

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
CITY OF LIVINGSTON, TEXAS**

**FISCAL YEAR
OCTOBER 1, 2007 - SEPTEMBER 30, 2008
ISSUED BY: FINANCE DEPARTMENT
MARILYN SUTTON**

**CITY OF LIVINGSTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2008**

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City of Livingston, Texas

A Texas Main Street City Since 2005

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www.cityoflivingston-tx.com

April 7, 2009

Honorable Mayor and
Members of the City Council
City of Livingston
Livingston, Texas

Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the City of Livingston for the fiscal year ended September 30, 2008 is submitted herewith. This report is published to provide the City Council, City Staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial section of this report includes Management's Discussion and Analysis (MD&A), basic financial statements and individual fund statements and schedules, as well as the independent auditor's report on the basic financial statements. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City of Livingston's MD&A can be found immediately following the report of the independent auditor.

The Financial Section described above is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations, as applicable.

CITY PROFILE

Location

The City of Livingston is located in southeast Polk County, approximately 75 miles northeast of Houston. Livingston is readily accessible via U.S. Highway 59 on the north and south and U.S. 190 on the east and west.

The City is a general law city operating under the Council-Manager form of government. The City Council is comprised of the Mayor and five Council members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Council and is responsible for the daily management of the City. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria no other governmental organizations are included in this report.

Services Provided

Reflected in this report is the extensive range of services provided by the City of Livingston. These basic services include public safety, streets, sanitation, parks, recreation, events, library, provision of water and electricity, sewage disposal and general administration services.

Accounting Systems and Budgetary Control

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

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

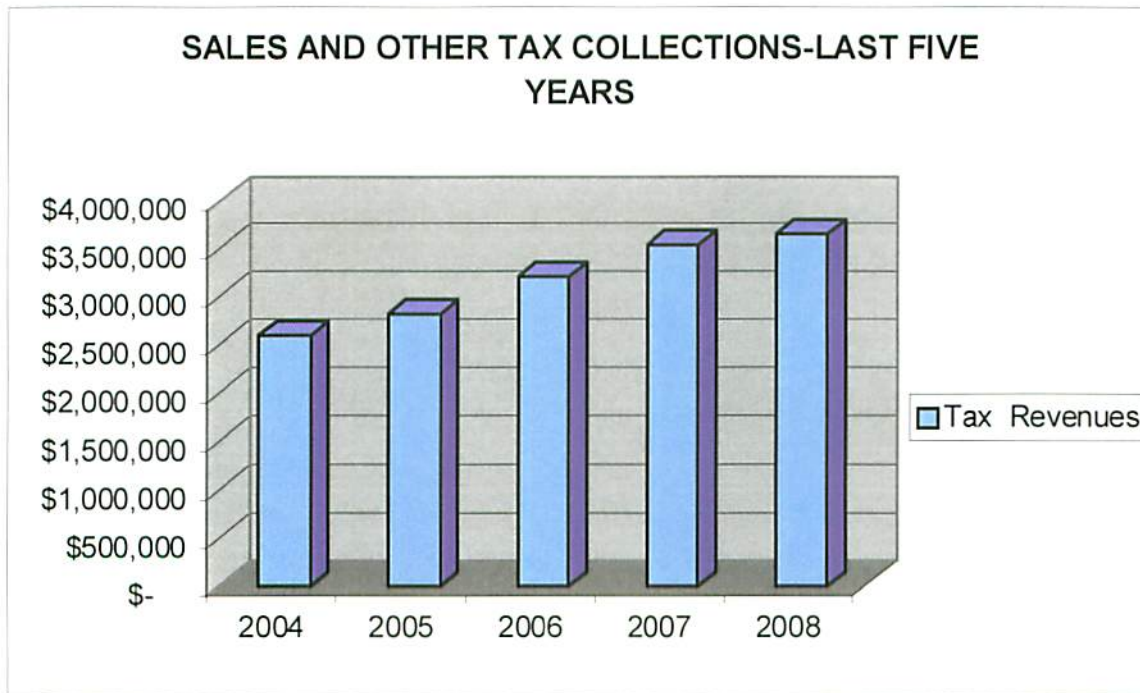
The definition of accounting control comprehends reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived. The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

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

In accordance with the State Laws of Texas, the City has formally established budgetary accounting control for its operating funds. Budgetary control is maintained at the department head/function level. Financial reports are produced showing budget and actual expenditures by line item, and are distributed monthly to City departmental and divisional management and to others upon request. Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures (items over \$5,000 and having a useful life of three or more years) are monitored and controlled item by item. Revenue budgets are reviewed monthly.

