Development (see Note 9, Commitments and Contingencies, pages 46-47 of the notes to the financial statement).

The City of Live Oak Economic Development Corporation (EDC) is considered to meet the criteria of a component unit; therefore, has been included in the report as a blended component unit. The EDC is governed by a seven-member board, consisting of two Council members and five other members appointed by City Council. The EDC is funded through a half cent Section 4B sales tax. The City is financially accountable for the EDC because the City appoints the governing body and the City is obligated to finance any deficits that may occur.

An annual budget serves as the foundation for the City's financial planning and control. All departments are required to submit requests for appropriations in May/June of each year. The City's Finance Director and City Manager use these requests as a starting point in developing a proposed budget. During the months of July and August, weekly workshops are held with City Council members present. Public hearings for the budget are held in early September.

The budget must provide a complete financial plan for all city funds for the ensuing fiscal year showing:

- a. All outstanding obligations
- b. Cash on hand to each fund
- c. The funds received from all sources and funds available from all sources
- d. The estimated revenue to cover the proposed budget
- e. The estimated tax rate required
- f. Proposed capital additions and deletions along with methods of financing them
- g. The total proposed expenditure shall not exceed the total estimated income

According to the city charter, the Council shall adopt the budget on or before the 20th day of the last month of the fiscal year currently ending.

At any time during the fiscal year, the manager may transfer part or all of any unencumbered appropriation balance among programs within a fund or department. Upon written request by the manager, the Council may transfer part of any unencumbered appropriation balance from one fund or department to another. Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered.

LOCAL ECONOMY

The information presented in the financial statements are perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Live Oak operates.

The City is located at the center of one of the state's most active growth areas. It is adjacent to the City of San Antonio, now the second largest city in Texas. The City has a close proximity to major airports and major military bases. The City is also strategically located at one of the busiest intersections in the San Antonio area being the Interstate 35 and Loop 1604 intersection. Its convenient location along the boundaries of Interstate 35, a major transportation artery, continues to have a positive impact to the City.

The decision to adopt a sales tax for the Economic Development Corporation in 1996 has transformed the City from a modest community in the 1990's into one of the most prosperous communities in the Randolph AFB Metrocom area. The Metrocom area is the northeast portion of the San Antonio metropolitan area which consists of several suburban cities around Randolph AFB. Growth in this area is reflective of the strength of our key economic clusters that include healthcare, education, retail, and services. With the continued planned expansions of several current commercial developments and several new upcoming commercial developments, these economic sectors will continue to be the base of our economy.

Despite the continued global and national economic uncertainty, the City and surrounding Metrocom area had another prosperous year. Although this area cannot say it did not feel the struggles of the economy over the last several years, Texas and more precise, the San Antonio area, has really held up well against the uncertainties of the economy. This area did not endure the detrimental effects that other areas did, thus allowing the City to enjoy several grand openings of retail and food establishments in 2012 with more to come in 2013. Northeast Lakeview College, with their Alamo University Center, continued to offer over 20 undergraduate and graduate degree programs under one roof from five major universities. The Alamo University Center establishes Live Oak as a major hub for educational opportunities. The Judson Early College Academy (JECA) offers students with an opportunity

to not only earn their high school degree, but they will have also earned an equivalent to an associate's degree as well. Students will have the ability to transfer these college credits to almost any college of choice. Northeast Lakeview College has a plan to become a major, higher education player for the region in the future with over 15,000 students. The Eagle Ford Shale development, one of the nation's biggest oil and natural gas fields, has provided a tremendous economic impact to neighboring counties that has spilled over into this area.

Other economy indicators such as the unemployment rate and housing permits have remained positive in this area as compared to the national level. Sales tax receipts throughout the year saw higher levels than last year. At year end, sales tax revenue came in well over budget. The economy continued to have a negative effect on interest income and building permits (commercial) revenue this past year, although, things are looking up for 2013.

Economic Outlook: Because the City is adjacent to the City of San Antonio, the local economy is really anchored by what happens in the San Antonio Metropolitan Statistical Area. This area enjoys the benefit of a diversified economy. Major anchors of the economy in this area are the medical/biomedical industry, the military industry, tourism, telecommunications, insurance, financial, and manufacturing. Although the national state of economy boosts a substantial amount of uncertainty, the local economy continues to remain stable and positive which allow for some modest growth.

LONG-TERM FINANCIAL PLANNING

The City completed a Comprehensive Plan 2022. The plan provided background information for a baseline analysis to formulate goals and objectives to guide our City through the years to 2022. The City recently updated both its Comprehensive and Parks Master Plan in fiscal year 2011.

The City is in constant communications with various developers to look at opportunities for development on several of the City's undeveloped areas. City Council recently approved a pending sale of the City's Civic Center in order to return this property to retail development. In addition, City Council and the EDC Board recently approved an in-depth market study to determine the feasibility of a potential hotel and conference center to be located in the City of Live Oak or the Metrocom area.

The City, with the assistance of the Regional Water Resource Development Group and Regional Water Alliance, is constantly monitoring the projected growth and water needs of the City.

RELEVANT FINANCIAL POLICIES

Budgeting controls are governed by the City's charter. Throughout the budgeting process, the City Council may make financial policies that dictate the uses and sources of funds for various needs. In the 2012 budget, Council endorsed a financial policy that would have utilized \$950,466 of reserves to be used for contingencies (\$200,000), capital purchases (\$464,166), and one-time and/or emergency expenditures (\$286,300).

MAJOR INITIATIVES

Goals for the year were to continue or enhance the level of professional services in all areas, swift professional EMS and Fire response, a police department most capable of responding to

all requests for services both emergency and non-emergency, completion of the street and sewer maintenance program, improved city park operations, and completion of repairs to the Justice Center. Most importantly a positive attitude by all will assure our citizens that we are here to serve them.

The City has completed the final phases of the streets and sewer improvement project with the last remaining funds going towards some much needed repairs on several of the streets in Bridlewood subdivision, as well as, undergoing a forensic pavement analysis test on another street. City staff has evaluated and recommended some additional street improvements and have begun to complete the transition to a new phone system for City Hall, Public Works, and Fire Department facilities that would mirror or compliment the Justice Center in 2012/2013. The Parks improvement project for the Woodcrest Park is substantially complete with some small improvements being identified for 2013. During the 2012/2013 budget process, several projects, such as, walking trails, additional sidewalks, pool rehabilitation, installation of pavers in medians and the re-route of Park Drive have been identified and funded.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Live Oak for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2011. This was the fifth consecutive year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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.

The preparation of this report was made possible by the efficient and dedicated service of the entire staff of the finance and administration departments. We appreciate the efforts of everyone involved. We wish to also express our appreciation to the Mayor and all City Council members for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted

Matthew Smith
City Manager

Leroy Kowalik
Director of Finance

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Live Oak
Texas

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

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



Christopher P. Morrell

President

Jeffrey R. Enos

Executive Director

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CITY OF LIVE OAK, TEXAS
ELECTED AND APPOINTED OFFICIALS
YEAR ENDED SEPTEMBER 30, 2012

Elected Officials

Mary M. Dennis
Mayor

Robert "Bob" Tullgren
Councilmember, Place 2, Mayor Pro-tem

Ed Cimics
Councilmember, Place 4

Michael Balderaz
Councilmember, Place 3

Loretta Kusek
Councilmember, Place 1

Aaron Dahl
Councilmember, Place 5

Appointed Officials

Matthew Smith
City Manager

Scott Wayman
Assistant City Manager

Leroy Kowalik
Finance Director

Charles Foster
Fire Chief

Mark Wagster
Public Works Director

Denton, Navarro, Rocha & Bernal
City Attorney

Alonzo, Bacarisse, Irvine & Palmer, P.C.
City Auditor

Jim Battersby
Civic Center Manager

Kenneth Evans
Police Chief

Deborah Goza
City Secretary

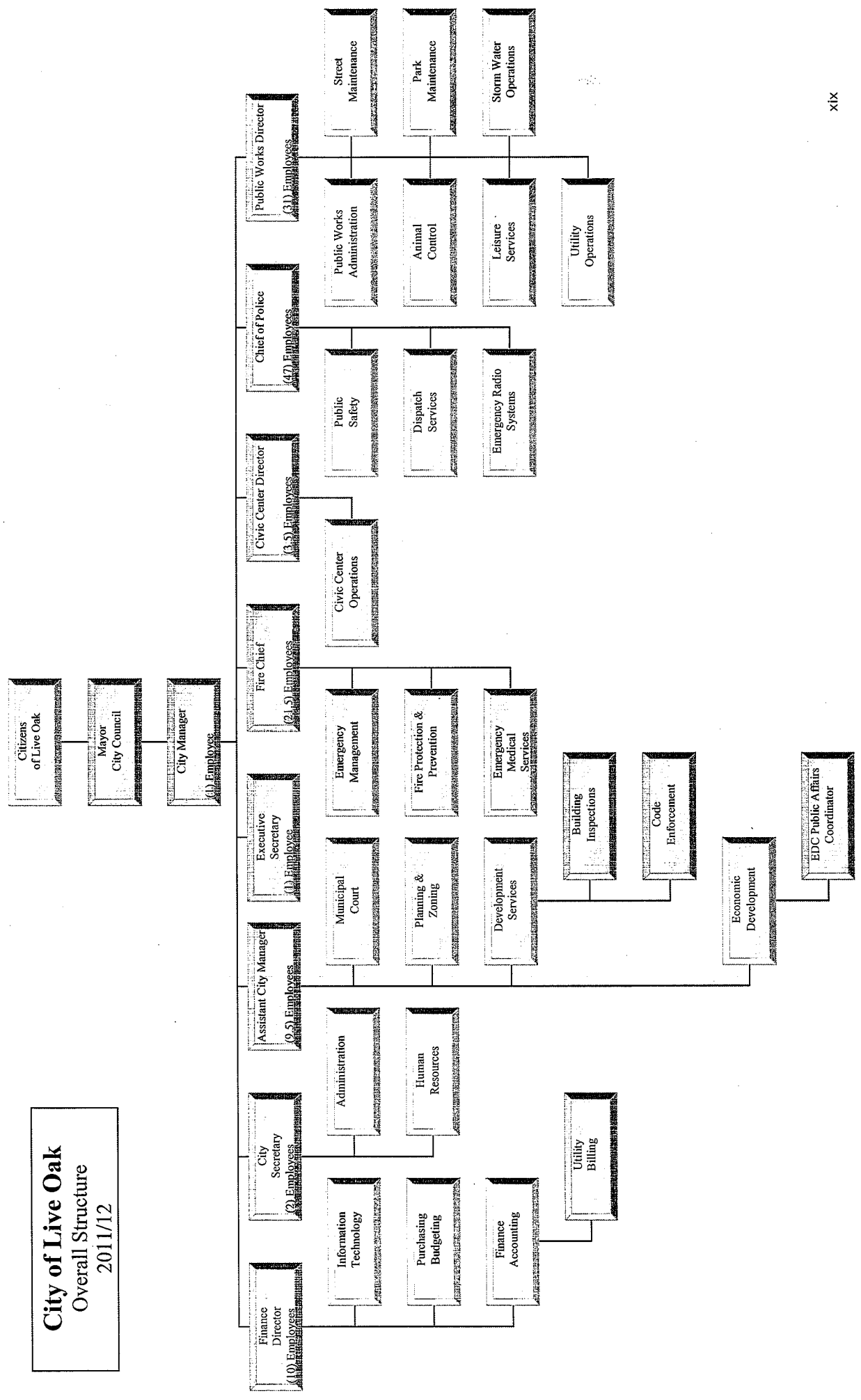
Jim Nardone
Information Technology
Director

Ed Phillips
Municipal Court Judge

Jordan Matney
Manager of Economic and
Community Development

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City of Live Oak
Overall Structure
2011/12



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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Live Oak, 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 Live Oak, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Live Oak, Texas, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof 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 January 23, 2013, on our consideration of the City of Live Oak, 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 5 through 16 and 51 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Live Oak, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Alonso, Bacarisse, Irvine & Palmer, P.C.

Certified Public Accountants

San Antonio, Texas

January 23, 2013

CITY OF LIVE OAK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012

As management of the City of Live Oak, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found on pages ix-xiii of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at September 30, 2012 by \$26,339,528 (net assets). Of this amount \$11,841,691 (unrestricted net assets), may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$82,006. A majority of this increase is attributable to an increase in sales tax revenue.
- As of September 30, 2012 the City's governmental funds reported combined ending fund balances of \$10,743,293, a decrease of \$319,867.
- The total debt of the City's governmental activities decreased by \$466,195 and business-type activities increased from \$98,113 to \$590,632.

OVERVIEW OF THE FINANCIAL STATEMENTS

The 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: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements and required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through their user fees and charges (business-type activities). The governmental activities of the City include general government, debt service, special revenue funds, and capital projects. The business-type activities of the City include a water and wastewater operating fund, a utility development replacement and renewal fund and a storm water utility fund.

The government-wide financial statements can be found on pages 19-20 of this report.

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

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

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

The City maintains fifteen (15) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, economic development corporation and the debt service fund, which are considered to be major funds. Data from the other twelve (12) governmental funds are combined into a single, aggregated presentation. Details of the twelve (12) non-major governmental funds are presented in the other supplementary information section which begins on page 56. The City adopts an annual appropriated budget for all governmental funds except capital projects. A budgetary comparison statement has been provided for the general fund and the economic development corporation to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 21-24 of this report.

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. The City maintains three different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operation and maintenance of its water and wastewater utility, its utility development replacement and renewal funds and operation of its storm water utility. The basic proprietary fund financial statements can be found on pages 25-28 of this report.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-48 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and general fund and the economic development corporation budgetary comparisons. Required supplementary information can be found on pages 49-55 of the City's comprehensive annual financial report.

The combining statements referred to earlier as the City's non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and supporting schedules can be found beginning on pages 56-71 of the City's comprehensive annual financial report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$26,339,528 (net assets). Of this amount, \$11,841,691 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City's net assets (50.64%) is its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding while approximately the same amount (44.96%) is unrestricted. 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. An additional portion of the City's net assets (4.40%) represents resources that are subject to external restrictions on how they may be used.

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NET ASSETS

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and Other Assets	\$ 12,508,140	\$ 12,793,992	\$2,610,993	\$2,882,853	\$15,119,133	\$15,676,845
Capital Assets	<u>24,282,362</u>	<u>24,405,782</u>	<u>5,749,573</u>	<u>4,872,400</u>	<u>30,031,935</u>	<u>29,278,182</u>
Total Assets	<u>36,790,502</u>	<u>37,199,774</u>	<u>8,360,566</u>	<u>7,755,253</u>	<u>45,151,068</u>	<u>44,955,027</u>
LIABILITIES						
Current Liabilities	1,952,737	1,820,995	535,977	332,489	2,488,714	2,153,484
Long-Term Liabilities	<u>15,862,964</u>	<u>16,456,335</u>	<u>459,862</u>	<u>87,686</u>	<u>16,322,826</u>	<u>16,544,021</u>
Total Liabilities	<u>17,815,701</u>	<u>18,277,330</u>	<u>995,839</u>	<u>420,175</u>	<u>18,811,540</u>	<u>18,697,505</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	8,073,159	7,660,148	5,264,573	4,872,400	13,337,732	12,532,548
Restricted	1,160,105	1,277,624	-	-	1,160,105	1,277,624
Unrestricted	<u>9,741,537</u>	<u>9,984,672</u>	<u>2,100,154</u>	<u>2,462,678</u>	<u>11,841,691</u>	<u>12,447,350</u>
TOTAL NET ASSETS	<u>\$ 18,974,801</u>	<u>\$ 18,922,444</u>	<u>\$7,364,727</u>	<u>\$7,335,078</u>	<u>\$26,339,528</u>	<u>\$26,257,522</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

As of September 30, 2012, the City's net assets increased by \$82,006. A majority of this increase is attributable to an increase in sales tax revenue, as well as, several personnel vacancies .

The following table indicates changes in net assets for the governmental and business-type activities for the City as of September 30, 2012.

CHANGES IN NET ASSETS

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program Revenues						
Charges for Services	\$ 1,398,786	\$ 1,348,283	\$3,820,850	\$4,078,924	\$ 5,219,636	\$ 5,427,207
Operating Grants	175,935	92,968	-	-	175,935	92,968
General Revenues						
Property Taxes	3,657,100	3,631,698	-	-	3,657,100	3,631,698
Sales Taxes	6,200,731	5,883,522	-	-	6,200,731	5,883,522
Franchise Taxes	852,464	812,004	-	-	852,464	812,004
Beverage Taxes	67,084	81,905	-	-	67,084	81,905
Occupancy Taxes	244,018	166,460	-	-	244,018	166,460
Investment Earnings	33,704	51,499	2,453	2,941	36,157	54,440
Miscellaneous	21,595	138,072	-	-	21,595	138,072
Total Revenues	<u>12,651,417</u>	<u>12,206,411</u>	<u>3,823,303</u>	<u>4,081,865</u>	<u>16,474,720</u>	<u>16,288,276</u>
EXPENSES						
General Government	3,145,186	3,267,821	-	-	3,145,186	3,267,821
Public Safety	6,190,610	5,961,954	-	-	6,190,610	5,961,954
Public Works	2,633,267	2,459,804	-	-	2,633,267	2,459,804
Community Services	231,477	173,002	-	-	231,477	173,002
Interest on Long-Term Debt	749,670	731,021	-	-	749,670	731,021
Water and Wastewater Utilities	-	-	2,869,242	3,237,249	2,869,242	3,237,249
Utility Development Replacement and Renewal	-	-	150,435	188,075	150,435	188,075
Storm Water Utilities	-	-	422,827	380,789	422,827	380,789
Total Expenses	<u>12,950,210</u>	<u>12,593,602</u>	<u>3,442,504</u>	<u>3,806,113</u>	<u>16,392,714</u>	<u>16,399,715</u>
Increase (Decrease) in Net Assets before Transfers	(298,793)	(387,191)	380,799	275,752	82,006	(111,439)
TRANSFERS	<u>351,150</u>	<u>320,338</u>	<u>(351,150)</u>	<u>(320,338)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	52,357	(66,853)	29,649	(44,586)	82,006	(111,439)
NET ASSETS - BEGINNING	<u>18,922,444</u>	<u>18,989,297</u>	<u>7,335,078</u>	<u>7,379,664</u>	<u>26,257,522</u>	<u>26,368,961</u>
NET ASSETS - ENDING	<u>\$18,974,801</u>	<u>\$18,922,444</u>	<u>\$7,364,727</u>	<u>\$7,335,078</u>	<u>\$26,339,528</u>	<u>\$26,257,522</u>

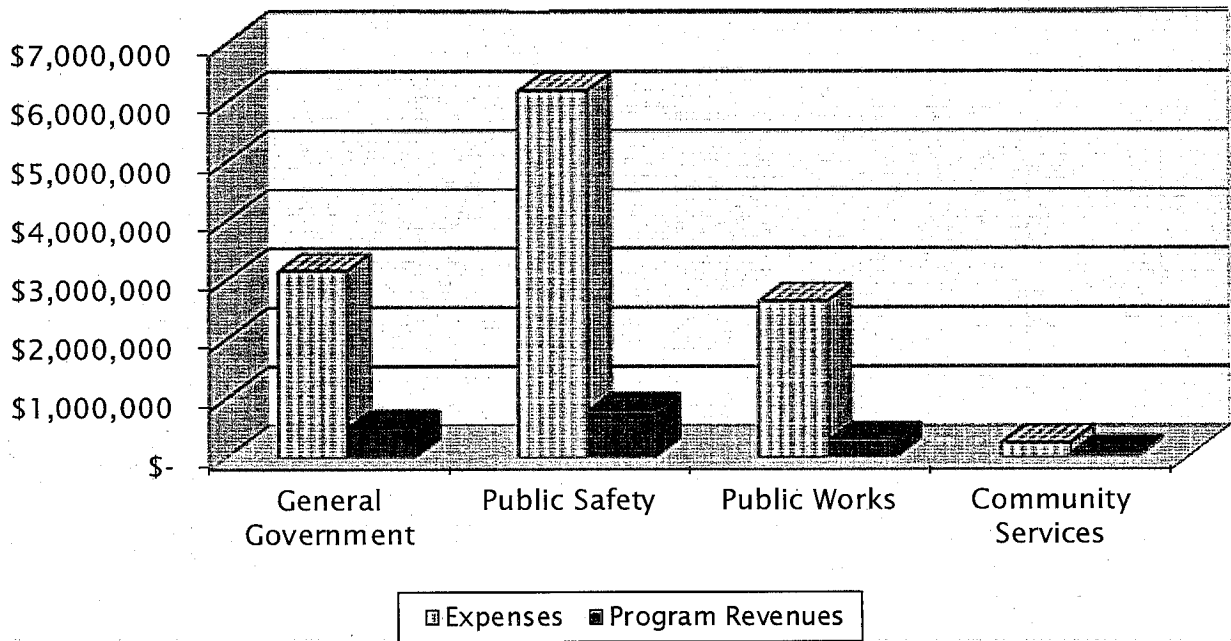
Governmental Activities - Governmental activities increased the City's net assets by \$52,357.