ECONOMIC OUTLOOK AND FINANCIAL CONDITION

In late 2008, both a weather-related disaster in the form of Hurricane Ike and an economic downturn impacted the community, with likely effects of both events continuing into the coming year. Based on various local economic indicators including sales tax collections, ad valorem property assessed values, building permits for new construction, and utility connections and revenues, the community is beginning to see a slowing of the growth trend that the City has enjoyed during the past several years. The City is optimistic that it will continue to experience modest economic growth during 2009. Sales tax receipts, a major indicator of the economic condition of the area, increased from \$3,145,000 in 2006-2007 to \$3,232,000 an increase of \$87,000 or 2.7%, due to the new retail businesses which opened in 2008. A graph of tax receipt growth follows:



2008 saw the completion of many new residential and commercial construction projects in Livingston with 125 building permits issued at a total construction value of \$7,317,952. New or renovated businesses and commercial developments which were completed and opened in 2008 include: The Bradford at Brookside, Best Western motel, Community Title Company, Catfish King, Popeye's Chicken, and Aaron Rents. Additions in the Jackson Square development include Palais Royal, Texas Workforce Center and a new car wash. An expansion of the Southpoint Shopping Center located on US 59 South includes My Place restaurant, Party Pro, Interior Treasures and Anytime Fitness Center. The new Rowland Plaza shopping center located on US 190 West across from WalMart includes El Taquito restaurant, AT&T, Le Nails, E-Z Money, and Shuky-Deez ice cream shop. Construction is currently nearing completion on the La Quinta Inn, Peoples State Bank, and several medical offices on the US 59 bypass. Construction of the new First Baptist Church worship facility at North Houston and North Washington was completed in late 2008 and the major expansion of Central Baptist Church on North Houston near downtown Livingston is nearing completion.

Future Economic Outlook

As the new year begins, the City continues to receive inquiries from developers and retailers concerning locations that are within the City limits and it is expected new commercial construction will continue into 2009. Clearing and site work for Livingston Town Center, a commercial development to be located at US 190 and FM 350 South, is underway. Plans for construction of additional health-related medical facilities to be located on the US 59 bypass in the vicinity of Memorial Medical Center have been submitted for review by the development staff.

Three large construction projects by local governmental entities are scheduled to get underway in 2009 including the construction of the new LISD High School campus on U.S. 190 West (\$65,000,000), the new Polk County Judicial Center on Mill Street in downtown Livingston (\$10,500,000) and the expansion of the existing Polk County Law Enforcement/Detention Center on Business 59 (North Washington) (\$19,000,000) in Livingston. These three construction projects will have a very positive effect on the local economy in the coming year.

Other projects which are still in the planning and development phases include a new community college/conference center to be located near Pedigo Park and the expansion of Camp Cho-Yeh conference and recreational facilities on US 59 South. Additionally, the continuing renovation of historical buildings in downtown Livingston as a result of the Main Street program is exciting for the community to witness and will bring new businesses to the area.

With the continuing growth in the business community, the City is anticipating modest increases in revenues from utility fees and sales taxes for the upcoming year. For the first 6 months of the 2008-2009 fiscal year, sales tax revenues are up more than 10% from the first 6 months of the 2007-2008 fiscal year. Sales tax revenue accounts for 18% of the City's total annual operating revenue, while utility fees for sanitation, electric, water and sewer services account for 75% of the City's total annual operating revenue. Continuing growth in these two major revenue sources, which account for 93% of the City's total annual operating revenue, and additional funds from other sources, have allowed the City to continue to operate without an ad valorem property tax since 1988 and the City does not anticipate levying an ad valorem property tax for 2009.

Major Initiatives

The focus of the City of Livingston in 2009 will be upgrading essential infrastructure and vital services including the rehabilitation and upgrading of the water distribution system to replace aging and undersized lines, the rehabilitation and replacement of aging sanitary sewer lines to reduce infiltration and inflow occurrences, the upgrading of equipment at the wastewater treatment plant and at water pumping stations, and submittal of an application for a Community Development Block grant for seal coating of unpaved streets in the community. Other priorities in 2009 include the abatement of nuisances such as dilapidated buildings, abandoned vehicles, and weeds and debris on private property as well as litter clean-up on public rights-of-way.

With the purchase of the Wadsworth Family Center from First Baptist Church in December, 2008, the City Council has recently approved the process for soliciting proposals for architectural planning and design services for the renovation of this existing facility into a new library to serve the community.

City staff is working to develop and prioritize infrastructure improvements to the electric, water and sewer systems to be funded with disaster recovery funds expected to be received for repairs to damaged facilities and to improve systems that failed to function during Hurricane Ike in September, 2008. Additionally, federal economic stimulus funds may be available for law enforcement staffing and public works-related infrastructure projects in the upcoming year. The City staff continues to monitor this source of funding and is working with a consulting engineer to determine how to seek federal stimulus funds for local projects.

The City strives to provide an effective, cost-efficient range of services which the citizens have come to expect. To do so, requires the administrative staff to be especially resourceful in developing new revenue sources to fund the expanded range of services. The City Council and management staff are committed to the general philosophy of "pay as you go". In general, the City provides services (general government, public safety, streets, parks and recreation, library and utilities) at a cost per capita that is comparable to or below other communities with similar demographic and economic characteristics.

Financial Policies

The overall strategy of the City related to cash deposits and investments is to expose the City to a minimum amount of credit risk and market risk. All bank balances or deposits as of the balance sheet date are entirely insured and collateralized with securities held by the City's agent in the City's name. The City had no investments in 2008 other than certificates of deposit.

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

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

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers and through participation in the Texas Municipal League Intergovernmental Risk Pool. Coverage in the pool is continuous and annual contributions are subject to adjustment each year based on updated exposure information and change in rating.

OTHER INFORMATION

Independent Audit

The financial records, books of account, and transactions of the City for the fiscal year ended September 30, 2008, have been audited by Independent Public Accountants, and their opinion is included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Livingston has received a Certificate of Achievement for the last twenty consecutive years (fiscal years ended 1988-2007). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgement

The preparation of this report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the Administrative Department. I would like to express my appreciation to my staff and other personnel from various departments who assisted in its preparation. Also, I would like to thank the Mayor and the City Council for their interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Respectfully submitted,