Key elements are as follows:

- Charges for services increased by \$50,503
- Sales taxes increased by \$317,209
- Property taxes increased by \$25,402
- Miscellaneous revenue decreased by \$116,477
- General government decreased by \$122,635
- Public safety increased by \$228,656
- Public works increased by \$173,463

Below is a chart which depicts the expenses and program revenues for all governmental activities.

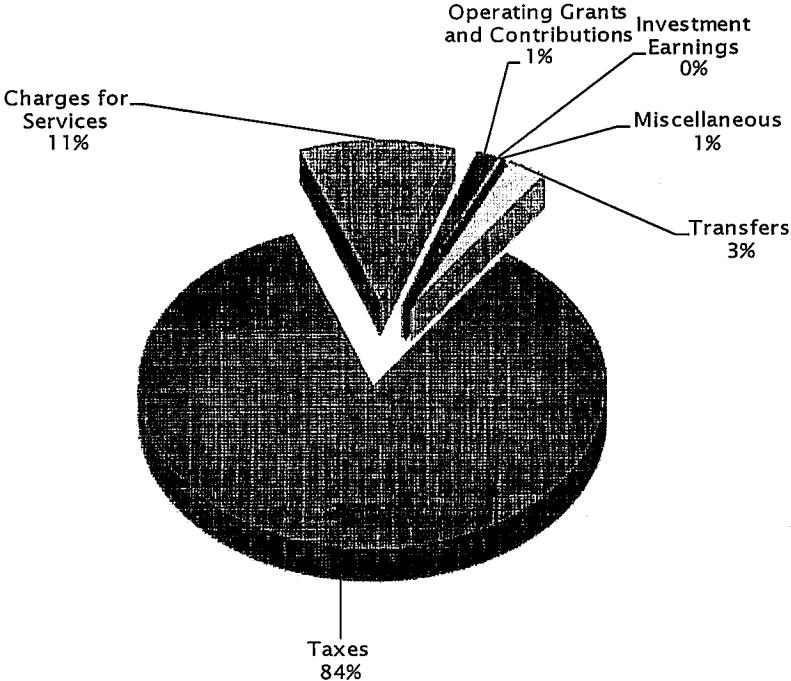
EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



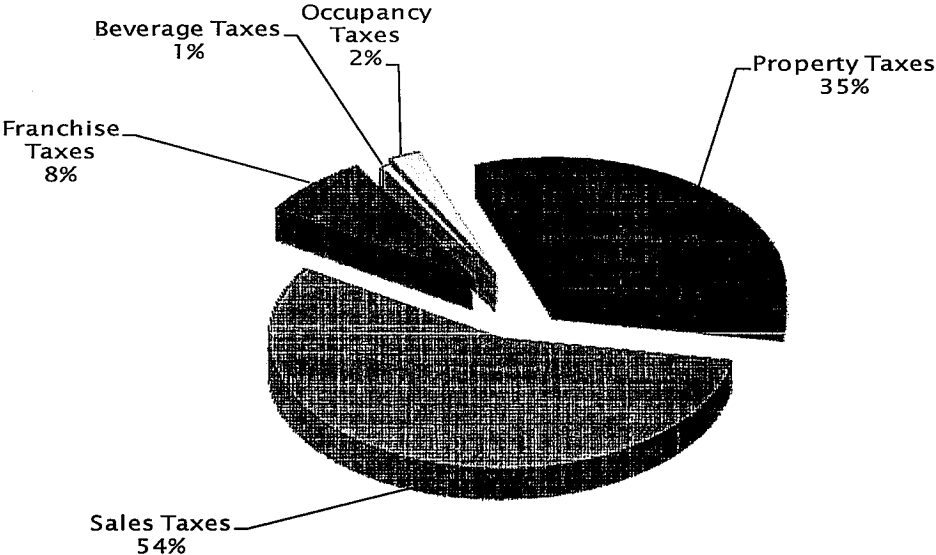
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The following charts show first the revenues by source and second the tax revenue by source for all governmental activities.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



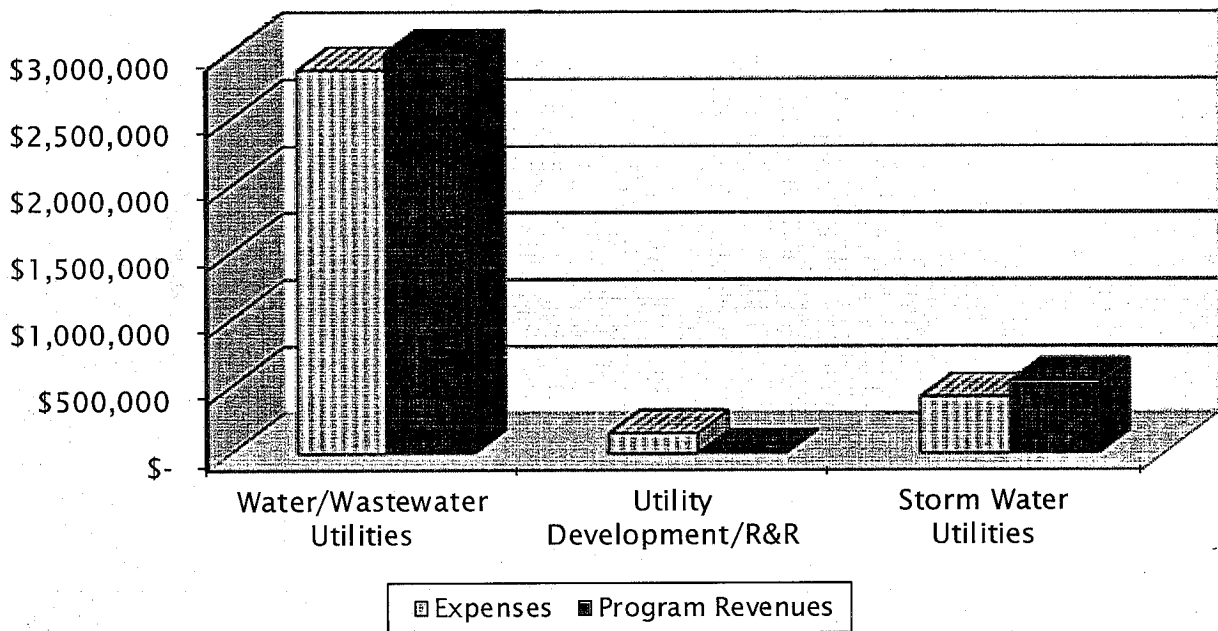
TAX REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES



Business-Type Activities - The City's business-type activities consist solely of water and wastewater services, utility development (renewals and replacements) and storm water operations. These activities have rates and spending plans established by the City Council. Another activity includes solid waste collection, but is only a pass through for the City.

Business-type activities increased the City's net assets by \$29,649. This increase was due to primarily to an increase in water and sewer sales, as well as, personnel vacancies. A comparison between expenses and program revenues (charges for services) relating to water, wastewater and storm water operations follows. The major revenue source for business-type activities consists almost entirely of charges for services.

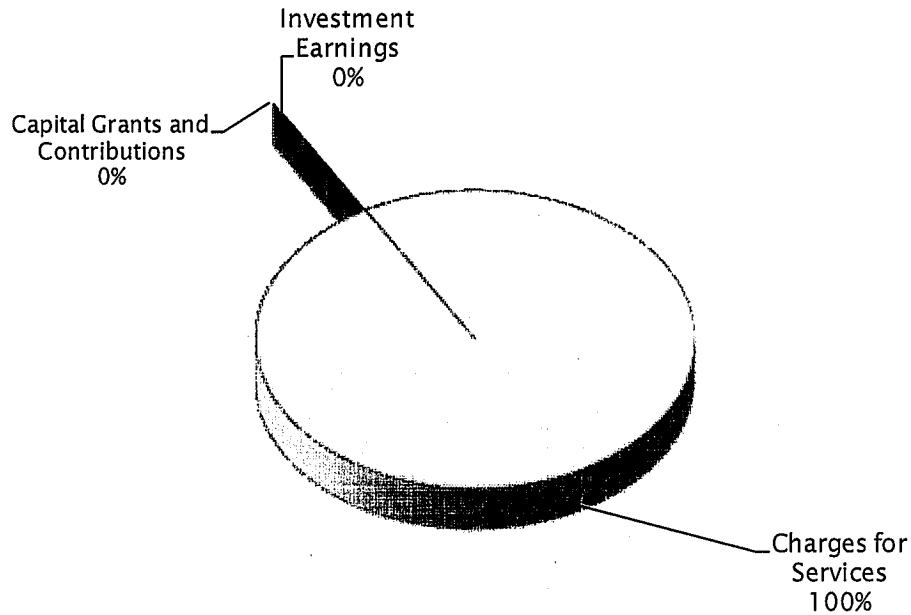
EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES



The revenues in the current fiscal year for the business-type activities decreased by \$258,562 from 2011. The total expenditures for the business-type activities also decreased by \$363,609 from 2011. The primary reason for the decrease in both revenue and expenses from 2011 was primarily attributable to a decrease in water and sewer application and connection fees which are recorded as a revenue and then expensed to the providers of that service.

The graph below shows the revenues by source for the business-type activities. As previously mentioned, the primary source of revenue is from charges for services.

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,743,293, a decrease of approximately \$319,867 from the prior year. This decrease is due primarily to the purchase of several capital items out of the committed funds for asset replacement and to fund a major planned capital expenditure out of a nonmajor governmental fund with debt and fund balance. A majority of the ending fund balance, \$6,565,155 (61.11%) is unassigned, which is available for spending at the City's discretion. The remaining amount of \$4,178,138 (38.89%) is nonspendable, restricted or committed for specific purposes and not available for new spending.

The City's general fund is the chief operating fund of the City and is used to account for all financial resources except those required to be accounted for by another fund. Property and sales taxes provide the major source of income. At the end of the current fiscal year, the unassigned fund balance portion of the general fund was \$6,565,155 compared to \$6,550,584 in 2011, an increase of \$14,571. This increase was primarily due to an increase in sales tax revenue and several personnel vacancies throughout the year. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The Economic Development Corporation Fund is used to account for the receipt and disbursement of Section 4B sales tax. At the end of the current fiscal year, the committed fund balance in this fund was \$1,029,211, an increase of \$80,727. This increase was a result of an increase in sales tax revenue.

The debt service fund had a total restricted fund balance of \$271,763 at the end of the current fiscal year. The total fund balance is restricted for the payment of debt service. The net decrease was \$35,120 in fund balance from 2011.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net assets of the water and sewer fund, the utility development replacement and renewal fund, and the storm water fund at the end of the current fiscal year was \$2,100,154 or 61.0% of annual operating and non-operating expenses for the funds.

BUDGETARY HIGHLIGHTS

General Fund - Differences between the original budget and the final amended budget amounted to no overall net change in fund balance; although there were several approved budget amendments during the 2012 fiscal year. The primary changes were as follows:

- \$53,000 - Decrease for General Government primarily in the areas of City Manager, Municipal Court, Finance, Dispatch Services, Public Works, and Information Technology.
- \$72,000 - Increase in City Secretary's Office for professional fees.
- \$99,388 - Increase in Intergovernmental revenue.
- \$139,000 - Increase in transfers out.

During the year, revenues were more than budgetary estimates by \$52,410 and expenditures were less than budgetary estimates by \$955,150.

Below is a brief summarization of the major differences between the final amended budget and actual results for both revenues and expenditures.

- \$52,410 over budget in total revenues
 - Sales Tax – exceeded the budget by \$209,283.
 - Franchise Taxes – exceeded the budget by \$109,809 because of the increase usage of electricity because of the excessive drought and heat.
 - Fines and Fees – were less than budgeted by \$106,917 because of the reduced number of citations being issued.
 - Permits and Fees – were less than budgeted by \$49,888 because of the decreased volume of building permits and licenses due to the economy.
 - Investment Earnings – were less than budgeted by \$54,328 because of lower interest rates due to the economy.
- \$955,150 under budget in total expenditures
 - General Government –
 - Council – did not utilize the contingency budget.
 - City Manager – miscellaneous savings throughout accounts.
 - City Secretary – professional fees and property and liability insurance came in lower than expected.
 - Municipal Court – personnel vacancies.
 - Finance and Planning and Zoning – expenditures for various accounts came in lower than expected such as professional fees.
 - Development Services – expenditures for contract building inspections came in lower than expected.
 - Information Technology – personnel vacancy and lower than expected contract maintenance and contingencies.
 - Public Works – primarily due to personnel vacancies, lower than anticipated petroleum costs and utilities, unspent emergency contingencies and other various savings.
 - Public Safety – primarily due to personnel vacancies and lower than expected equipment rental costs.
 - Community Services – primarily due to lower maintenance and utility costs and unspent recreational capital.
 - Capital Outlay – primarily due to savings during the normal course of business throughout the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2012 amounted to \$30,031,935 (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, park facilities, the water and wastewater system plants and service lines, machinery and equipment, and construction in progress. The total increase in the City’s investment in capital assets for the current fiscal year was 2.57%.

At the end of fiscal year 2012, the City had invested in broad range of capital assets, including police equipment, information technology, and streets and utilities. During the year, major capital additions included the purchase of some water rights for future commercial growth and expansion, an increase in construction in progress and overall machinery and equipment.

The following table shows capital asset activity for the 2012 fiscal year with comparison for 2011. If more detailed information is desired on the City's capital asset activity, please refer to Note 5 (pages 40-41) as presented in the notes to the financial statements.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
<u>Capital Assets - Not Depreciated</u>						
Land	\$ 1,206,394	\$ 1,206,394	\$ 8,770	\$ 8,770	\$ 1,215,164	\$ 1,215,164
Water Rights	647,021	647,021	583,531	-	1,230,552	647,021
Construction in Progress	30,000	821,586	48,301	27,491	78,301	849,077
Total Capital Assets - not Depreciated	<u>1,883,415</u>	<u>2,675,001</u>	<u>640,602</u>	<u>36,261</u>	<u>2,524,017</u>	<u>2,711,262</u>
<u>Capital Assets - Depreciated</u>						
Buildings and Improvements	14,117,956	13,211,494	-	-	14,117,956	13,211,494
Streets and Improvements	13,609,502	13,609,502	-	-	13,609,502	13,609,502
Machinery and Equipment	6,162,357	5,012,951	1,169,989	1,163,734	7,332,346	6,176,685
Water and Wastewater System	-	-	9,800,082	9,290,650	9,800,082	9,290,650
Total Capital Assets - Depreciated	<u>33,889,815</u>	<u>31,833,947</u>	<u>10,970,071</u>	<u>10,454,384</u>	<u>44,859,886</u>	<u>42,288,331</u>
Less: Accumulated Depreciation	<u>(11,490,868)</u>	<u>(10,103,166)</u>	<u>(5,861,100)</u>	<u>(5,618,245)</u>	<u>(17,351,968)</u>	<u>(15,721,411)</u>
CAPITAL ASSETS - NET	<u>\$24,282,362</u>	<u>\$ 24,405,782</u>	<u>\$5,749,573</u>	<u>\$4,872,400</u>	<u>\$30,031,935</u>	<u>\$29,278,182</u>

Long-Term Debt - At the end of the current fiscal year, the City had total bonded debt outstanding of \$16,450,000. This amount is backed by the full faith and credit of the City. The City's total debt decreased approximately \$35,000, or less than 1%, during the fiscal year.

	2012	2011
General Obligation Bonds, Series 2004	\$8,555,000	\$9,075,000
Certificates of Obligation, Series 2005	3,795,000	4,010,000
General Obligation Refunding Bonds, Series 2010	3,145,000	3,400,000
Tax Notes, Series 2012	955,000	-

The City increased its rating to an A1 rating from a rating of Baa1 from Moody's Investor Services. The City has no legal debt limit provision in its charter.

More detailed information about the City's long-term liabilities is presented in Note 7 (pages 42-43) of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged for the business-type activities. One of the most significant factors continues to be the City's recent revenue trends. The City's general fund revenue is primarily made up of property taxes, sales taxes, and franchise fees. Telephone and electric franchise fees went up in 2012 but are projected to stabilize somewhat in 2013. Sales tax revenues continue to show signs of a recovering economy but will continually be monitored. A minimal increase over last year's budget was approved and management kept a close watch to see what effects the economy would have throughout the year.

The general fund's largest controllable revenue source is property taxes. The property tax rate during fiscal year 2012 was \$0.477291 per \$100 valuation, an increase of \$0.000508 from 2011. Of this tax rate, \$0.378511 is utilized for general fund activities. The remaining amount of \$0.09878 is used for debt service. The City's portion of the sales tax rate is one and one-half cents, with an additional half cent for economic development. The general fund receives one and one-half cent with a half cent as an instrument of property tax reduction.