Marilyn Sutton
City Manager and Chief Financial Officer

CITY OF LIVINGSTON, TEXAS

September 30, 2008

PRINCIPAL OFFICIALS

City Council

Mayor

Clarke Evans

Mayor Pro-tem

Judy Cochran

Alderman

E. Ray Hill

Alderman

Billy S. Wiggins

Alderman

Raymond Luna

Administration

City Manager

Marilyn Sutton

City Secretary

Ellie Monteaux

City Attorney

Gaffney Phillips

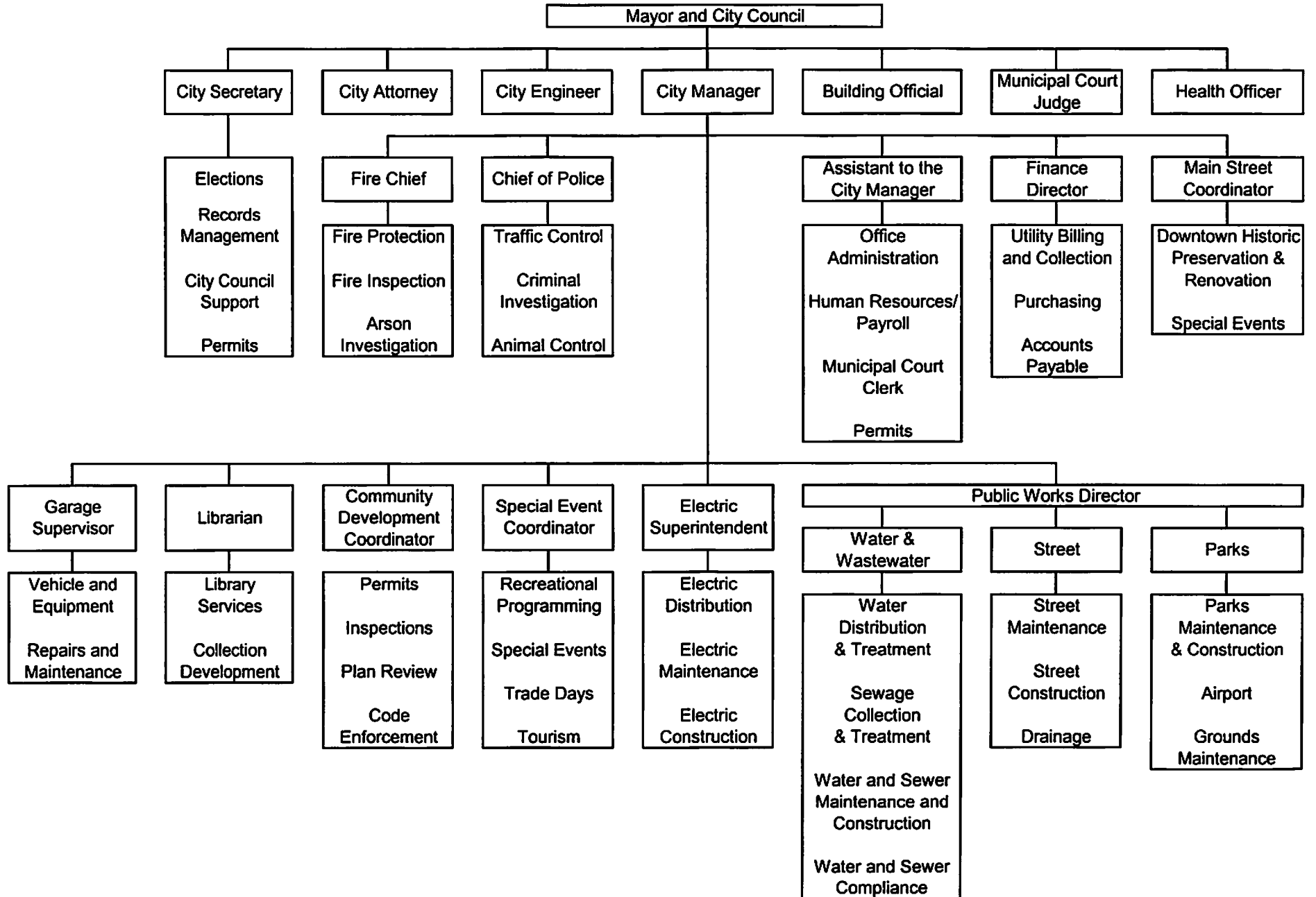
Form of Government

Council - Manager

General Law City

CITY OF LIVINGSTON, TEXAS ORGANIZATIONAL CHART

2008



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Livingston
Texas

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

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



President

Executive Director

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Clarke Evans, Mayor
and Members of the City Council
City of Livingston
Livingston, Texas

We have audited the accompanying financial statements of the governmental activities, business type activities, major fund, and remaining fund information, which collectively comprise the basic financial statements of the City of Livingston, Texas, as of and for the year ended September 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the management of the City of Livingston, Texas. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, major fund, and remaining fund information of the City of Livingston, Texas, at September 30, 2008, and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with generally accepted accounting principles in the United States.

The management's discussion and analysis on pages 4-14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the City's basic financial statements. The budgetary comparison schedules, individual fund financial statements and schedules, and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Livingston, Texas. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Harper & Pearson Company, P.C.

Houston, Texas
April 14, 2009

CITY OF LIVINGSTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Our discussion and analysis of the City of Livingston's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2008. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's net assets of governmental activities increased by \$200,000 or 4.6% as a result of the year's operations. The increase was due primarily to an increase in sales tax revenues and transfers from the enterprise fund. Net assets of the City's business type activities increased by \$1,025,000 during 2008. This increase was primarily as a result of increased electricity revenues.
- The City's total net assets increased by \$1,225,000 or 6.4% during the current fiscal year. The increase is the result of the growth in tax revenues and electricity sales described above.
- Total cost of the entire City's programs increased \$227,000 or approximately 4.1%. Although expenses increased in most departments, the largest contributors to the increase were increased police, fire, and parks and recreation costs. Those costs increased as the result of additional salaries and fringe benefit costs, gas and fuel price increases, and costs related to emergency services and debris collection and removal associated with Hurricane Ike in mid-September, 2008.
- As of September 30, 2008, the City of Livingston's governmental funds reported combined ending fund balances of \$2,040,000, a decrease of \$8,000 in comparison with the prior fiscal year. The decrease is due primarily to the utilization of capital projects funds to assist in the City's recovery from Hurricane Ike.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$769,000 or approximately 15.9% of total general fund expenditures.
- The City's total bonded debt decreased by \$690,000 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Livingston's finances, in a manner similar to private-sector business. The statement of net assets presents information on all of the City of Livingston'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 of Livingston is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's sales tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes, etc.). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

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

- **Governmental activities** - Most of the City's basic services are reported here, including the police, fire, libraries, parks development, public services and operations, information services and general administration. Sales taxes and charges for services finance most of these activities.
- **Business-type activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's electric, water and sewer systems are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

- **Governmental funds** - The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of Livingston maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and the capital projects fund, all of which are considered to be major funds.

- Proprietary funds - The City charges customers for the services it provides. These services are generally reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact, the City's proprietary fund is identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City uses the proprietary fund to account for its electric, water and sewer activities.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees. The Texas Municipal Retirement System (TMRS) which administers the City's pension plan through a cost-sharing multiple employer defined benefit plan. For the latest valuation for the plan, TMRS change the actuarial valuation method from the Unit Credit method to the Projected Unit Credit method. Among other things, this change had the effect of increasing the actuarially accrued liability by \$1,127,147 over the liability calculated under the old actuarial method. Further information about the City of Livingston's pension plan can be found in footnote 7, pages 43-45 of this report.

THE CITY AS A WHOLE - Government-Wide Financial Analysis

The City's combined net assets were \$20,306,000 as of September 30, 2008. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business type activities net assets are \$15,778,000. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) and significant expenses of the City's governmental and business-type activities.

By far the largest portion of the City's net assets (85.8%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Livingston, Texas
Management's Discussion and Analysis (continued)
September 30, 2008

A comparative analysis of government-wide data is presented below.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 2,497,228	\$ 2,487,842	\$ 3,389,408	\$ 4,329,618	\$ 5,886,636	\$ 6,817,460
Capital assets	<u>10,606,639</u>	<u>11,064,441</u>	<u>13,795,660</u>	<u>12,661,355</u>	<u>24,402,299</u>	<u>23,725,796</u>
Total assets	<u>13,103,867</u>	<u>13,552,283</u>	<u>17,185,068</u>	<u>16,990,973</u>	<u>30,288,935</u>	<u>30,543,256</u>
Long-term debt outstanding	8,255,000	8,945,000	210,000	275,000	8,465,000	9,220,000
Other liabilities	<u>320,215</u>	<u>278,975</u>	<u>1,197,442</u>	<u>1,962,933</u>	<u>1,517,657</u>	<u>2,241,908</u>
Total liabilities	<u>8,575,215</u>	<u>9,223,975</u>	<u>1,407,442</u>	<u>2,237,933</u>	<u>9,982,657</u>	<u>11,461,908</u>
Net assets:						
Invested in capital assets, net of related debt	3,625,188	3,549,442	13,795,660	12,661,355	17,420,848	16,210,797
Restricted	56,185	32,042	122,980	176,772	179,165	208,814
Unrestricted	<u>847,279</u>	<u>746,824</u>	<u>1,858,986</u>	<u>1,914,913</u>	<u>2,706,265</u>	<u>2,661,737</u>
Total net assets	<u>\$ 4,528,652</u>	<u>\$ 4,328,308</u>	<u>\$ 15,777,626</u>	<u>\$ 14,753,040</u>	<u>\$ 20,306,278</u>	<u>\$ 19,081,348</u>

An additional portion of the City's net assets (.9%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$2,706,265 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2008, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

The governmental activities total assets decreased by \$448,416. This decrease related to depreciation of capital assets. Long-term debt of governmental activities decreased \$690,000 as the City paid down outstanding bonds.

Analysis of the City's Operations-Overall the City had an increase in net assets of \$1,224,930.

Governmental Activities

Governmental activities increased the net assets by \$200,344. Net assets invested in capital assets, net of related debt increased by \$75,746 or 1.8% due to the repayment of outstanding bonds and additional investment in equipment, buildings, and infrastructure net of depreciation. Unrestricted net assets increased by \$100,455 as a result of increased sales tax revenues and transfers from the enterprise fund.