Despite the continued global and national economic uncertainty, the City and surrounding Metrocom area had another prosperous year. Although this area cannot say it did not feel the struggles of the economy over the last several years, Texas and more precise, the San Antonio area, has really held up well against the uncertainty of the economy. This area did not endure the detrimental effects that other areas did, thus allowing the City continues to enjoy grand openings of retail and food establishments in 2012 with more to come in 2013. Northeast Lakeview College, with their Alamo University Center, continued to offer over 20 undergraduate and graduate degree programs under one roof from five major universities. The Alamo University Center establishes Live Oak as a major hub for educational opportunities. The Judson Early College Academy (JECA) offers students with an opportunity to not only earn their high school degree, but they will have also have earned an equivalent to an associate's degree as well. Students will have the ability to transfer these college credits to almost any college of choice. Northeast Lakeview College has a plan to become a major, higher education player for the region in the future with over 15,000 students. The Eagle Ford Shale development, one of the nation's biggest oil and natural gas fields, has provided a tremendous economic impact to neighboring counties that has spilled over into this area.

Economic Outlook - Because the City is adjacent to the City of San Antonio, the local economy is really anchored by what happens in the San Antonio Metropolitan Statistical Area. This area enjoys the benefit of a much diversified economy. Major anchors of the economy in this area are the medical/biomedical industry, the military industry, tourism, telecommunications, insurance, financial, and manufacturing. Although the national state of economy boosts a substantial amount of uncertainty, the local economy to remain stable and positive which allows for some modest growth.

REQUESTS FOR INFORMATION

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 any questions about this report or need additional financial information, contact the finance department, at the City of Live Oak, 8001 Shin Oak Drive, Live Oak, Texas 78233.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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CITY OF LIVE OAK, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Cash and Cash Equivalents	\$ 5,892,130	\$ 2,159,563	\$ 8,051,693
Investments	4,595,659	-	4,595,659
Receivables - Net of Allowances for Uncollectibles:			
Taxes	1,324,767	-	1,324,767
Customer Accounts	306,264	386,238	692,502
Due from Other Governments	22,101	42,921	65,022
Prepaid Items	20,552	-	20,552
Accrued Interest	5,315	-	5,315
Deferred Charges	341,352	22,271	363,623
Capital Assets			
Land	1,206,394	8,770	1,215,164
Water Rights	647,021	583,531	1,230,552
Buildings and Improvements	14,117,956	-	14,117,956
Streets and Improvements	13,609,502	-	13,609,502
Machinery and Equipment	6,162,357	1,169,989	7,332,346
Water and Wastewater System	-	9,800,082	9,800,082
Construction in Progress	30,000	48,301	78,301
Less: Accumulated Depreciation	<u>(11,490,868)</u>	<u>(5,861,100)</u>	<u>(17,351,968)</u>
TOTAL ASSETS	<u>\$ 36,790,502</u>	<u>\$ 8,360,566</u>	<u>\$45,151,068</u>
<u>LIABILITIES AND NET ASSETS</u>			
Liabilities			
Accounts Payable	\$ 387,565	\$ 262,920	\$ 650,485
Accrued Liabilities	200,560	25,619	226,179
Unearned Revenue	28,838	-	28,838
Customer Deposits	-	116,668	116,668
Accrued Interest Payable	117,322	-	117,322
Noncurrent Liabilities			
Due Within One Year	1,218,452	130,770	1,349,222
Due in More than One Year	<u>15,862,964</u>	<u>459,862</u>	<u>16,322,826</u>
Total Liabilities	<u>17,815,701</u>	<u>995,839</u>	<u>18,811,540</u>
<u>NET ASSETS</u>			
Invested in Capital Assets - Net of Related Debt	8,073,159	5,264,573	13,337,732
Restricted Net Assets			
Weed Abatement	12,323	-	12,323
Civic Center	416,248	-	416,248
Court Security and Technology	153,500	-	153,500
Forfeiture	63,150	-	63,150
Child Safety	43,537	-	43,537
Emergency Radio System	165,708	-	165,708
Public Education	33,876	-	33,876
Debt Service	271,763	-	271,763
Unrestricted Net Assets	<u>9,741,537</u>	<u>2,100,154</u>	<u>11,841,691</u>
Total Net Assets	<u>18,974,801</u>	<u>7,364,727</u>	<u>26,339,528</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,790,502</u>	<u>\$ 8,360,566</u>	<u>\$45,151,068</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF LIVE OAK, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

FUNCTIONS AND PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>Governmental Activities</u>							
General Government	\$ 3,145,186	\$ 458,595	\$ 22,032	\$ -	\$ (2,664,559)	\$ -	\$ (2,664,559)
Public Safety	6,190,610	621,369	153,903	-	(5,415,338)	-	(5,415,338)
Public Works	2,633,267	269,836	-	-	(2,363,431)	-	(2,363,431)
Community Services	231,477	48,986	-	-	(182,491)	-	(182,491)
Interest on Long-Term Debt	749,670	-	-	-	(749,670)	-	(749,670)
Total Governmental Activities	<u>12,950,210</u>	<u>1,398,786</u>	<u>175,935</u>	<u>-</u>	<u>(11,375,489)</u>	<u>-</u>	<u>(11,375,489)</u>
<u>Business-Type Activities</u>							
Water and Wastewater Utilities	2,869,242	3,278,597	-	-	-	409,355	409,355
Utility Development							
Replacement and Renewal	150,435	4,017	-	-	-	(146,418)	(146,418)
Storm Water Fund	422,827	538,236	-	-	-	115,409	115,409
Total Business-Type Activities	<u>3,442,504</u>	<u>3,820,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,346</u>	<u>378,346</u>
Total Government	<u>\$ 16,392,714</u>	<u>\$ 5,219,636</u>	<u>\$ 175,935</u>	<u>\$ -</u>	<u>(11,375,489)</u>	<u>378,346</u>	<u>(10,997,143)</u>
<u>General Revenues</u>							
Taxes:							
Property Taxes					3,657,100	-	3,657,100
Sales Taxes					6,200,731	-	6,200,731
Franchise Taxes					852,464	-	852,464
Beverage Taxes					67,084	-	67,084
Occupancy Tax					244,018	-	244,018
Investment Earnings					33,704	2,453	36,157
Miscellaneous					21,595	-	21,595
Transfers					351,150	(351,150)	-
Total General Revenues and Transfers					<u>11,427,846</u>	<u>(348,697)</u>	<u>11,079,149</u>
Change in Net Assets					52,357	29,649	82,006
<u>Net Assets at Beginning of Year</u>					<u>18,922,444</u>	<u>7,335,078</u>	<u>26,257,522</u>
NET ASSETS AT END OF YEAR					<u>\$ 18,974,801</u>	<u>\$ 7,364,727</u>	<u>\$ 26,339,528</u>

CITY OF LIVE OAK, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>GENERAL</u>	<u>ECONOMIC DEVELOPMENT CORPORATION</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$3,437,991	\$ 930,297	\$ 271,328	\$ 1,252,514	\$ 5,892,130
Investments	4,595,659	-	-	-	4,595,659
Receivables - Net of Allowances for Uncollectibles					
Property Taxes	44,339	-	13,248	-	57,587
Sales Taxes	751,847	250,616	-	-	1,002,463
Occupancy Taxes	-	-	-	93,573	93,573
Other	451,062	-	-	26,346	477,408
Due from Other Governments	1,666	-	435	20,000	22,101
Due from Other Funds	22,885	-	-	-	22,885
Accrued Interest	5,315	-	-	-	5,315
Prepaid Items	19,307	1,245	-	-	20,552
	<u>\$9,330,071</u>	<u>\$ 1,182,158</u>	<u>\$ 285,011</u>	<u>\$ 1,392,433</u>	<u>\$ 12,189,673</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 306,000	\$ 18,386	\$ -	\$ 63,179	\$ 387,565
Accrued Liabilities	190,659	2,785	-	7,116	200,560
Due to Other Funds	-	-	-	22,885	22,885
Deferred/Unearned Revenues	664,443	130,531	13,248	27,148	835,370
Total Liabilities	<u>1,161,102</u>	<u>151,702</u>	<u>13,248</u>	<u>120,328</u>	<u>1,446,380</u>
<u>FUND BALANCES</u>					
Nonspendable					
Prepaid Items	19,307	1,245	-	-	20,552
Restricted					
Special Revenue Funds	-	-	-	876,019	876,019
Weed Abatement	12,323	-	-	-	12,323
Debt Service	-	-	271,763	-	271,763
Committed					
Asset Replacement	1,572,184	-	-	-	1,572,184
Economic Development	-	1,029,211	-	-	1,029,211
Capital Projects Funds	-	-	-	396,086	396,086
Unassigned	6,565,155	-	-	-	6,565,155
Total Fund Balances	<u>8,168,969</u>	<u>1,030,456</u>	<u>271,763</u>	<u>1,272,105</u>	<u>10,743,293</u>
	<u>\$9,330,071</u>	<u>\$ 1,182,158</u>	<u>\$ 285,011</u>	<u>\$ 1,392,433</u>	<u>\$ 12,189,673</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$9,330,071</u>	<u>\$ 1,182,158</u>	<u>\$ 285,011</u>	<u>\$ 1,392,433</u>	<u>\$ 12,189,673</u>

CITY OF LIVE OAK, TEXAS
RECONCILIATION OF BALANCE SHEET
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 10,743,293

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. 24,282,362

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 806,532

Deferred charges, consisting of debt issue costs, are amortized over the life of the bond in the governmental activities, but were recognized in full in the governmental funds. 341,352

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

Bonds Payable	\$(15,965,000)	
Premium on Bonds Sold	(368,339)	
Compensated Absences	(348,052)	
Accrued Interest on Bonds	(117,322)	
Loss on Refunding	124,136	
Pension Benefit Obligation	<u>(524,161)</u>	<u>(17,198,738)</u>

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 18,974,801

CITY OF LIVE OAK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	<u>GENERAL</u>	<u>ECONOMIC DEVELOPMENT CORPORATION</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>					
Property Taxes	\$2,811,656	\$ -	\$ 787,857	\$ -	\$ 3,599,513
Sales Taxes	4,650,548	1,550,183	-	-	6,200,731
Franchise Taxes	825,509	-	-	26,955	852,464
Beverage Taxes	67,084	-	-	-	67,084
Occupancy Taxes	-	-	-	244,018	244,018
Fines and Fees	355,583	-	-	30,387	385,970
Permits and Fees	323,162	-	-	-	323,162
Service Fees	115,483	-	-	385,312	500,795
Intergovernmental	202,756	-	-	175,935	378,691
Investment Earnings	30,672	1,183	629	1,220	33,704
Miscellaneous	25,165	-	-	-	25,165
Total Revenues	<u>9,407,618</u>	<u>1,551,366</u>	<u>788,486</u>	<u>863,827</u>	<u>12,611,297</u>
<u>EXPENDITURES</u>					
Current					
General Government	2,179,447	258,991	-	494,980	2,933,418
Public Safety	5,199,122	-	-	402,095	5,601,217
Public Works	1,658,923	-	-	188,831	1,847,754
Community Services	231,477	-	-	-	231,477
Debt Service					
Principal	-	-	1,070,000	-	1,070,000
Interest and Fiscal Charges	-	-	739,908	-	739,908
Bond Issuance Cost	-	-	-	22,530	22,530
Capital Outlay	613,110	167,116	-	605,784	1,386,010
Total Expenditures	<u>9,882,079</u>	<u>426,107</u>	<u>1,809,908</u>	<u>1,714,220</u>	<u>13,832,314</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(474,461)</u>	<u>1,125,259</u>	<u>(1,021,422)</u>	<u>(850,393)</u>	<u>(1,221,017)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	497,651	-	986,302	139,388	1,623,341
Transfers (Out)	(222,558)	(1,049,633)	-	-	(1,272,191)
Issuance of Tax Notes	-	-	-	550,000	550,000
Total Other Financing Sources (Uses)	<u>275,093</u>	<u>(1,049,633)</u>	<u>986,302</u>	<u>689,388</u>	<u>901,150</u>
Net Change in Fund Balances	(199,368)	75,626	(35,120)	(161,005)	(319,867)
<u>FUND BALANCES AT BEGINNING OF YEAR</u>					
	<u>8,368,337</u>	<u>954,830</u>	<u>306,883</u>	<u>1,433,110</u>	<u>11,063,160</u>
<u>FUND BALANCES AT END OF YEAR</u>					
	<u>\$8,168,969</u>	<u>\$ 1,030,456</u>	<u>\$ 271,763</u>	<u>\$ 1,272,105</u>	<u>\$10,743,293</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF LIVE OAK, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- GOVERNMENTAL FUNDS TO CHANGE IN STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$(319,867)

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:

Current Year Additions	\$ 1,386,010	
Current Period Depreciation	<u>(1,507,140)</u>	(121,130)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	30,830
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Bond Issuance	(550,000)	
Loss on Refunding	(13,795)	
Principal Repayments	1,070,000	
Deferred Charge on Issuance Cost	(31,338)	
Premium on Issuance	<u>30,234</u>	505,101

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Bond Issue Costs	22,530	
Compensated Absences	(8,306)	
Accrued Interest	5,137	
Pension Benefit Obligation	<u>(61,938)</u>	<u>(42,577)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 52,357</u>
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CITY OF LIVE OAK, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	MAJOR FUND	MAJOR FUND	NONMAJOR FUND	TOTAL
	WATER AND WASTEWATER UTILITIES	UTILITY DEVELOPMENT REPLACEMENT AND RENEWAL	STORM WATER FUND	
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 654,900	\$ 991,860	\$ 512,803	\$2,159,563
Accounts Receivable, Net of Allowance				
Customer Accounts	339,631	-	46,607	386,238
Due from Other Governments	32,043	-	10,878	42,921
Total Current Assets	<u>1,026,574</u>	<u>991,860</u>	<u>570,288</u>	<u>2,588,722</u>
<u>NONCURRENT ASSETS</u>				
Deferred Charges	22,271	-	-	22,271
Capital Assets				
Land	8,770	-	-	8,770
Water Rights	583,531	-	-	583,531
Machinery and Equipment	1,124,910	-	45,079	1,169,989
Water and Wastewater System	9,800,082	-	-	9,800,082
Construction in Process	48,301	-	-	48,301
Less: Accumulated Depreciation	<u>(5,846,073)</u>	<u>-</u>	<u>(15,027)</u>	<u>(5,861,100)</u>
Total Noncurrent Assets	<u>5,741,792</u>	<u>-</u>	<u>30,052</u>	<u>5,771,844</u>
 TOTAL ASSETS	 <u>\$6,768,366</u>	 <u>\$ 991,860</u>	 <u>\$ 600,340</u>	 <u>\$8,360,566</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 154,180	\$ 102,702	\$ 6,038	\$ 262,920
Accrued Liabilities	17,280	-	8,339	25,619
Customer Deposits	116,668	-	-	116,668
Compensated Absences	6,575	-	4,195	10,770
Tax Notes Payable within One Year	120,000	-	-	120,000
Total Current Liabilities	<u>414,703</u>	<u>102,702</u>	<u>18,572</u>	<u>535,977</u>
<u>NONCURRENT LIABILITIES</u>				
Pension Benefit Obligation	40,909	-	21,644	62,553
Compensated Absences	19,724	-	12,585	32,309
Tax Notes Payable after One Year	365,000	-	-	365,000
Total Noncurrent Liabilities	<u>425,633</u>	<u>-</u>	<u>34,229</u>	<u>459,862</u>
 Total Liabilities	 <u>840,336</u>	 <u>102,702</u>	 <u>52,801</u>	 <u>995,839</u>
<u>NET ASSETS</u>				
Investment in Capital Assets	5,234,521	-	30,052	5,264,573
Unrestricted	693,509	889,158	517,487	2,100,154
Total Net Assets	<u>5,928,030</u>	<u>889,158</u>	<u>547,539</u>	<u>7,364,727</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$6,768,366</u>	 <u>\$ 991,860</u>	 <u>\$ 600,340</u>	 <u>\$8,360,566</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF LIVE OAK, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>TOTAL</u>
	<u>MAJOR FUND</u>	<u>MAJOR FUND</u>	<u>NONMAJOR FUND</u>	
	<u>WATER AND WASTEWATER UTILITIES</u>	<u>UTILITY DEVELOPMENT REPLACEMENT AND RENEWAL</u>	<u>STORM WATER FUND</u>	
<u>OPERATING REVENUES</u>				
Water and Sewer Sales	\$2,490,031	\$ -	\$ -	\$2,490,031
Garbage Collection	529,914	-	-	529,914
Application and Connection Fees	119,495	-	-	119,495
Penalties and Fines	52,095	-	-	52,095
Miscellaneous Income	87,062	4,017	-	91,079
Stormwater Utility Fee	-	-	538,236	538,236
Total Operating Revenues	<u>3,278,597</u>	<u>4,017</u>	<u>538,236</u>	<u>3,820,850</u>
<u>OPERATING EXPENSES</u>				
Personnel	639,592	-	296,182	935,774
Supplies	111,279	2,581	13,997	127,857
Conferences and Training	5,902	-	-	5,902
Repairs and Maintenance	26,796	145,950	41,334	214,080
Utilities and Telephone	118,521	1,904	1,782	122,207
Insurance	10,440	-	-	10,440
Service Administration	97,200	-	59,846	157,046
Service Operating	1,572,171	-	-	1,572,171
Miscellaneous	673	-	670	1,343
Depreciation	283,662	-	9,016	292,678
Total Operating Expenses	<u>2,866,236</u>	<u>150,435</u>	<u>422,827</u>	<u>3,439,498</u>
Operating Income (Loss)	<u>412,361</u>	<u>(146,418)</u>	<u>115,409</u>	<u>381,352</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Expense	(3,006)	-	-	(3,006)
Investment Earnings	408	1,430	615	2,453
Total Nonoperating Revenues (Expenses)	<u>(2,598)</u>	<u>1,430</u>	<u>615</u>	<u>(553)</u>
Net Income (Loss) before Transfers	409,763	(144,988)	116,024	380,799
Transfer In	593,821	185,000	-	778,821
Transfer Out	<u>(381,439)</u>	<u>(586,321)</u>	<u>(162,211)</u>	<u>(1,129,971)</u>
Change in Net Assets	622,145	(546,309)	(46,187)	29,649
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>5,305,885</u>	<u>1,435,467</u>	<u>593,726</u>	<u>7,335,078</u>
NET ASSETS AT END OF YEAR	<u>\$5,928,030</u>	<u>\$ 889,158</u>	<u>\$ 547,539</u>	<u>\$7,364,727</u>

CITY OF LIVE OAK, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL
	MAJOR FUND	MAJOR FUND	NONMAJOR FUND	
	WATER AND WASTEWATER UTILITIES	UTILITY DEVELOPMENT REPLACEMENT AND RENEWAL	STORM WATER FUND	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received from Customers and Users	\$3,270,795	\$ 4,017	\$ 546,895	\$3,821,707
Cash Paid to Employees for Services	(633,479)	-	(292,812)	(926,291)
Cash Paid to Supplier for Goods and Services	(1,961,807)	(77,783)	(118,321)	(2,157,911)
Net Cash Provided by (Used in) Operating Activities	<u>675,509</u>	<u>(73,766)</u>	<u>135,762</u>	<u>737,505</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Proceeds from Tax Notes	605,000	-	-	605,000
Principal Paid on Tax Notes	(120,000)	-	-	(120,000)
Interest Paid on Tax Notes	(3,006)	-	-	(3,006)
Purchase/Construction of Capital Assets	(1,169,851)	-	-	(1,169,851)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(687,857)</u>	<u>-</u>	<u>-</u>	<u>(687,857)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers from Other Funds	716,827	185,000	-	901,827
Transfers to Other Funds	(504,445)	(586,321)	(162,211)	(1,252,977)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>212,382</u>	<u>(401,321)</u>	<u>(162,211)</u>	<u>(351,150)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest and Investment Earnings	408	1,430	615	2,453
Net Increase (Decrease) in Cash and Cash Equivalents	200,442	(473,657)	(25,834)	(299,049)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>454,458</u>	<u>1,465,517</u>	<u>538,637</u>	<u>2,458,612</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 654,900</u>	<u>\$ 991,860</u>	<u>\$ 512,803</u>	<u>\$2,159,563</u>

(CONTINUED)

CITY OF LIVE OAK, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2012

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL
	MAJOR FUND	MAJOR FUND	NONMAJOR FUND	
	WATER AND WASTEWATER UTILITIES	UTILITY DEVELOPMENT REPLACEMENT AND RENEWAL	STORM WATER FUND	
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ 412,361	\$ (146,418)	\$ 115,409	\$ 381,352
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	283,662	-	9,016	292,678
Changes in Assets and Liabilities				
Decrease (Increase) in Assets				
Customer Receivable	(11,437)	-	8,659	(2,778)
Due from Other Governments	(3,076)	-	936	(2,140)
Deferred Charges	(22,271)	-	-	(22,271)
Increase (Decrease) in Liabilities				
Accounts Payable and Accrued Liabilities	7,520	72,652	(662)	79,510
Customer Deposits	3,635	-	-	3,635
Pension Benefit Obligation	3,793	-	2,355	6,148
Compensated Absences	1,322	-	49	1,371
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>\$ 675,509</u>	 <u>\$ (73,766)</u>	 <u>\$ 135,762</u>	 <u>\$ 737,505</u>

NOTES TO BASIC FINANCIAL STATEMENTS

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Live Oak, Texas, are presented in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental units as set forth by the Government Accounting Standards Board (GASB). A summary of the City's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A. Reporting Entity

The City, for financial purposes, includes all of the activities and funds relevant to the operations of the City of Live Oak. These operations include the police department, fire department, municipal court, street department, animal control, parks and recreation, community development, and economic development.

As required by generally accepted accounting principals, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and data from these units are combined with the data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The City has one blended component unit with a September 30 fiscal year end. The City has no discretely presented component units.

Blended Component Unit

The City of Live Oak Economic Development Corporation (EDC) is governed by a seven-member board, consisting of two council members and five others appointed by city council. The EDC is funded through Section 4B sales tax. The City is financially accountable for the EDC because the City appoints the governing body and the City is obligated to finance any deficits that may occur. The EDC is reported as a Special Revenue Fund. Separate financial statements are not issued for the EDC.

B. Government-Wide Fund Financial Statements

Government-Wide Financial Statements: Report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-like activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (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 revenue are reported instead as general revenue.

Separate Fund Financial Statements: Are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 30 (thirty) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period 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 City.

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the proprietary fund type) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination.

The City has the following major governmental funds:

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

The Economic Development Corporation is used to account for the receipt and disbursement of Section 4B sales tax funds.

The debt service fund is used to account for ad valorem tax assessed for the purpose of servicing general obligation debt.

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance.

The City reports the following major proprietary funds:

The water and wastewater utilities fund is used to account for activities of the City's water and wastewater operations.

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Utility development replacement and renewal fund is used to track funds and investment earnings put aside for replacement and renewal of the water and wastewater systems.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

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

D. Cash and Cash Equivalents

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

E. Investments

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Investments (Continued)

Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost.

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

F. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to outstanding accounts from 2005 and older as of September 30, 2011.

The City's property taxes are levied annually in October on the basis of the appraisal district's assessed values as of January 1 of that calendar year. Appraised values are established by the appraisal district at market value and assessed at 100% of appraised value less exemptions. The City's property taxes are billed and collected by the Bexar County Tax Assessor/Collector. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1 of the subsequent calendar year. Penalties and interest on unpaid taxes are calculated at the rate of 1.5% per month of delinquency.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaids of governmental funds are recorded as expenditures when consumed rather than when purchased.

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

General infrastructure assets acquired prior to October 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all streets and other infrastructure assets acquired subsequent to October 1, 2003.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSET</u>	<u>YEARS</u>
Buildings	30 Years
Improvements Other than Buildings	30 Years
Equipment	5-10 Years
Water and Sewer System	50 Years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing unit completion of the project with interest earned on invested proceeds over the same period.

I. Compensated Absences

The City's employees earn vacation and sick leave which may either be taken or accumulated, up to certain amounts. Only unused vacation will be paid upon resignation or retirement. Vacation pay 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 employee resignations and retirements.

J. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures.

K. Fund Balance

Beginning with fiscal year 2011, the City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Balance (Continued)

- Nonspendable fund balance - amounts that are not in a spendable form (such as prepaids) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - fund balances in this category are limited by the government's highest level of decision making (in this case the city council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by a resolution, the commitment could only be released with another resolution.
- Assigned fund balance - for funds to be assigned, there must be an intended use which can be established by the council or an official designated by the council, such as a city manager or finance director. Assigned fund balance is delegated by the city council to the director of finance.
- Unassigned fund balance - amounts that are available for any purpose, positive amounts are reported only in the general fund.

When multiple categories are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

L. Net Assets

Net assets represent 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 by creditors, grantors or laws or regulations of other governments.

M. Estimates

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

NOTE 2: DEPOSITS AND INVESTMENTS

As of September 30, 2012, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>
U.S. Treasury and Agency Securities	\$ 2,144,349	0.059
Certificates of Deposit	2,451,310	0.068
TexPool (Local Government Investment Pool)	<u>7,869,411</u>	-
	<u>\$ 12,465,070</u>	
Portfolio Weighted Average Maturity		0.063

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its operating investment portfolio to less than one year. The City's investment policy limits the final stated maturity of any security to no more than five years. As a matter of policy, the City holds all investments to maturity.

Credit Risk. The state comptroller of public accounts exercises oversight responsibility over TexPool, a local government investment pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. TexPool is rated AAAM by Standard & Poors.

Custodial Credit Risk - Deposits. 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. As of September 30, 2012, the City's cash on hand was \$3,918. The carrying amount of deposits was \$178,364 and the bank balance was \$451,075. The City maintains its cash balances at Frost Bank. Funds held at participating financial institutions have unlimited FDIC coverage for all non-interest bearing accounts, and \$250,000 FDIC coverage for interest bearing accounts, including certificates of deposit. Therefore, the bank balance was covered by federal deposit insurance and the City's depository had pledged securities having a face value of \$849,924 and a market value of \$948,694 as collateral for the City's deposits. Funds were fully insured and collateralized.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the government securities owned by the City are held by its agent in the City's name.

Investment Policy. The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Act of 1995 (Chapter 2256, Texas Government Code). The City's investment policy requires all deposits to be fully collateralized. Investments held in pools shall be continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized rating service. The investments of the City are in compliance with the Council's investment policies. 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.

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM (or equivalent) rating by at least one nationally recognized rating service; and (3) maintain the fair value of its underlying investment portfolio within one-half of one percent of the value of its shares.

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 3: RECEIVABLES

Receivables as of year end for the government's individual major funds and nonmajor funds and the enterprise major fund and nonmajor fund, including the applicable allowances for uncollectible accounts, are as follows:

	<u>GOVERNMENTAL FUNDS</u>			<u>PROPRIETARY FUNDS</u>		<u>TOTAL</u>
	<u>GENERAL</u>	<u>ECONOMIC DEVELOPMENT CORPORATION</u>	<u>OTHER FUNDS</u>	<u>WATER AND WASTEWATER UTILITIES</u>	<u>OTHER NONMAJOR ENTERPRISE FUND</u>	
Receivables						
Property Taxes	\$ 50,942	\$ -	\$ 14,578	\$ -	\$ -	\$ 65,520
Sales Taxes	751,847	250,616	-	-	-	1,002,463
Occupancy Taxes	-	-	93,573	-	-	93,573
Franchise Taxes	171,144	-	-	-	-	171,144
Customer Accounts	-	-	-	363,750	46,607	410,357
Court Fines	676,615	-	-	-	-	676,615
Other	<u>110,764</u>	<u>-</u>	<u>26,346</u>	<u>-</u>	<u>-</u>	<u>137,110</u>
Gross Receivables	1,761,312	250,616	134,497	363,750	46,607	2,556,782
Less: Allowance for Uncollectibles	<u>(514,064)</u>	<u>-</u>	<u>(1,330)</u>	<u>(24,119)</u>	<u>-</u>	<u>(539,513)</u>
NET TOTAL RECEIVABLES	<u>\$1,247,248</u>	<u>\$ 250,616</u>	<u>\$133,167</u>	<u>\$ 339,631</u>	<u>\$ 46,607</u>	<u>\$2,017,269</u>

Governmental funds reported 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>UNEARNED</u>	<u>UNAVAILABLE</u>
General Fund		
Delinquent Property Taxes Receivable	\$ -	\$ 44,339
Sales Tax	-	391,594
Court Fines	-	226,820
Advance Rental	<u>1,690</u>	<u>-</u>
Total General Fund	1,690	662,753
Economic Development Corporation		
Sales Tax	-	130,531
Debt Service Fund		
Delinquent Property Taxes Receivable	-	13,248
Other Nonmajor Governmental (Hotel/Motel Occupancy Tax) Fund		
Advance Rental	<u>27,148</u>	<u>-</u>
TOTAL GOVERNMENTAL FUNDS	<u>\$ 28,838</u>	<u>\$ 806,532</u>

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 4: PROPERTY TAX

Taxes are levied on and payable as of October 1. The City has contracted with the Bexar County Tax Assessor-Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

For fiscal year 2012, the assessed tax rate for the City was \$0.477291 per \$100 on an assessed valuation of \$812,842,037. This is broken out as \$0.378511 per \$100 for maintenance and operations and \$0.19878 per \$100 for debt retirement. Total tax levy for fiscal year 2012 is \$3,823,938. As of September 30, 2012, the delinquent current taxes for 2012 were \$24,429.

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CITY OF LIVE OAK, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2012

NOTE 5: CAPITAL ASSETS

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

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DELETIONS</u>	<u>ENDING BALANCE</u>
<u>Governmental Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 1,206,394	\$ -	\$ -	\$ 1,206,394
Water Rights	647,021	-	-	647,021
Construction in Progress	<u>821,586</u>	<u>127,004</u>	<u>(918,590)</u>	<u>30,000</u>
Total Capital Assets not being Depreciated	<u>2,675,001</u>	<u>127,004</u>	<u>(918,590)</u>	<u>1,883,415</u>
Capital Assets being Depreciated				
Buildings and Improvements	13,211,494	906,462	-	14,117,956
Streets and Improvements	13,609,502	-	-	13,609,502
Machinery and Equipment	<u>5,012,951</u>	<u>1,278,134</u>	<u>(128,728)</u>	<u>6,162,357</u>
Total Capital Assets being Depreciated	<u>31,833,947</u>	<u>2,184,596</u>	<u>(128,728)</u>	<u>33,889,815</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(4,892,436)	(471,186)	-	(5,363,622)
Streets and Improvements	(1,840,223)	(606,979)	-	(2,447,202)
Machinery and Equipment	<u>(3,370,507)</u>	<u>(428,975)</u>	<u>119,438</u>	<u>(3,680,044)</u>
Total Accumulated Depreciation	<u>(10,103,166)</u>	<u>(1,507,140)</u>	<u>119,438</u>	<u>(11,490,868)</u>
 Total Capital Assets being Depreciated - Net	 <u>21,730,781</u>	 <u>677,456</u>	 <u>(9,290)</u>	 <u>22,398,947</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	 <u>\$24,405,782</u>	 <u>\$ 804,460</u>	 <u>\$ (927,880)</u>	 <u>\$24,282,362</u>
<u>Business-Type Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 8,770	\$ -	\$ -	\$ 8,770
Water Rights	-	583,531	-	583,531
Construction in Progress	<u>27,491</u>	<u>530,242</u>	<u>(509,432)</u>	<u>48,301</u>
Total Capital Assets not being Depreciated	<u>36,261</u>	<u>1,113,773</u>	<u>(509,432)</u>	<u>640,602</u>
Capital Assets being Depreciated				
Machinery and Equipment	1,163,734	56,078	(49,823)	1,169,989
Water and Wastewater System	<u>9,290,650</u>	<u>509,432</u>	<u>-</u>	<u>9,800,082</u>
Total Capital Assets being Depreciated	<u>10,454,384</u>	<u>565,510</u>	<u>(49,823)</u>	<u>10,970,071</u>
Less Accumulated Depreciation:				
Machinery and Equipment	(917,606)	(88,631)	49,823	(956,414)
Water and Wastewater System	<u>(4,700,639)</u>	<u>(204,047)</u>	<u>-</u>	<u>(4,904,686)</u>
Total Accumulated Depreciation	<u>(5,618,245)</u>	<u>(292,678)</u>	<u>49,823</u>	<u>(5,861,100)</u>
 Total Capital Assets being Depreciated - Net	 <u>4,836,139</u>	 <u>272,832</u>	 <u>-</u>	 <u>5,108,971</u>
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	 <u>\$ 4,872,400</u>	 <u>\$1,386,605</u>	 <u>\$ (509,432)</u>	 <u>\$ 5,749,573</u>

CITY OF LIVE OAK, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2012

NOTE 5: CAPITAL ASSETS (CONTINUED)

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

<u>Governmental Activities</u>		
General Government		\$ 188,018
Public Safety		541,385
Public Works		<u>777,737</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES		<u>\$1,507,140</u>
 <u>Business-Type Activities</u>		
Water and Wastewater Utilities		<u>\$ 292,678</u>

NOTE 6: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General	Nonmajor Governmental Funds	<u>\$ 22,885</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The following schedule briefly summarizes the City's transfer activity:

<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
General	Water and Wastewater Utilities	\$ 122,500	Subsidy for Administrative Expenditures
General	Nonmajor Utility	154,711	Subsidy for Administrative Expenditures
General	Economic Development	220,440	Subsidy for Administrative Expenditures
Debt Service	Water and Wastewater Utilities	73,939	Funding for Debt Service
Debt Service	General	83,170	Funding for Debt Service
Debt Service	Economic Development	829,193	Funding for Debt Service
Nonmajor Governmental Utility Renewal & Replacement	General	139,388	For Capital Projects
Water and Wastewater Utilities	Water and Wastewater Utilities	185,000	Replacement/Capital Asset Purchasing
Water and Wastewater Utilities	Nonmajor Utility	7,500	Support Fees
	Utility Renewal & Replacement	<u>586,321</u>	Capital Asset Purchasing
TOTAL		<u>\$2,402,162</u>	

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 7: LONG-TERM DEBT

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental activities. These instruments include general obligation bonds, certificates of obligation and tax notes. These debt obligations are secured by either future property or hotel tax revenue or liens on property and equipment.

A. Bonds Payable, Certificates of Obligation, and Tax Notes

A summary of the terms of general obligation bonds, combination tax and revenue certificates of obligation, and tax notes outstanding at September 30, 2012, follows:

	SERIES AND ORIGINAL ISSUE AMOUNT	FINAL MATURITY	INTEREST RATE	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
General Obligation Bonds, Series 2004	\$12,250,000	2024	3.0% - 5.25%	\$ 8,555,000	\$ -
Combination Tax and Limited Pledged Revenue Certificates of Obligation Series 2005	5,200,000	2025	4.25% - 4.5%	3,795,000	-
General Obligation Refunding Bonds, Series 2010	4,220,000	2022	3.064%	3,145,000	-
Tax Notes, Series 2012	1,155,000	2018	0.85 - 1.95%	470,000	485,000
TOTAL BONDS, CERTIFICATES OF OBLIGATIONS, AND TAX NOTES				<u>\$ 15,965,000</u>	<u>\$ 485,000</u>

B. Debt Service Requirements

Annual debt service requirements for bonds and certificates of obligation are as follows:

FISCAL YEAR ENDING SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2013	\$ 1,115,000	\$ 703,928	\$ 1,818,928	\$ 120,000	\$ 6,195	\$126,195
2014	1,155,000	663,505	1,818,505	120,000	4,935	124,935
2015	1,205,000	621,436	1,826,436	120,000	3,495	123,495
2016	1,250,000	571,557	1,821,557	125,000	1,875	126,875
2017	1,300,000	519,577	1,819,577	-	-	-
2018-2022	7,070,000	1,699,958	8,769,958	-	-	-
2023-2025	2,870,000	240,528	3,110,528	-	-	-
TOTALS	<u>\$15,965,000</u>	<u>\$5,020,489</u>	<u>\$20,985,489</u>	<u>\$ 485,000</u>	<u>\$ 16,500</u>	<u>\$501,500</u>

C. Federal Arbitrage

General obligation bonds, combination tax and revenue bonds, and certificates of obligation are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The City does not have any arbitrage as of September 30, 2012.

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 7: LONG-TERM DEBT (CONTINUED)

D. Changes in Long-Term Debt

	<u>BALANCE</u> <u>9/30/2011</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>9/30/2012</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
<u>Primary Government</u>					
<u>Governmental Activities</u>					
General Obligation Bonds	\$12,475,000	\$ -	\$ (775,000)	\$11,700,000	\$ 815,000
Certificates of Obligation	4,010,000	-	(215,000)	3,795,000	225,000
Tax Notes	-	550,000	(80,000)	470,000	75,000
Compensated Absences	339,746	93,143	(84,837)	348,052	87,013
Deferred Amounts for:					
Issuance Premium	398,573	-	(30,234)	368,339	30,234
Loss on Refunding	(137,931)	-	13,795	(124,136)	(13,795)
Pension Benefit Obligation	462,223	61,938	-	524,161	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$17,547,611</u>	<u>\$ 705,081</u>	<u>\$(1,171,276)</u>	<u>\$17,081,416</u>	<u>\$1,218,452</u>
<u>Business-Type Activities</u>					
Tax Notes	\$ -	\$ 605,000	\$ (120,000)	\$ 485,000	\$ 120,000
Compensated Absences Payable	41,708	11,798	(10,427)	43,079	10,770
Pension Benefit Obligation	56,405	6,148	-	62,553	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 98,113</u>	<u>\$ 622,946</u>	<u>\$ (130,427)</u>	<u>\$ 590,632</u>	<u>\$ 130,770</u>

The compensated absences and the net pension obligation liabilities attributable to the governmental activities will be liquidated primarily by the general fund.

NOTE 8: EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 8: EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

A. Plan Description (Continued)

	<u>PLAN YEAR 2011</u>	<u>PLAN YEAR 2012</u>
Employee Deposit Rate	7.0%	7.0%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI Repeating	70% of CPI Repeating

B. Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2011, valuation is effective for rates beginning January 2013.) The annual pension cost and net pension obligation are as follows:

1. Annual Required Contribution (ARC)	\$1,056,542
2. Interest on Net Pension Obligation	36,304
3. Adjustment to the ARC	<u>(31,207)</u>
4. Annual Pension Cost (APC)	1,061,639
5. Contributions Made	<u>993,553</u>
6. Increase (Decrease) in Net Pension Obligation	68,086
7. Net Pension Obligation (Asset), Beginning of Year	<u>518,628</u>
8. Net Pension Obligation (Asset), End of Year	<u>\$ 586,714</u>

<u>FISCAL YEAR</u>	<u>ANNUAL PENSION COST</u>	<u>ACTUAL CONTRIBUTION MADE</u>	<u>PERCENTAGE OF APC CONTRIBUTION</u>	<u>NET PENSION OBLIGATION</u>
2012	\$ 1,061,639	\$ 993,553	94%	\$ 586,714
2011	1,170,423	982,467	84%	518,628
2010	1,080,508	881,589	82%	330,672

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 8: EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

B. Contributions (Continued)

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

Actuarial Valuation Date	December 31, 2009	December 31, 2010	December 31, 2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.3 Years - Closed Period	27.3 Years - Closed Period	26.3 Years - Closed Period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.5%	7.0%	7.0%
Projected Salary Increases	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
Inflation Rate	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

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

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	FUNDED RATIO	UNFUNDED AAL (UAAL)	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
12/31/2011	\$ 19,203,674	\$25,895,172	74.2%	\$ 6,691,498	\$5,862,913	114.1%

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

C. Other Post-Employment Benefits

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

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

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 8: EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

C. Other Post-Employment Benefits (Continued)

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

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2012, 2011, and 2010 were \$9,154, \$11,180, and \$9,676 respectively, which equaled the required contributions each year.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Commitments

Construction Commitments

The City of Live Oak has entered into commitments for various projects as follows:

	<u>ESTIMATED PROJECT COST TO CITY</u>	<u>EXPENDED TO DATE</u>	<u>ESTIMATED FUTURE COMMITMENT</u>
AT&T Phone System	\$ 70,039	\$ -	\$ 70,039
Emergency Well Work	<u>32,000</u>	<u>-</u>	<u>32,000</u>
TOTAL ESTIMATED FUTURE COMMITMENTS	<u>\$102,039</u>	<u>\$ -</u>	<u>\$102,039</u>

Long-Term Contracts

Under a contract with the San Antonio River Authority, the river authority is to provide transportation, treatment and disposal of sewage for the portion of the City of Live Oak located on the east side of Interstate Highway 35. The contract is ongoing with rates negotiated annually.

A separate contract with the Cibolo Creek Municipal Authority provides for the municipal authority to provide transportation, treatment and disposal of sewage for that area of the City located on the west side of Interstate Highway 35. There are no connections to that system due to the sparse development in that area. The contract began June 9, 1983, and is for a period of fifty (50) years or until the system "debt" is paid off, whichever is longer.

The City contracts with the San Antonio Water System to provide water service and sewer service billing for the area of the City of Live Oak south of Toepperwein Road. The original agreement began in 1977 and was for a period of twenty-five (25) years with a twenty-five (25) year option at San Antonio's sole discretion. It covers an area east of the City Public Service right-of-way just west of Avery Road. A second agreement began in 1979 and is for a period of twenty-five (25) years with a twenty-five (25) year option by mutual consent and buy-out of facilities at the termination at current replacement cost less two-percent (2%) annual depreciation allowance. It covers an area west of the C.P.S. right-of-way to Interstate Highway 35.

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 9: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Long-Term Contracts (Continued)

The City entered into several sublease agreements through the Regional Water Resource Development Corporation (the primary lessee). The sublease gives the City additional annual water rights from the Edwards Aquifer. The lease currently calls for an annual payment of \$93,216. The City evaluates annually whether or not to enter into any new sublease agreements.

Tax Increment Financing (the "Zone")

The City is a principal in the City of Live Oak Tax Increment Reinvestment Zone #1, pursuant to Chapter 311 of the Texas Tax Code. Under the terms of the Zone agreement, the City of Live Oak and Bexar County are partially funding infrastructure improvements through tax increment financing to the Woodcrest Residential Development.

At the time the Zone was created, the property tax base was "frozen" and 50% of the increment taxes resulting from the increases to the property tax base are being used to finance Zone improvements, along with annual interim costs at 7% of projected improvement costs. Project costs to date are \$2,108,106 (including annual interest charges). The total projected cost was \$4,104,906. Project costs of the developer will be funded up to 50% of the tax increment generated by the City of Live Oak and Bexar County. The Zone terminates when the City and County fund up to 50% of the projected project costs or December 31, 2019, whichever occurs first. At September 30, 2012, the total outstanding amount to be paid is approximately \$548,231.

Litigation

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2012 were \$178,792 for property and casualty and workers compensation coverage. There were no significant increases or decreases in coverage from fiscal year 2012.

	<u>LIMITS OF COVERAGE</u>		
	<u>EACH OCCURRENCE</u>	<u>CLAIM</u>	<u>AGGREGATE</u>
General Liability	\$2,000,000	\$ -	\$4,000,000
Law Enforcement Liability	2,000,000	-	4,000,000
Errors and Omissions	-	1,000,000	2,000,000
Automobile Liability	2,000,000	-	-
Auto Physical Damage	Actual Value	-	-

CITY OF LIVE OAK, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 11: SUBSEQUENT EVENT

Subsequent to yearend, City Council approved the sale of the City's Civic Center in order to return this property to retail development.

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REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - General Fund
- Budgetary Comparison Schedule - Economic Development Corporation
- Schedule of Funding Progress - Defined Benefit

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CITY OF LIVE OAK, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>2012 ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>	<u>2011 ACTUAL AMOUNTS</u>
<u>REVENUES</u>					
Property Taxes	\$2,841,374	\$ 2,841,374	\$2,811,656	\$ (29,718)	\$2,781,765
Sales Tax	4,444,265	4,444,265	4,650,548	206,283	4,412,642
Franchise Taxes	715,700	715,700	825,509	109,809	805,082
Beverage Taxes	80,000	80,000	67,084	(12,916)	81,905
Fines and Fees	462,500	462,500	355,583	(106,917)	375,218
Permits and Fees	373,050	373,050	323,162	(49,888)	443,903
Service Fees	94,931	94,931	115,483	20,552	118,169
Intergovernmental	110,000	209,388	202,756	(6,632)	106,019
Investment Earnings	85,000	85,000	30,672	(54,328)	47,426
Miscellaneous	49,000	49,000	25,165	(23,835)	135,120
Total Revenues	<u>9,255,820</u>	<u>9,355,208</u>	<u>9,407,618</u>	<u>52,410</u>	<u>9,307,249</u>
<u>EXPENDITURES</u>					
General Government					
Council	221,100	221,100	11,640	209,460	36,871
City Manager	233,800	223,800	216,845	6,955	185,006
City Secretary	523,350	595,350	526,266	69,084	504,768
Municipal Court	236,250	213,250	177,024	36,226	188,299
Finance	368,890	358,890	350,566	8,324	332,043
Planning and Zoning	131,850	131,850	115,056	16,794	143,775
Emergency Management Office	77,050	77,050	73,169	3,881	65,628
Information Technology	445,965	435,965	402,227	33,738	372,998
Development Services	326,445	326,445	306,654	19,791	307,816
Total General Government	<u>2,564,700</u>	<u>2,583,700</u>	<u>2,179,447</u>	<u>404,253</u>	<u>2,137,204</u>
Public Safety					
Police Services	2,834,225	2,834,225	2,791,675	42,550	2,789,345
Fire and Inspection	1,872,680	1,872,680	1,834,420	38,260	1,793,106
Dispatch	665,545	646,545	573,027	73,518	648,480
Total Public Safety	<u>5,372,450</u>	<u>5,353,450</u>	<u>5,199,122</u>	<u>154,328</u>	<u>5,230,931</u>

CITY OF LIVE OAK, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL BUDGET	FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>EXPENDITURES (CONTINUED)</u>					
Public Works					
General Service	\$ 800,700	\$ 752,600	\$ 729,287	\$ 23,313	\$ 741,418
Street Maintenance	377,530	377,530	310,082	67,448	282,504
Animal Control	210,180	210,180	192,297	17,883	159,212
Parks Maintenance	430,640	438,740	427,257	11,483	383,511
Total Public Works	<u>1,819,050</u>	<u>1,779,050</u>	<u>1,658,923</u>	<u>120,127</u>	<u>1,566,645</u>
Community Service					
Leisure Services	<u>253,420</u>	<u>253,420</u>	<u>231,477</u>	<u>21,943</u>	<u>173,002</u>
Capital Outlay	<u>867,609</u>	<u>867,609</u>	<u>613,110</u>	<u>254,499</u>	<u>593,800</u>
Total Expenditures	<u>10,877,229</u>	<u>10,837,229</u>	<u>9,882,079</u>	<u>955,150</u>	<u>9,701,582</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,621,409)</u>	<u>(1,482,021)</u>	<u>(474,461)</u>	<u>1,007,560</u>	<u>(394,333)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	187,651	187,651	497,651	310,000	365,440
Transfers Out	<u>(84,000)</u>	<u>(223,388)</u>	<u>(222,558)</u>	<u>830</u>	<u>(21,607)</u>
Total Other Financing Sources (Uses)	<u>103,651</u>	<u>(35,737)</u>	<u>275,093</u>	<u>310,830</u>	<u>343,833</u>
Net Change in Fund Balance	(1,517,758)	(1,517,758)	(199,368)	1,318,390	(50,500)
<u>FUND BALANCE - BEGINNING</u>	<u>8,368,337</u>	<u>8,368,337</u>	<u>8,368,337</u>	<u>-</u>	<u>8,418,837</u>
FUND BALANCE - ENDING	<u>\$6,850,579</u>	<u>\$ 6,850,579</u>	<u>\$8,168,969</u>	<u>\$ 1,318,390</u>	<u>\$8,368,337</u>

CITY OF LIVE OAK, TEXAS
ECONOMIC DEVELOPMENT CORPORATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL BUDGET	FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>REVENUES</u>					
Sales Taxes	\$1,481,544	\$1,481,544	\$1,550,183	\$ 68,639	\$1,470,880
Investment Earnings	10,000	10,000	1,183	(8,817)	1,555
Total Revenues	<u>1,491,544</u>	<u>1,491,544</u>	<u>1,551,366</u>	<u>59,822</u>	<u>1,472,435</u>
<u>EXPENDITURES</u>					
General Government	1,138,193	425,193	258,991	166,202	297,181
Capital Outlay	-	90,000	167,116	(77,116)	640,118
Total Expenditures	<u>1,138,193</u>	<u>515,193</u>	<u>426,107</u>	<u>89,086</u>	<u>937,299</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>353,351</u>	<u>976,351</u>	<u>1,125,259</u>	<u>148,908</u>	<u>535,136</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers Out	(1,108,143)	(1,108,143)	(1,049,633)	58,510	(996,533)
Bonds Issued	623,000	-	-	-	-
Total Other Financing Sources (Uses)	<u>(485,143)</u>	<u>(1,108,143)</u>	<u>(1,049,633)</u>	<u>58,510</u>	<u>(996,533)</u>
Net Change in Fund Balance	(131,792)	(131,792)	75,626	207,418	(461,397)
<u>FUND BALANCE - BEGINNING</u>	<u>954,830</u>	<u>954,830</u>	<u>954,830</u>	<u>-</u>	<u>1,416,227</u>
<u>FUND BALANCE - ENDING</u>	<u>\$ 823,038</u>	<u>\$ 823,038</u>	<u>\$1,030,456</u>	<u>\$ 207,418</u>	<u>\$ 954,830</u>

CITY OF LIVE OAK, TEXAS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2012

NOTE 1: BUDGETARY INFORMATION

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. Annual budgets are adopted for all governmental funds except the public education fund, and capital projects, which include the 2004 general obligation bonds fund and the 2005 certificates of obligation fund. Project-length financial plans are adopted for capital projects funds.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. The city manager may transfer budgeted amounts within departments within any fund; however, transfers between departments and funds must be approved by city council.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

CITY OF LIVE OAK, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
LAST SIX FISCAL YEARS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS **	ACTUARIAL ACCRUED LIABILITY *	FUNDED RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY	COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
12/31/2006	\$ 9,688,551	\$12,524,558	77.4%	\$2,836,007	\$4,442,634	63.8%
12/31/2007	10,521,988	16,495,800	63.8	5,973,812	4,632,869	128.9
12/31/2008	10,963,677	17,477,118	62.7	6,513,441	4,807,169	135.5
12/31/2009	12,661,863	20,349,280	62.2	7,687,417	5,451,544	141.0
12/31/2010	17,092,390	23,716,882	72.1	6,624,492	5,675,758	116.7
12/31/2011	19,203,674	25,895,172	74.2	6,691,498	5,862,913	114.1

* As of December 31 of the preceding year, the date of the actuarial valuation.

** Assets are stated cost as of December 31 of the preceding year.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes combining and individual financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements – Nonmajor Governmental Funds
- Individual Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Nonmajor Funds with approved Budgets
- Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund
- Comparative Statements – General Fund

CITY OF LIVE OAK, TEXAS
COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Hotel/Motel Occupancy Tax Fund - to account for the expenditures of funds received primarily from a hotel-motel tax to be used for the Community Civic Center.

Forfeiture Fund - to account for the revenues received from seized assets and the corresponding restricted expenditures.

Child Safety Fund - to account for expenditures for the drug awareness and prevention program, school crossing guards, and other child safety programs.

Federal/State Grants Fund - to account for revenues received from federal and state grants and the corresponding expenditures.

Emergency Radio System Fund - to account for revenues received from the rental of the Live Oak Radio System by other agencies and the expenditures necessary to manage and enhance the emergency radio system.

Public Education Fund - to account for revenues received from franchise fees and the expenditures to fund capital items associated with public, educational, and governmental facilities

Court Technology Fund - to account for revenues received from court technology fees and the corresponding restricted expenditures.

Court Security Fund - to account for revenues received from building security fees and the corresponding restricted expenditures.

CAPITAL PROJECTS FUNDS

The capital projects funds are used to account for proceeds from bond issues and other resources specifically committed for capital expenditures.

CITY OF LIVE OAK, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>SPECIAL REVENUE FUNDS</u>				
	<u>HOTEL/MOTEL OCCUPANCY FUND</u>	<u>FORFEITURE</u>	<u>CHILD SAFETY</u>	<u>FEDERAL/ STATE GRANTS</u>	<u>EMERGENCY RADIO SYSTEM</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 356,520	\$ 63,150	\$ 49,595	\$ 2,885	\$ 202,039
Accounts Receivable - Net of Allowance					
Taxes	93,573	-	-	-	-
Other	6,490	-	-	-	10,375
Due from Other Governments	-	-	-	20,000	-
	<u>456,583</u>	<u>63,150</u>	<u>49,595</u>	<u>22,885</u>	<u>212,414</u>
TOTAL ASSETS	<u>\$ 456,583</u>	<u>\$ 63,150</u>	<u>\$ 49,595</u>	<u>\$ 22,885</u>	<u>\$ 212,414</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 6,394	\$ -	\$ 6,058	\$ -	\$ 46,706
Accrued Liabilities	6,793	-	-	-	-
Due to Other Funds	-	-	-	22,885	-
Deferred Revenue	27,148	-	-	-	-
Total Liabilities	<u>40,335</u>	<u>-</u>	<u>6,058</u>	<u>22,885</u>	<u>46,706</u>
<u>FUND BALANCES</u>					
Restricted:					
Hotel/Motel	416,248	-	-	-	-
Forfeiture	-	63,150	-	-	-
Child Safety	-	-	43,537	-	-
Emergency Radio System	-	-	-	-	165,708
Public Education	-	-	-	-	-
Court Technology	-	-	-	-	-
Court Security	-	-	-	-	-
Committed:					
Capital Projects	-	-	-	-	-
Total Fund Balances	<u>416,248</u>	<u>63,150</u>	<u>43,537</u>	<u>-</u>	<u>165,708</u>
	<u>456,583</u>	<u>63,150</u>	<u>49,595</u>	<u>22,885</u>	<u>212,414</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 456,583</u>	<u>\$ 63,150</u>	<u>\$ 49,595</u>	<u>\$ 22,885</u>	<u>\$ 212,414</u>

CAPITAL PROJECTS

PUBLIC EDUCATION	COURT TECHNOLOGY	COURT SECURITY	CAPITAL PROJECTS	2005			TOTALS
				2004 GENERAL OBLIGATION FUND	CERTIFICATES OF OBLIGATION FUND	WOODCREST PARK DONATIONS	
\$ 27,402	\$ 111,090	\$ 42,997	\$ 219,291	\$ -	\$ 67,123	\$ 110,422	\$ 1,252,514
-	-	-	-	-	-	-	93,573
6,474	-	7	-	-	3,000	-	26,346
-	-	-	-	-	-	-	20,000
<u>\$ 33,876</u>	<u>\$ 111,090</u>	<u>\$ 43,004</u>	<u>\$ 219,291</u>	<u>\$ -</u>	<u>\$ 70,123</u>	<u>\$ 110,422</u>	<u>\$ 1,392,433</u>
\$ -	\$ 271	\$ -	\$ 3,750	\$ -	\$ -	\$ -	\$ 63,179
-	-	323	-	-	-	-	7,116
-	-	-	-	-	-	-	22,885
-	-	-	-	-	-	-	27,148
-	271	323	3,750	-	-	-	120,328
-	-	-	-	-	-	-	416,248
-	-	-	-	-	-	-	63,150
-	-	-	-	-	-	-	43,537
-	-	-	-	-	-	-	165,708
33,876	-	-	-	-	-	-	33,876
-	110,819	-	-	-	-	-	110,819
-	-	42,681	-	-	-	-	42,681
-	-	-	215,541	-	70,123	110,422	396,086
<u>33,876</u>	<u>110,819</u>	<u>42,681</u>	<u>215,541</u>	<u>-</u>	<u>70,123</u>	<u>110,422</u>	<u>1,272,105</u>
<u>\$ 33,876</u>	<u>\$ 111,090</u>	<u>\$ 43,004</u>	<u>\$ 219,291</u>	<u>\$ -</u>	<u>\$ 70,123</u>	<u>\$ 110,422</u>	<u>\$ 1,392,433</u>

CITY OF LIVE OAK, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	SPECIAL REVENUE FUNDS				
	HOTEL/MOTEL OCCUPANCY FUND	FORFEITURE	CHILD SAFETY	FEDERAL/ STATE GRANTS	EMERGENCY RADIO SYSTEM
<u>REVENUES</u>					
Occupancy Tax	\$ 244,018	\$ -	\$ -	\$ -	\$ -
Franchise Fees	-	-	-	-	-
Fines and Fees	-	-	14,595	-	-
Service Fees	299,414	-	-	-	85,898
Intergovernmental	-	-	-	22,032	153,903
Investment Earnings	342	65	46	-	227
Total Revenues	<u>543,774</u>	<u>65</u>	<u>14,641</u>	<u>22,032</u>	<u>240,028</u>
<u>EXPENDITURES</u>					
Current					
General Government	256,453	-	-	-	-
Public Safety	17,287	-	5,993	-	378,815
Public Works	186,903	-	1,928	-	-
Debt Service					
Bond Issuance Cost	-	-	-	-	22,530
Capital Outlay	-	-	-	22,032	583,752
Total Expenditures	<u>460,643</u>	<u>-</u>	<u>7,921</u>	<u>22,032</u>	<u>985,097</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>83,131</u>	<u>65</u>	<u>6,720</u>	<u>-</u>	<u>(745,069)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	-	-	-	-	-
Issuance of Tax Notes	-	-	-	-	550,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>550,000</u>
Net Change in Fund Balances	83,131	65	6,720	-	(195,069)
<u>FUND BALANCES AT BEGINNING OF YEAR</u>	<u>333,117</u>	<u>63,085</u>	<u>36,817</u>	<u>-</u>	<u>360,777</u>
FUND BALANCES AT END OF YEAR	<u>\$ 416,248</u>	<u>\$ 63,150</u>	<u>\$ 43,537</u>	<u>\$ -</u>	<u>\$ 165,708</u>

CAPITAL PROJECTS

PUBLIC EDUCATION	COURT TECHNOLOGY	COURT SECURITY	CAPITAL PROJECTS	2005		WOODCREST PARK DONATIONS	TOTALS
				2004 GENERAL OBLIGATION FUND	CERTIFICATES OF OBLIGATION FUND		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,018
26,955	-	-	-	-	-	-	26,955
-	9,024	6,768	-	-	-	-	30,387
-	-	-	-	-	-	-	385,312
-	-	-	-	-	-	-	175,935
-	125	77	115	56	84	83	1,220
<u>26,955</u>	<u>9,149</u>	<u>6,845</u>	<u>115</u>	<u>56</u>	<u>84</u>	<u>83</u>	<u>863,827</u>
-	6,252	8,278	49,243	145,258	24,290	5,206	494,980
-	-	-	-	-	-	-	402,095
-	-	-	-	-	-	-	188,831
-	-	-	-	-	-	-	22,530
-	-	-	-	-	-	-	605,784
-	<u>6,252</u>	<u>8,278</u>	<u>49,243</u>	<u>145,258</u>	<u>24,290</u>	<u>5,206</u>	<u>1,714,220</u>
<u>26,955</u>	<u>2,897</u>	<u>(1,433)</u>	<u>(49,128)</u>	<u>(145,202)</u>	<u>(24,206)</u>	<u>(5,123)</u>	<u>(850,393)</u>
-	-	-	139,388	-	-	-	139,388
-	-	-	-	-	-	-	550,000
-	-	-	<u>139,388</u>	-	-	-	<u>689,388</u>
26,955	2,897	(1,433)	90,260	(145,202)	(24,206)	(5,123)	(161,005)
<u>6,921</u>	<u>107,922</u>	<u>44,114</u>	<u>125,281</u>	<u>145,202</u>	<u>94,329</u>	<u>115,545</u>	<u>1,433,110</u>
<u>\$ 33,876</u>	<u>\$ 110,819</u>	<u>\$ 42,681</u>	<u>\$ 215,541</u>	<u>\$ -</u>	<u>\$ 70,123</u>	<u>\$ 110,422</u>	<u>\$ 1,272,105</u>

CITY OF LIVE OAK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOTEL/MOTEL OCCUPANCY TAX
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL AND FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>REVENUES</u>				
Occupancy Tax	\$ 185,000	\$ 244,018	\$ 59,018	\$ 166,460
Service Fees	315,000	299,414	(15,586)	332,828
Investment Earnings	<u>1,000</u>	<u>342</u>	<u>(658)</u>	<u>475</u>
Total Revenues	<u>501,000</u>	<u>543,774</u>	<u>42,774</u>	<u>499,763</u>
<u>EXPENDITURES</u>				
Current				
General Government	293,850	256,453	37,397	275,470
Public Safety	24,730	17,287	7,443	22,354
Public Works	<u>273,150</u>	<u>186,903</u>	<u>86,247</u>	<u>188,522</u>
Total Expenditures	<u>591,730</u>	<u>460,643</u>	<u>131,087</u>	<u>486,346</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	(90,730)	83,131	173,861	13,417
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	-	-	-	<u>(69,095)</u>
Net Change in Fund Balance (Deficit)	(90,730)	83,131	173,861	(55,678)
<u>FUND BALANCE - BEGINNING</u>	<u>333,117</u>	<u>333,117</u>	<u>-</u>	<u>388,795</u>
FUND BALANCE - ENDING	<u>\$ 242,387</u>	<u>\$ 416,248</u>	<u>\$ 173,861</u>	<u>\$ 333,117</u>

CITY OF LIVE OAK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FORFEITURE
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL AND FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>REVENUES</u>				
Fines and Fees	\$ 10,000	\$ -	\$ (10,000)	\$ 3,010
Investment Earnings	300	65	(235)	150
Miscellaneous	-	-	-	657
Total Revenues	<u>10,300</u>	<u>65</u>	<u>(10,235)</u>	<u>3,817</u>
<u>EXPENDITURES</u>				
Public Safety	21,730	-	21,730	19,559
Capital Outlay	28,035	-	28,035	8,478
Total Expenditures	<u>49,765</u>	<u>-</u>	<u>49,765</u>	<u>28,037</u>
Net Change in Fund Balance (Deficit)	(39,465)	65	39,530	(24,220)
<u>FUND BALANCE - BEGINNING</u>	<u>63,085</u>	<u>63,085</u>	<u>-</u>	<u>87,305</u>
FUND BALANCE - ENDING	<u>\$ 23,620</u>	<u>\$ 63,150</u>	<u>\$ 39,530</u>	<u>\$ 63,085</u>

CITY OF LIVE OAK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CHILD SAFETY
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>2012 ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>	<u>2011 ACTUAL AMOUNTS</u>
<u>REVENUES</u>					
Fines and Fees	\$ 12,000	\$ 12,000	\$ 14,595	\$ 2,595	\$ 13,992
Investment Earnings	-	-	46	46	39
Total Revenues	<u>12,000</u>	<u>12,000</u>	<u>14,641</u>	<u>2,641</u>	<u>14,031</u>
<u>EXPENDITURES</u>					
Public Works	6,000	6,000	1,928	4,072	3,369
Public Safety	<u>6,000</u>	<u>6,000</u>	<u>5,993</u>	<u>7</u>	<u>6,223</u>
Total Expenditures	<u>12,000</u>	<u>12,000</u>	<u>7,921</u>	<u>4,079</u>	<u>9,592</u>
Net Change in Fund Balance	-	-	6,720	6,720	4,439
<u>FUND BALANCE - BEGINNING</u>	<u>36,817</u>	<u>36,817</u>	<u>36,817</u>	<u>-</u>	<u>32,378</u>
FUND BALANCE - ENDING	<u>\$ 36,817</u>	<u>\$ 36,817</u>	<u>\$ 43,537</u>	<u>\$ 6,720</u>	<u>\$ 36,817</u>

CITY OF LIVE OAK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FEDERAL/STATE GRANTS
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL BUDGET	FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>REVENUES</u>					
Intergovernmental	\$ -	\$ 25,000	\$ 22,032	\$ (2,968)	\$ 2,968
Miscellaneous	-	-	-	-	727
Total Revenues	-	25,000	22,032	(2,968)	3,695
<u>EXPENDITURES</u>					
Public Safety	-	-	-	-	991
Capital Outlay	-	25,000	22,032	2,968	2,968
Total Expenditures	-	25,000	22,032	2,968	3,959
Net Change in Fund Balance	-	-	-	-	(264)
<u>FUND BALANCE (DEFICIT) - BEGINNING</u>	-	-	-	-	264
FUND BALANCE - ENDING	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF LIVE OAK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
EMERGENCY RADIO SYSTEM FUND
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL AND FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>REVENUES</u>				
Service Fees	\$ 63,900	\$ 85,898	\$ 21,998	\$ 106,965
Intergovernmental	153,000	153,903	903	-
Investment Earnings	50	227	177	116
Total Revenues	<u>216,950</u>	<u>240,028</u>	<u>23,078</u>	<u>107,081</u>
<u>EXPENDITURES</u>				
Public Safety	433,058	378,815	54,243	37,139
Capital Outlay	583,752	583,752	-	-
Bond Issue Cost	-	<u>22,530</u>	<u>(22,530)</u>	-
Total Expenditures	<u>1,016,810</u>	<u>985,097</u>	<u>31,713</u>	<u>37,139</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(799,860)	(745,069)	54,791	69,942
<u>OTHER FINANCING SOURCES</u>				
Bonds Issued	<u>525,000</u>	<u>550,000</u>	<u>25,000</u>	-
Net Change in Fund Balance	(274,860)	(195,069)	79,791	69,942
<u>FUND BALANCE - BEGINNING</u>	<u>360,777</u>	<u>360,777</u>	-	<u>290,835</u>
FUND BALANCE - ENDING	<u>\$ 85,917</u>	<u>\$ 165,708</u>	<u>\$ 79,791</u>	<u>\$ 360,777</u>

CITY OF LIVE OAK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COURT TECHNOLOGY
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL AND FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>REVENUES</u>				
Fines and Fees	\$ 12,000	\$ 9,024	\$ (2,976)	\$ 9,541
Investment Earnings	500	125	(375)	143
Total Revenues	<u>12,500</u>	<u>9,149</u>	<u>(3,351)</u>	<u>9,684</u>
<u>EXPENDITURES</u>				
General Government	<u>23,700</u>	<u>6,252</u>	<u>17,448</u>	<u>15,421</u>
Net Change in Fund Balance (Deficit)	(11,200)	2,897	14,097	(5,737)
<u>FUND BALANCE - BEGINNING</u>	<u>107,922</u>	<u>107,922</u>	<u>-</u>	<u>113,659</u>
FUND BALANCE - ENDING	<u>\$ 96,722</u>	<u>\$ 110,819</u>	<u>\$ 14,097</u>	<u>\$ 107,922</u>

CITY OF LIVE OAK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COURT SECURITY
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL AND FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>REVENUES</u>				
Fines and Fees	\$ 10,000	\$ 6,768	\$ (3,232)	\$ 7,158
Investment Earnings	100	77	(23)	51
Total Revenues	<u>10,100</u>	<u>6,845</u>	<u>(3,255)</u>	<u>7,209</u>
<u>EXPENDITURES</u>				
General Government	<u>20,060</u>	<u>8,278</u>	<u>11,782</u>	<u>4,844</u>
Net Change in Fund Balance	(9,960)	(1,433)	8,527	2,365
<u>FUND BALANCE - BEGINNING</u>	<u>44,114</u>	<u>44,114</u>	<u>-</u>	<u>41,749</u>
FUND BALANCE - ENDING	<u>\$ 34,154</u>	<u>\$ 42,681</u>	<u>\$ 8,527</u>	<u>\$ 44,114</u>

CITY OF LIVE OAK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR 2011)

	ORIGINAL AND FINAL BUDGET	2012 ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2011 ACTUAL AMOUNTS
<u>REVENUES</u>				
Property Taxes	\$ 796,000	\$ 787,857	\$ (8,143)	\$ 801,946
Investment Earnings	1,000	629	(371)	496
Total Revenues	<u>797,000</u>	<u>788,486</u>	<u>(8,514)</u>	<u>802,442</u>
<u>EXPENDITURES</u>				
Principal	1,210,000	1,070,000	140,000	990,000
Interest and Fiscal Charges	738,754	739,908	(1,154)	735,221
Bond Issuance Cost	-	-	-	48,790
Total Expenditures	<u>1,948,754</u>	<u>1,809,908</u>	<u>138,846</u>	<u>1,774,011</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,151,754)</u>	<u>(1,021,422)</u>	<u>130,332</u>	<u>(971,569)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	1,168,648	986,302	(182,346)	1,042,133
Bonds Issued	-	-	-	3,400,000
Payment to Escrow Agent	-	-	-	(3,396,726)
Total Other Financing Sources (Uses)	<u>1,168,648</u>	<u>986,302</u>	<u>(182,346)</u>	<u>1,045,407</u>
Net Change in Fund Balance	16,894	(35,120)	(52,014)	73,838
<u>FUND BALANCE - BEGINNING</u>	<u>306,883</u>	<u>306,883</u>	<u>-</u>	<u>233,045</u>
FUND BALANCE - ENDING	<u>\$ 323,777</u>	<u>\$ 271,763</u>	<u>\$ (52,014)</u>	<u>\$ 306,883</u>

CITY OF LIVE OAK, TEXAS
COMPARATIVE BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 2012 AND 2011

	2012	2011
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 3,437,991	\$ 1,923,787
Investments	4,595,659	6,285,039
Receivables		
Ad Valorem Taxes (Net of Allowance for Uncollectibles of \$6,603 and \$6,165)	44,339	36,114
Sales Taxes	751,847	710,102
Franchise Taxes	171,144	18,541
Other	279,918	442,867
Due from Other Governments	1,666	2,067
Due from Other Funds	22,885	22,885
Accrued Interest	5,315	10,970
Prepaid Items	19,307	15,548
TOTAL ASSETS	\$ 9,330,071	\$ 9,467,920
<u>LIABILITIES</u>		
Accounts Payable	\$ 306,000	\$ 275,762
Accrued Liabilities	190,659	184,590
Due to Other Funds	-	-
Due to Other Governments	-	-
Deferred/Unearned Revenue	664,443	639,231
Total Liabilities	1,161,102	1,099,583
<u>FUND BALANCES</u>		
Nonspendable		
Prepaid Items	19,307	15,548
Restricted		
Weed Abatement	12,323	17,988
Committed		
Asset Replacement	1,572,184	1,784,217
Unassigned	6,565,155	6,550,584
Total Fund Balances	8,168,969	8,368,337
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,330,071	\$ 9,467,920

CITY OF LIVE OAK, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>REVENUES</u>		
Property Taxes	\$ 2,811,656	\$ 2,781,765
Sales Taxes	4,650,548	4,412,642
Franchise Taxes	825,509	805,082
Beverage Taxes	67,084	81,905
Fines and Fees	355,583	375,218
Permits and Fees	323,162	443,903
Service Fees	115,483	118,169
Intergovernmental	202,756	106,019
Investment Earnings	30,672	47,426
Miscellaneous	25,165	135,120
Total Revenues	<u>9,407,618</u>	<u>9,307,249</u>
<u>EXPENDITURES</u>		
General Government	2,179,447	2,137,204
Public Safety	5,199,122	5,230,931
Public Works	1,658,923	1,566,645
Community Services	231,477	173,002
Capital Outlay	613,110	593,800
Total Expenditures	<u>9,882,079</u>	<u>9,701,582</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(474,461)</u>	<u>(394,333)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	497,651	365,440
Transfers Out	<u>(222,558)</u>	<u>(21,607)</u>
Total Other Financing Sources (Uses)	<u>275,093</u>	<u>343,833</u>
Net Change in Fund Balances	(199,368)	(50,500)
<u>FUND BALANCES AT BEGINNING OF YEAR</u>	<u>8,368,337</u>	<u>8,418,837</u>
FUND BALANCES AT END OF YEAR	<u>\$ 8,168,969</u>	<u>\$ 8,368,337</u>

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Live Oak's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Live Oak's overall financial health.

<u>Contents</u>	<u>Tables</u>
Financial Trends	1 through 4
Net Assets by Component	
Change in Net Assets	
Fund Balances - Governmental Funds	
Changes in Fund Balances - Governmental Funds	
These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	5 through 10
Tax Revenues by Source - Governmental Funds	
Top 20 Sales Tax Providers	
Property Tax Levies and Collections	
Direct and Overlapping Property Tax Rates	
Assessed Taxable Values	
Principal Property Taxpayers	
These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales tax.	
Debt Capacity	11 through 13
Ratios of Outstanding Debt by Type	
Legal Debt Margin	
Direct and Overlapping Governmental Activities Debt	
These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	14 through 15
Demographic and Economic Statistics	
Principal Employers	
These tables offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments	
Operating Information	16 through 18
Operating Indicators by Function	
Capital Asset Statistics by Function	
Full-Time Equivalent City Government Employees by Function	
These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

CITY OF LIVE OAK, TEXAS
NET ASSETS, BY COMPONENT
LAST NINE FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>GOVERNMENTAL ACTIVITIES</u>			
Invested in Capital Assets, Net of Related Debt	\$ 1,884,737	\$ 2,416,552	\$ 3,190,628
Restricted	698,434	937,911	1,104,094
Unrestricted	<u>4,469,196</u>	<u>5,454,776</u>	<u>6,194,951</u>
 TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS	 <u>\$ 7,052,367</u>	 <u>\$ 8,809,239</u>	 <u>\$10,489,673</u>
<u>BUSINESS-TYPE ACTIVITIES</u>			
Invested in Capital Assets, Net of Related Debt	\$ 5,168,889	\$ 5,355,954	\$ 5,998,464
Unrestricted	<u>1,941,191</u>	<u>1,304,766</u>	<u>1,063,981</u>
 TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS	 <u>\$ 7,110,080</u>	 <u>\$ 6,660,720</u>	 <u>\$ 7,062,445</u>
<u>PRIMARY GOVERNMENT</u>			
Invested in Capital Assets, Net of Related Debt	\$ 7,053,626	\$ 7,772,506	\$ 9,189,092
Restricted	698,434	937,911	1,104,094
Unrestricted	<u>6,410,387</u>	<u>6,759,542</u>	<u>7,258,932</u>
 TOTAL PRIMARY GOVERNMENT NET ASSETS	 <u>\$14,162,447</u>	 <u>\$15,469,959</u>	 <u>\$17,552,118</u>

*Ten years of data will be accumulated. Data prior to 2004 is not currently available

TABLE 1

2007	2008	2009	2010	2011	2012
\$ 4,038,089	\$ 4,769,956	\$ 6,494,007	\$ 7,660,148	\$ 7,660,148	\$ 8,073,159
1,078,124	1,096,435	941,509	1,277,624	1,277,624	1,160,105
<u>7,769,020</u>	<u>9,598,385</u>	<u>8,576,444</u>	<u>9,984,672</u>	<u>9,984,672</u>	<u>9,741,537</u>
<u>\$12,885,233</u>	<u>\$15,464,776</u>	<u>\$16,011,960</u>	<u>\$18,922,444</u>	<u>\$18,922,444</u>	<u>\$18,974,801</u>
\$ 5,724,282	\$ 5,466,484	\$ 5,326,566	\$ 5,048,551	\$ 4,872,400	\$ 5,264,573
1,484,166	1,835,916	2,126,850	2,331,113	2,462,678	2,100,154
<u>\$ 7,208,448</u>	<u>\$ 7,302,400</u>	<u>\$ 7,453,416</u>	<u>\$ 7,379,664</u>	<u>\$ 7,335,078</u>	<u>\$ 7,364,727</u>
\$ 9,762,371	\$10,236,440	\$11,820,573	\$12,708,699	\$12,532,548	\$13,337,732
1,078,124	1,096,435	941,509	1,277,624	1,277,624	1,160,105
<u>9,253,186</u>	<u>11,434,301</u>	<u>10,703,294</u>	<u>12,315,785</u>	<u>12,447,350</u>	<u>11,841,691</u>
<u>\$20,093,681</u>	<u>\$22,767,176</u>	<u>\$23,465,376</u>	<u>\$26,302,108</u>	<u>\$26,257,522</u>	<u>\$26,339,528</u>

CITY OF LIVE OAK, TEXAS
CHANGE IN NET ASSETS
LAST NINE FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>EXPENSES</u>				
<u>Governmental Activities</u>				
General Government	\$ 1,618,384	\$ 1,467,600	\$ 1,913,249	\$ 1,727,904
Public Safety	3,790,243	3,888,472	4,184,312	4,532,582
Public Works	2,023,608	1,839,428	1,769,316	1,789,777
Community Services	112,454	89,996	142,156	136,224
Interest on Long-Term Debt	305,199	840,185	937,454	959,606
Capital Outlay	-	178,168	-	-
Total Governmental Activities	<u>7,849,888</u>	<u>8,303,849</u>	<u>8,946,487</u>	<u>9,146,093</u>
<u>Business-Type Activities</u>				
Water and Wastewater Utilities	1,959,902	2,786,243	1,967,548	2,140,453
Utility Development Replacement and Renewal	108,427	118,665	80,965	66,829
Storm Water Fund	-	-	-	-
Total Business-Type Activities	<u>2,068,329</u>	<u>2,904,908</u>	<u>2,048,513</u>	<u>2,207,282</u>
 Total Primary Government Expenses	 <u>9,918,217</u>	 <u>11,208,757</u>	 <u>10,995,000</u>	 <u>11,353,375</u>
<u>PROGRAM REVENUES</u>				
<u>Governmental Activities</u>				
Charges for Service				
General Government	808,879	290,360	353,098	460,842
Public Safety	237,795	498,664	492,568	658,050
Public Works	398,409	385,930	456,875	512,209
Community Services	263,912	28,828	49,610	52,478
Operating Grants and Contributions	206,902	1,034,822	1,433,601	1,190,606
Capital Grants and Contributions	381,290	404,484	37,238	147,000
Total Governmental Activities Program Revenues	<u>2,297,187</u>	<u>2,643,088</u>	<u>2,822,990</u>	<u>3,021,185</u>
<u>Business-Type Activities</u>				
Charges for Service				
Water and Wastewater Utilities	2,005,051	2,659,184	2,412,074	2,609,911
Utility Development Replacement and Renewal	-	-	-	-
Storm Water Fund	-	-	-	-
Capital Grants and Contributions	-	-	-	-
Total Business-Type Activities Program Revenues	<u>2,005,051</u>	<u>2,659,184</u>	<u>2,412,074</u>	<u>2,609,911</u>
 Total Primary Government Program Revenues	 <u>4,302,238</u>	 <u>5,302,272</u>	 <u>5,235,064</u>	 <u>5,631,096</u>

TABLE 2

2008	2009	2010	2011	2012
\$ 1,949,897	\$ 2,241,114	\$ 2,539,637	\$ 3,267,821	\$ 3,145,186
4,604,325	4,917,942	5,651,105	5,961,954	6,190,610
1,998,935	2,108,618	2,359,455	2,459,804	2,633,267
158,604	150,041	157,376	173,002	231,477
926,629	892,894	858,184	731,021	749,670
-	-	-	-	-
<u>9,638,390</u>	<u>10,310,609</u>	<u>11,565,757</u>	<u>12,593,602</u>	<u>12,950,210</u>
2,797,398	2,485,643	2,726,386	3,237,249	2,869,242
57,199	64,269	163,493	188,075	150,435
-	<u>378,638</u>	<u>375,347</u>	<u>380,789</u>	<u>422,827</u>
<u>2,854,597</u>	<u>2,928,550</u>	<u>3,265,226</u>	<u>3,806,113</u>	<u>3,442,504</u>
12,492,987	13,239,159	14,830,983	16,399,715	16,392,714
427,744	406,207	382,722	387,329	458,595
740,163	432,035	1,315,857	497,400	621,369
594,974	229,949	374,441	405,199	269,836
53,092	56,278	59,846	58,355	48,986
1,810,682	1,271,376	89,986	92,968	175,935
41,125	3,375	-	-	-
<u>3,667,780</u>	<u>2,399,220</u>	<u>2,222,852</u>	<u>1,441,251</u>	<u>1,574,721</u>
3,217,871	2,782,143	2,890,678	3,476,022	3,278,597
-	-	-	-	4,017
-	336,092	638,633	602,902	538,236
-	<u>44,500</u>	-	-	-
<u>3,217,871</u>	<u>3,162,735</u>	<u>3,529,311</u>	<u>4,078,924</u>	<u>3,820,850</u>
6,885,651	5,561,955	5,752,163	5,520,175	5,395,571

(CONTINUED)

CITY OF LIVE OAK, TEXAS
CHANGE IN NET ASSETS (CONTINUED)
LAST NINE FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>Net (Expense) Revenues</u>				
Governmental Activities	\$(5,552,701)	\$(5,660,761)	\$(6,123,497)	\$(6,124,908)
Business-Type Activities	<u>(63,278)</u>	<u>(245,724)</u>	<u>363,561</u>	<u>402,629</u>
Total Primary Government				
Net Expenses	<u>(5,615,979)</u>	<u>(5,906,485)</u>	<u>(5,759,936)</u>	<u>(5,722,279)</u>
 <u>GOVERNMENTAL REVENUES AND OTHER</u>				
<u>CHANGES IN NET ASSETS</u>				
<u>Governmental Activities</u>				
Taxes				
Property Taxes	1,514,097	2,236,777	2,070,122	2,309,242
Sales Taxes	3,245,739	3,715,684	3,823,324	4,110,521
Franchise Taxes	463,353	528,628	573,885	631,709
Beverage Taxes	27,278	46,837	59,046	60,625
Occupancy Taxes	191,289	203,410	210,113	209,117
Interest and Investment Earnings	95,239	367,028	695,967	828,381
Miscellaneous	21,001	14,294	53,370	53,379
Transfers	<u>122,500</u>	<u>304,975</u>	<u>318,104</u>	<u>317,494</u>
Total Governmental Activities	<u>5,680,496</u>	<u>7,417,633</u>	<u>7,803,931</u>	<u>8,520,468</u>
 <u>Business-Type Activities</u>				
Unrestricted Grants and Contributions	-	-	308,149	4,500
Interest and Investment Earnings	23,314	44,729	40,011	54,532
Miscellaneous	359	497	8,108	1,836
Transfers	<u>(122,500)</u>	<u>(304,975)</u>	<u>(318,104)</u>	<u>(317,494)</u>
Total Business-Type Activities	<u>(98,827)</u>	<u>(259,749)</u>	<u>38,164</u>	<u>(256,626)</u>
 <u>CHANGES IN NET ASSETS</u>				
Governmental Activities	127,795	1,756,872	1,680,434	2,395,560
Business-Type Activities	<u>(162,105)</u>	<u>(505,473)</u>	<u>401,725</u>	<u>146,003</u>
 TOTAL PRIMARY GOVERNMENT	 <u>\$ (34,310)</u>	 <u>\$ 1,251,399</u>	 <u>\$ 2,082,159</u>	 <u>\$ 2,541,563</u>

TABLE 2 (CONTINUED)

2008	2009	2010	2011	2012
<u>\$(5,970,610)</u>	<u>\$(7,911,389)</u>	<u>\$(9,342,905)</u>	<u>\$(11,152,351)</u>	<u>\$(11,375,489)</u>
<u>363,274</u>	<u>234,185</u>	<u>264,085</u>	<u>272,811</u>	<u>378,346</u>
<u>(5,607,336)</u>	<u>(7,677,204)</u>	<u>(9,078,820)</u>	<u>(10,879,540)</u>	<u>(10,997,143)</u>
2,551,884	3,031,549	3,542,393	3,631,698	3,657,100
4,113,296	4,113,131	5,600,972	5,883,522	6,200,731
662,237	717,274	810,184	812,004	852,464
62,845	77,701	82,225	81,905	67,084
211,669	185,162	156,639	166,460	244,018
496,053	137,002	57,975	51,499	33,704
131,953	98,183	55,112	138,072	21,595
<u>320,216</u>	<u>98,570</u>	<u>342,051</u>	<u>320,338</u>	<u>351,150</u>
<u>8,550,153</u>	<u>8,458,572</u>	<u>10,647,551</u>	<u>11,085,498</u>	<u>11,427,846</u>
-	-	-	-	-
49,538	15,401	4,214	2,941	2,453
1,356	-	-	-	-
<u>(320,216)</u>	<u>(98,570)</u>	<u>(342,051)</u>	<u>(320,338)</u>	<u>(351,150)</u>
<u>(269,322)</u>	<u>(83,169)</u>	<u>(337,837)</u>	<u>(317,397)</u>	<u>(348,697)</u>
2,579,543	547,183	1,304,646	(66,853)	52,357
<u>93,952</u>	<u>151,016</u>	<u>(73,752)</u>	<u>(44,586)</u>	<u>29,649</u>
<u>\$ 2,673,495</u>	<u>\$ 698,199</u>	<u>\$ 1,230,894</u>	<u>\$ (111,439)</u>	<u>\$ 82,006</u>

CITY OF LIVE OAK, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>GENERAL FUND</u>				
Reserved	\$ 685,623	\$ 379,119	\$ 24,634	\$ 20,790
Unreserved	3,625,422	4,619,576	5,653,296	7,010,350
Nonspendable:				
Prepaid Items	-	-	-	-
Restricted:				
Weed Abatement	-	-	-	-
Committed:				
Asset Replacement	-	-	-	-
Unassigned:	-	-	-	-
TOTAL GENERAL FUND	<u>\$ 4,311,045</u>	<u>\$ 4,998,695</u>	<u>\$ 5,677,930</u>	<u>\$7,031,140</u>
 <u>ALL OTHER GOVERNMENTAL FUNDS</u>				
Reserved	\$ 90,743	\$ 68,253	\$ 240,903	\$ 183,327
Unreserved, Reported in:				
Special Revenue Funds	735,791	621,109	615,179	694,538
Capital Project Funds*	12,431,530	11,084,685	12,940,858	8,238,013
Nonspendable:				
Prepaid Items	-	-	-	-
Restricted:				
Special Revenue Funds	-	-	-	-
Debt Service	-	-	-	-
Committed:				
Economic Development	-	-	-	-
Capital Projects Funds	-	-	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	<u>\$13,258,064</u>	<u>\$11,774,047</u>	<u>\$13,796,940</u>	<u>\$9,115,878</u>

Notes:

*In 2004, the City issued General Obligation Bonds to fund capital projects.

*In 2006, the City issued General Certificates of Obligation to fund capital projects.

Ten years of data will be accumulated. Data prior to 2004 is not currently available

With the Implementation of GASB 54, fund balance will be reported differently beginning in 2011. The information will be presented on a prospective basis.

TABLE 3

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 16,678	\$ 73,398	\$ 38,465	\$ -	\$ -
7,825,520	8,127,315	8,380,372	-	-
-	-	-	15,548	19,307
-	-	-	17,988	12,323
-	-	-	1,784,217	1,572,184
-	-	-	6,550,584	6,565,155
<u>\$7,842,198</u>	<u>\$8,200,713</u>	<u>\$8,418,837</u>	<u>\$8,368,337</u>	<u>\$ 8,168,969</u>
\$ 934,274	\$ 783,126	\$1,567,597	\$ -	\$ -
303,594	274,038	1,980,717	-	-
3,696,883	1,703,372	338,044	-	-
-	-	-	6,346	1,245
-	-	-	952,753	876,019
-	-	-	306,883	271,763
-	-	-	948,484	1,029,211
-	-	-	480,357	396,086
<u>\$4,934,751</u>	<u>\$2,760,536</u>	<u>\$3,886,358</u>	<u>\$2,694,823</u>	<u>\$ 2,574,324</u>

CITY OF LIVE OAK, TEXAS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>REVENUES</u>				
Taxes	\$ 5,409,223	\$6,654,847	\$6,760,437	\$ 7,301,639
Fines and Fees	515,520	547,103	519,420	503,053
Permits and Fees	343,821	373,118	466,447	522,866
Service Fees	310,349	303,899	366,284	476,851
Intergovernmental	1,053,081	1,063,680	1,467,138	1,337,605
Investment Earnings	95,239	367,021	695,967	829,670
Park Donations	-	-	-	-
Miscellaneous	74,416	318,022	53,870	53,379
Total Revenues	<u>7,801,649</u>	<u>9,627,690</u>	<u>10,329,563</u>	<u>11,025,063</u>
<u>EXPENDITURES</u>				
General Government	1,594,528	1,370,414	1,695,110	1,518,565
Public Safety	3,410,450	3,569,408	3,845,347	4,100,652
Public Works	1,835,860	1,650,237	1,487,248	1,525,635
Community Services	66,768	88,991	141,205	136,813
Debt Service				
Principal	231,549	580,000	865,000	855,000
Interest and Fiscal Charges	514,878	771,524	1,081,273	972,946
Capital Projects/Outlay	156,210	2,571,045	4,182,509	5,560,798
Total Expenditures	<u>7,810,243</u>	<u>10,601,619</u>	<u>13,297,692</u>	<u>14,670,409</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,594)</u>	<u>(973,929)</u>	<u>(2,968,129)</u>	<u>(3,645,346)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	225,376	373,403	388,877	385,267
Transfers Out	(102,876)	(68,428)	(70,773)	(67,773)
Proceeds of Long-Term Financing	12,696,287	-	5,358,403	-
Total Other Financing Sources (Uses)	<u>12,818,787</u>	<u>304,975</u>	<u>5,676,507</u>	<u>317,494</u>
NET CHANGE IN FUND BALANCES	<u>\$12,810,193</u>	<u>\$ (668,954)</u>	<u>\$2,708,378</u>	<u>\$(3,327,852)</u>
Debt Service as a Percentage of Noncapital Expenditures	9.75%	16.83%	21.35%	20.07%

*Ten years of data will be accumulated. Data prior to 2004 is not currently available.

TABLE 4

2008	2009	2010	2011	2012
\$ 7,611,875	\$ 8,115,759	\$10,045,969	\$10,527,601	\$10,963,810
816,140	580,709	528,495	408,919	385,970
631,038	258,750	421,730	443,903	323,162
412,934	415,268	725,494	557,962	500,795
1,851,807	1,118,038	204,883	198,987	378,691
496,053	137,002	57,975	51,499	33,704
-	156,713	-	-	-
131,953	98,183	161,612	162,504	25,165
<u>11,951,800</u>	<u>10,880,422</u>	<u>12,146,158</u>	<u>12,351,375</u>	<u>12,611,297</u>
1,789,022	2,093,020	2,438,041	3,176,380	2,933,418
4,174,524	4,375,773	5,015,890	5,317,197	5,601,217
1,627,949	1,422,997	1,657,466	1,758,536	1,847,754
157,990	176,890	157,376	173,002	231,477
890,000	920,000	950,000	990,000	1,070,000
938,936	905,398	870,673	784,011	762,438
6,063,664	2,900,614	1,615,326	1,717,896	1,386,010
<u>15,642,085</u>	<u>12,794,692</u>	<u>12,704,772</u>	<u>13,917,022</u>	<u>13,832,314</u>
<u>(3,690,285)</u>	<u>(1,914,270)</u>	<u>(558,614)</u>	<u>(1,565,647)</u>	<u>(1,221,017)</u>
1,189,938	386,773	1,934,595	1,407,573	1,623,341
(869,722)	(288,203)	(1,592,544)	(1,087,235)	(1,272,191)
-	-	-	3,274	550,000
<u>320,216</u>	<u>98,570</u>	<u>342,051</u>	<u>323,612</u>	<u>901,150</u>
<u>\$(3,370,069)</u>	<u>\$(1,815,700)</u>	<u>\$ (216,563)</u>	<u>\$ (1,242,035)</u>	<u>\$ (319,867)</u>
18.87%	18.17%	16.42%	14.54%	14.72%

CITY OF LIVE OAK, TEXAS
TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS

TABLE 5

<u>FISCAL YEAR</u>	<u>PROPERTY</u>	<u>SALES AND USE</u>	<u>FRANCHISE</u>	<u>MIXED BEVERAGE</u>	<u>OCCUPANCY</u>	<u>TOTAL REVENUE</u>
2004	\$1,500,400	\$3,226,903	\$463,353	\$27,278	\$191,289	\$5,409,223
2005	2,232,806	3,643,166	528,628	46,837	203,410	6,654,847
2006	2,062,458	3,854,935	573,885	59,046	210,113	6,760,437
2007	2,317,376	4,082,812	631,709	60,625	209,117	7,301,639
2008	2,550,817	4,124,307	662,237	62,845	211,669	7,611,875
2009	3,015,749	4,119,873	717,274	77,701	185,162	8,115,759
2010	3,395,949	5,660,972	810,184	82,225	156,639	10,105,969
2011	3,583,711	5,883,522	812,003	81,905	166,460	10,527,601
2012	3,599,513	6,200,731	852,464	67,084	244,018	10,963,810

*Ten years of data will be accumulated. Data prior to 2004 is not currently available.

CITY OF LIVE OAK, TEXAS
TOP 20 SALES TAX PROVIDERS
BY BUSINESS CLASS
LAST THREE FISCAL YEARS

TABLE 6

BUSINESS CLASS	2011/12		2010/11		2009/10	
	RANK	% OF TOTAL	RANK	% OF TOTAL	RANK	% OF TOTAL
Radio, TV, and Other Electronics	1	12.4%	1	12.4%	1	13.2%
Home Centers	2	10.7	2	10.7	2	10.7
Discount Department Stores	3	10.0	3	10.3	3	10.6
Full-Service Restaurant	4	9.2	4	10.2	4	10.1
Department Stores	5	6.3	5	6.5	5	6.6
Limited-Service Restaurant	6	5.2	6	4.3	8	3.5
Wired Telecommunication	7	4.3	7	4.2	6	5.0
Other Retail	8	4.0	8	3.9	11	3.1
Motion Picture Theaters	9	3.5	9	3.6	7	4.1
Jewelry Stores	10	3.3	11	3.2	13	2.6
New Car Dealers	11	3.3	10	3.3	9	3.4
Other Apparel Stores	12	3.1	12	3.1	10	3.1
Health Care and Social	13	2.3	13	2.7	12	2.8
Tire Dealers	14	2.0	14	1.9	16	1.8
Furniture Stores	15	1.3	15	1.8	15	2.0
Wholesalers Durable	16	1.2	17	1.2	-	-
Elec Power Gen, Trans	17	1.2	16	1.4	17	1.3
Automotive Repair/Maint	18	1.2	18	1.1	18	1.2
Direct Selling Establishment	19	1.1	19	1.1	20	1.0
Amusement, Gambling, Recreation	20	1.0	-	1.0	-	-
Not Reported by State	-	-	-	-	14	2.1
Mining	-	-	-	-	19	1.0

Source: Muniservices

*Ten years of data will be accumulated. Data prior to 2009 is not currently available.

**Texas Tax Code 321.3022(c) declares specific information on vendor and amounts to be confidential and is not subject to public inspection. The City of Live Oak understands the value of this information and determined that presentation by business class is the best way to convey this information.

CITY OF LIVE OAK, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 7

<u>FISCAL YEAR ENDED SEPTEMBER 30,</u>	<u>TAXES LEVIED FOR THE FISCAL YEAR</u>	<u>COLLECTED WITHIN FISCAL YEAR OF LEVY</u>		<u>COLLECTIONS IN SUBSEQUENT YEARS</u>	<u>TOTAL COLLECTIONS TO DATE</u>		<u>PENALTIES AND INTEREST COLLECTED</u>
		<u>AMOUNT</u>	<u>% OF LEVY</u>		<u>AMOUNT</u>	<u>% OF LEVY</u>	
2003	\$1,426,422	\$1,414,690	99.2%	\$ 11,707	\$1,426,397	99.9%	\$ 11,219
2004	1,524,558	1,488,246	97.6%	36,311	1,524,557	99.9%	8,071
2005	2,211,411	2,193,585	99.2%	17,820	2,211,405	99.9%	24,363
2006	2,103,091	2,079,711	98.9%	23,326	2,103,037	99.9%	16,812
2007	2,360,097	2,342,774	99.3%	17,323	2,360,097	100.0%	14,859
2008	2,616,658	2,599,429	99.3%	15,652	2,615,081	99.9%	14,045
2009	3,184,637	3,156,003	99.1%	23,310	3,179,313	99.8%	13,392
2010	3,602,995	3,564,494	98.9%	25,692	3,590,186	99.6%	16,203
2011	3,727,705	3,710,594	99.5%	9,209	3,719,803	99.8%	20,734
2012	3,823,938	3,799,510	99.4%	-	3,799,510	99.4%	11,762

CITY OF LIVE OAK, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST NINE FISCAL YEARS (UNAUDITED)

TABLE 8

FISCAL YEAR	CITY DIRECT RATES*			OVERLAPPING RATES*						
	GENERAL M & O	DEBT SERVICE	TOTAL DIRECT	JUDSON INDEPENDENT SCHOOL DISTRICT	NORTHEAST INDEPENDENT SCHOOL DISTRICT	ALAMO CCD	SAN ANTONIO RIVER AUTHORITY	BEXAR COUNTY	BEXAR COUNTY FLOOD CONTROL DISTRICT	UNIVERSITY HEALTH SYSTEM
2004	0.335000	0.000000	0.335000	1.7760	1.76250	0.10705	0.016425	0.243870	0.016000	0.243869
2005	0.314837	0.150163	0.465000	1.7760	1.76400	0.10705	0.016425	0.317571	0.016425	0.243869
2006	0.251521	0.158479	0.410000	1.7760	1.79400	0.10705	0.016425	0.318471	0.012719	0.243869
2007	0.250039	0.134961	0.385000	1.6360	1.66900	0.13710	0.016045	0.314147	0.012719	0.243869
2008	0.255248	0.109152	0.364400	1.4100	1.40290	0.13455	0.015951	0.295104	0.031762	0.237408
2009	0.301238	0.103893	0.405131	1.4650	1.40290	0.13586	0.015951	0.289399	0.037467	0.261022
2010	0.350000	0.099369	0.449369	1.4630	1.40290	0.135855	0.015951	0.296187	0.030679	0.266235
2011	0.373790	0.102993	0.476783	1.4630	1.40290	0.141623	0.016652	0.296187	0.030679	0.276235
2012	0.378511	0.098780	0.477291	1.4250	1.4250	0.149150	0.017370	0.296187	0.030679	0.276235

Source: Bexar Appraisal District.

*Rates are set the previous October 1 to fund the operations of the fiscal year as shown.

**Ten years of data will be accumulated. Data prior to 2004 is not currently available.

CITY OF LIVE OAK, TEXAS
ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
LAST NINE FISCAL YEARS

TABLE 9

<u>FISCAL</u> <u>YEAR</u> <u>ENDED</u> <u>SEPTEMBER 30,</u>	<u>TAXABLE</u> <u>VALUE</u> <u>JANUARY 1,</u>	<u>RESIDENTIAL</u> <u>PROPERTY</u>	<u>COMMERCIAL</u> <u>PROPERTY</u>	<u>LESS:</u> <u>TAX-EXEMPT</u> <u>PROPERTY</u>	<u>TOTAL TAXABLE</u> <u>ASSESSED</u> <u>VALUE*</u>	<u>TOTAL</u> <u>DIRECT</u> <u>TAX RATE</u>
2004	2003	\$277,520,352	\$241,230,500	\$64,187,543	\$ 454,563,309	0.3350
2005	2004	288,349,486	261,993,642	74,722,566	475,620,562	0.4650
2006	2005	313,821,282	287,083,657	87,960,998	512,943,941	0.4100
2007	2006	357,648,339	359,785,742	102,460,249	614,973,832	0.3850
2008	2007	422,559,128	410,578,741	110,319,263	722,818,606	0.3644
2009	2008	457,554,075	485,020,811	146,791,505	795,783,381	0.405131
2010	2009	452,807,042	518,243,548	151,480,897	819,569,693	0.449369
2011	2010	444,881,523	508,132,623	158,642,440	794,371,706	0.476783
2012	2011	462,465,883	510,152,136	159,775,982	812,842,037	0.477291

Source: Bexar Appraisal District.

*Total taxable assessed value and total estimated actual value of taxable property is the same. Total taxable assessed value reported is not adjusted for enacted freeze on property values for certain taxpayers, which became effective September 20, 2005. The freeze-adjusted taxable value for the 2011 tax roll was \$777,468,883.

**Ten years of data will be accumulated. Data prior to 2004 is not currently available.

CITY OF LIVE OAK, TEXAS
 PRINCIPAL PROPERTY TAXPAYERS
 SEPTEMBER 30, 2012
 (UNAUDITED)

TABLE 10

TAXPAYER	2011 TAX ROLL		% OF TOTAL ASSESSED VALUATION
	ASSESSED VALUATION	RANK	
Randolph Brooks Federal Credit Union	\$ 36,225,337	1	4.99%
Methodist Healthcare System S.A.	40,561,780	2	4.46%
Mira Loma, LLC	31,900,000	3	3.92%
Redus TX Properties, L.L.C.	26,114,050	4	3.21%
Continental 136 Fund	24,400,000	5	3.00%
MBS-Colonade, Ltd	23,639,000	6	2.91%
SA Development Company, LP	14,738,515	7	1.81%
Target Corporation	11,921,318	8	1.47%
Jordan Ford, Inc.	10,614,630	9	1.31%
LOTC Holdings, Ltd.	9,475,770	10	1.17%
	<u>\$229,590,400</u>		

Source: Bexar Appraisal District.

*Ten years of data will be accumulated. Data from 2002 is not currently available

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CITY OF LIVE OAK, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST NINE FISCAL YEARS
(UNAUDITED)

TABLE 11

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	ACTUAL TAXABLE VALUE OF PROPERTY	PERCENTAGE OF TAXABLE VALUE OF PROPERTY	PERCENTAGE OF PERSONAL INCOME	*PER CAPITA
	GENERAL OBLIGATION BONDS	CERTIFICATES OF OBLIGATION	TAX NOTES	TAX NOTES						
2004	\$12,250,000	\$4,930,000	\$ -	\$ -	\$17,180,000	\$454,653,309	3.8%	8.7%	1,876	
2005	11,875,000	4,725,000	-	-	16,600,000	475,620,562	3.5%	7.2%	1,581	
2006	11,440,000	9,495,000	-	-	20,935,000	512,943,941	4.1%	7.6%	1,745	
2007	10,995,000	9,085,000	-	-	20,080,000	614,973,832	3.3%	6.8%	1,606	
2008	10,535,000	8,655,000	-	-	19,190,000	722,818,606	2.7%	6.5%	1,535	
2009	10,060,000	8,210,000	-	-	18,270,000	795,783,381	2.3%	6.4%	1,390	
2010	9,575,000	7,745,000	-	-	17,320,000	819,569,693	2.1%	5.9%	1,283	
2011	12,475,000	4,010,000	-	-	16,485,000	794,371,706	2.1%	5.3%	1,255	
2012	11,700,000	3,795,000	470,000	485,000	16,450,000	812,842,037	2.1%	5.2%	1,222	

Source: Live Oak Annual Budget and Bexar Appraisal District.

*The per capita is derived by dividing the total primary government by the population on Table 14.

**Ten years of data will be accumulated. Data prior to 2004 is not currently available.

CITY OF LIVE OAK, TEXAS
LEGAL DEBT MARGIN
LAST NINE FISCAL YEARS
(UNAUDITED)

ASSESSED VALUE	<u>\$812,842,037</u>
*DEBT LIMIT (10% of ASSESSED VALUE)	<u>\$ 81,284,204</u>
Outstanding Debt	\$ 16,450,000
Less: Amount Set Aside for Repayment of General Obligation Debt	<u>(271,763)</u>
Total Net Debt Applicable to Limit	<u>16,178,237</u>
 ECONOMIC DEBT MARGIN	 <u>\$ 65,105,967</u>

	2004	2005	2006	FISCAL 2007
Debt Limit	\$45,465,331	\$47,562,056	\$51,294,394	\$ 61,497,383
Total Net Debt Applicable to Limit	<u>(17,126,064)</u>	<u>(16,545,047)</u>	<u>(20,696,414)</u>	<u>(19,898,990)</u>
 ECONOMIC DEBT MARGIN	 <u>\$28,339,267</u>	 <u>\$31,017,009</u>	 <u>\$30,597,980</u>	 <u>\$ 41,598,393</u>

*Texas statutes do not prescribe a debt limit, however, by custom a practical debt limit of 10% of the assessed valuation is used.

**Ten years of data will be accumulated. Data prior to 2004 is not currently available.

TABLE 12

<u>YEAR</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	\$72,281,861	\$79,578,338	\$81,956,969	\$79,437,171	\$ 81,284,204
	<u>(18,996,178)</u>	<u>(18,044,640)</u>	<u>(17,086,955)</u>	<u>(16,178,117)</u>	<u>(16,178,237)</u>
	<u>\$53,285,683</u>	<u>\$61,533,698</u>	<u>\$64,870,014</u>	<u>\$63,259,054</u>	<u>\$ 65,105,967</u>

CITY OF LIVE OAK, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2012
 (UNAUDITED)

TABLE 13

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE*	ESTIMATED SHARE OF OVERLAPPING DEBT
<i>Debt Repaid with Property Taxes:</i>			
Alamo CCD	\$ 534,275,000	0.89%	\$ 4,755,047
Bexar County	962,710,000	0.91%	8,760,661
Bexar County Hospital District	733,350,000	0.80%	5,866,800
Judson ISD	380,017,083	8.72%	33,137,490
North East ISD	1,277,593,430	1.11%	14,181,287
San Antonio River Authority	30,680,000	0.73%	<u>223,964</u>
Subtotal - Overlapping Debt			66,925,249
City of Live Oak - Direct Debt			<u>16,450,000</u>
			<u>\$83,375,249</u>

Source: Municipal Advisory Council of Texas

**NOTE: Overlapping governments are those that coincide, as least in part, within the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Live Oak, Texas. This process recognizes that, when considering the City of Live Oak's ability to issue and repay long-term debt, the entire debt burden borne by residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.*

CITY OF LIVE OAK, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST NINE FISCAL YEARS
(UNAUDITED)

TABLE 14

<u>YEAR</u>	<u>POPULATION</u>	<u>PERSONAL INCOME</u> (expressed in 1,000's)	<u>PER CAPITA PERSONAL INCOME</u>	<u>MEDIAN AGE</u>	<u>SCHOOL ENROLLMENT</u>	<u>UNEMPLOYMENT RATE</u>
2004	9,156	\$ 196,552	\$ 21,467	36.5	2,284	3.2%
2005	10,500	231,000	22,000	36.0	2,500	3.1%
2006	12,000	276,000	23,000	35.0	2,800	3.0%
2007	12,500	293,750	23,500	36.5	3,200	3.9%
2008	12,500	293,750	23,500	36.5	3,240	5.1%
2009	13,142	283,696	21,587	34.3	6,298	6.8%
2010	** 13,500	291,425	21,587	35.3	7,155	7.6%
2011	13,131	310,942	23,680	36.5	7,346	7.0%
2012	13,455	316,300	23,508	35.5	6,849	7.1%

Sources: Population, per capita income and median age information provided by the United States Census Bureau. School enrollment information was provided by the Judson Independent School District and Alamo Colleges. Unemployment rate was provided by the Texas Workforce Commission.

*Ten years of data will be accumulated. Data prior to 2004 is not currently available.

**2010 census will not be released until February 2011.

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CITY OF LIVE OAK, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

TABLE 15

EMPLOYER	2012			2003		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
USAA	15,000	1	1.10%	N/A	N/A	N/A
HEB Food Stores	14,588	2	1.07	N/A	N/A	N/A
Northside ISD	12,751	3	0.93	N/A	N/A	N/A
Northeast ISD	10,522	4	0.77	N/A	N/A	N/A
City of San Antonio	9,145	5	0.67	N/A	N/A	N/A
San Antonio ISD	7,000	6	0.51	N/A	N/A	N/A
Methodist Healthcare	7,747	7	0.56	N/A	N/A	N/A
Bill Miller Bar-B-Q	4,190	8	0.30	N/A	N/A	N/A
Cullen/Frost Bankers	3,982	9	0.29	N/A	N/A	N/A
Valero Energy	<u>3,777</u>	10	<u>0.27</u>	N/A	N/A	N/A
TOTALS	<u>88,702</u>		<u>6.47%</u>			

Source: San Antonio Economic Development Foundation.

The City of Live Oak, Texas is surrounded by the City of San Antonio and no data is available for the employers in Live Oak, Texas. The above data is for San Antonio.

*Information from nine years ago not available.

CITY OF LIVE OAK, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST NINE FISCAL YEARS
(UNAUDITED)

<u>FUNCTION</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police			
Traffic Violations	7,754	7,437	6,684
Arrests	860	876	910
Fire			
Fire Calls	386	332	342
EMS Calls	650	675	867
Inspections	6,552	7,273	8,088
Public Works			
Street Resurfacing (Miles)	-	6.80	10.60
Sidewalk Construction (Feet)	6,800	7,920	13,200
Water			
Service Connections	2,291	2,345	2,441
Average Daily Consumption in Gallons			
Pumpage	1,019,627	1,120,530	1,353,442
Billing	1,021,189	1,207,728	1,141,371
Average	1,020,408	1,164,129	1,247,407
Sewage			
Service Connections	3,334	3,535	3,690
Average Daily Treatment of Gallons	947,143	916,584	1,076,572

Source: Various City Departments

*Ten years of data will be accumulated. Data prior to 2004 is not currently available

TABLE 16

2007	2008	2009	2010	2011	2012
7,445	6,637	3,302	3,268	4,562	4,367
768	551	591	614	484	534
257	228	431	278	596	284
804	904	914	1,102	1,041	1,197
5,268	4,648	3,163	541	95	239
-	8.20	2.27	7.40	0.50	0.010
13,202	11,509	14,092	8,290	5,423	2,890
2,540	2,582	2,597	2,537	2,611	2,689
1,380,510	1,011,153	997,801	998,507	1,076,258	1,042,873
1,198,440	1,002,776	989,686	999,608	1,090,771	1,029,259
1,309,777	1,006,964	988,250	999,057	1,083,514	1,036,066
3,890	4,172	4,290	4,270	4,435	4,550
1,108,869	1,355,748	1,284,610	837,573	1,245,783	1,134,022

CITY OF LIVE OAK, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST NINE FISCAL YEARS
(UNAUDITED)

TABLE 17

FUNCTION	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police									
Stations	1	1	1	1	1	1	1	1	1
Officers (Including Reserves)	33	37	35	34	31	35	36	35	35
Fire									
Stations	1	1	1	1	1	1	1	1	1
Firefighters (Including Reserves)	29	30	30	31	20	20	22	23	22
Culture and Recreation									
Community Centers	1	1	1	1	1	1	1	1	1
Parks	1	2	2	2	2	3	3	3	3
Swimming Pools	1	1	1	1	1	1	1	1	1
Public Works									
Miles of Streets	40.00	41.20	43.20	45.20	45.20	45.20	45.20	45.20	45.20
Water									
Miles of Water Mains	26.4	27.0	28.0	29.0	30.0	30.0	30.0	30.0	35.0
Number of Hydrants	245	260	280	295	300	435	436	436	436
Sewer									
Miles of Sanitary Sewers	35	38	40	42	43	43	43	43	43
Feet of Storm Sewers	11,000	11,000	11,000	13,200	13,200	13,200	13,200	13,400	13,400

Source: Various City Departments

*Ten years of data will be accumulated. Data prior to 2004 is not currently available.

CITY OF LIVE OAK, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST NINE FISCAL YEARS
(UNAUDITED)

TABLE 18

<u>FUNCTION</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government									
Business Office	12	11	11	12	12	11	9	11	12
Finance	2	2	2	3	4	4	4	5	5
Manager and Council	3	3	3	3	3	3	3	3	3
Police									
Officers	25	25	25	31	30	31	32	32	32
Civilians	14	13	14	14	14	14	14	15	15
Fire									
Civilians	3	3	3	3	1	1	1	1.5	1.5
Firefighters and Officers	19	18	18	18	17	20	20	20	20
Public Works	16	15	11	14	17	11	12	12	11
Development	1	1	1	1	5	3	4	3.5	3.5
Parks	7	8	7	6	5	7	6	6	7
Water and Sewer	13	12	12	8	8	13	13	13	13
Civic Center	-	-	-	-	-	3	3	3	3
TOTALS	<u>115</u>	<u>111</u>	<u>107</u>	<u>113</u>	<u>116</u>	<u>121</u>	<u>121</u>	<u>125</u>	<u>126</u>

Source: City Annual Budget.

*Ten years of data will be accumulated. Data prior to 2004 is not currently available.

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COMPLIANCE SECTION

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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 Council
City of Live Oak, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Live Oak, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City of Live Oak, Texas, basic financial statements and have issued our report thereon dated January 23, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Live Oak, 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 a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Alonso, Bacarisse, Irvine & Palmer, P.C.

Certified Public Accountants

San Antonio, Texas

January 23, 2013