Total revenues for governmental activities increased from the previous year by \$56,057. The primary increase was in sales tax revenue of \$87,397 due to increased retail and economic activity in the City. The increase was partially offset as the result of receiving \$111,939 less in library memorials for the new library to be constructed in 2009.

Business-Type Activities

Net assets from business-type activities increased by \$1,024,586 or 6.9 % from \$14,753,040 to \$15,777,626. The increase was primarily due to increased electricity sales, which increased \$941,280 over 2007 due to an across-the-board rate increase for all customers in October, 2007.

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

City of Livingston, Texas
Management's Discussion and Analysis (continued)
September 30, 2008

Table 2
City of Livingston's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for						
Services	\$ 1,535,445	\$ 1,548,408	\$ 11,929,258	\$ 10,867,675	\$ 13,464,703	\$ 12,416,083
Operating Grants						
& Contributions	130,974	228,664	-	-	130,974	228,664
General Revenues:						
Property tax	-	-	-	-	-	-
Sales tax	3,232,037	3,144,640	-	-	3,232,037	3,144,640
Franchise tax	166,598	162,312	-	-	166,598	162,312
Hotel/Motel tax	261,357	236,920	-	-	261,357	236,920
Investment						
earnings	54,954	60,343	72,933	75,798	127,887	136,141
Miscellaneous	90,514	34,344	-	-	90,514	34,344
Total Revenues	<u>5,471,879</u>	<u>5,415,631</u>	<u>12,002,191</u>	<u>10,943,473</u>	<u>17,474,070</u>	<u>16,359,104</u>
Expenses:						
Administration	543,102	550,712	-	-	543,102	550,712
Sanitation	614,965	595,541	-	-	614,965	595,541
Fire	403,472	372,421	-	-	403,472	372,421
Police	1,454,820	1,345,599	-	-	1,454,820	1,345,599
Paving & Street	1,003,610	1,023,956	-	-	1,003,610	1,023,956
Parks &						
Recreation	927,799	842,246	-	-	927,799	842,246
Library	283,433	274,830	-	-	283,433	274,830
Garage	177,194	163,178	-	-	177,194	163,178
Interest on long-						
term debt	350,383	363,425	-	-	350,383	363,425
Electric, Water,						
and Sewer	-	-	10,490,362	10,553,606	10,490,362	10,553,606
Total Expenses	<u>5,758,778</u>	<u>5,531,908</u>	<u>10,490,362</u>	<u>10,553,606</u>	<u>16,249,140</u>	<u>16,085,514</u>
Excess (deficiency)						
before transfers	(286,899)	(116,277)	1,511,829	389,867	1,224,930	273,590
Transfers	<u>487,243</u>	<u>533,535</u>	<u>(487,243)</u>	<u>(533,535)</u>	<u>-</u>	<u>-</u>
Increase (decrease)						
in net assets	200,344	417,258	1,024,586	(143,668)	1,224,930	273,590
Net assets -						
October 1	<u>4,328,308</u>	<u>3,911,050</u>	<u>14,753,040</u>	<u>14,896,708</u>	<u>19,081,348</u>	<u>18,807,758</u>
Net assets -						
September 30	<u>\$ 4,528,652</u>	<u>\$ 4,328,308</u>	<u>\$ 15,777,626</u>	<u>\$ 14,753,040</u>	<u>\$ 20,306,278</u>	<u>\$ 19,081,348</u>

Financial Analysis of the Government's Funds

Governmental Funds

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

At the end of the current fiscal year, the City of Livingston's governmental funds reported combined ending fund balances of \$2,039,957. Approximately 37.7% of the total amount (\$768,754) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for debt service (\$56,185) and capital and library improvements (\$1,215,018).

The unreserved fund balance of the general fund increased by \$185,542 over the prior year. The increase was the result of increased sales tax collections and transfers received to help pay the cost of Hurricane Ike recovery. The reserved fund balance of the general fund increased by \$75,927 over the prior year. The increase was due to unspent library memorials funds received for the new library that is expected to be constructed in 2009.

In the general fund, the City budgeted for an increase in the fund balance on a GAAP basis of \$149,047. Due to sales tax revenues being more than budgeted by approximately \$82,000 and expenses for administration, paving and street, and garage were \$27,000 less than budgeted, the actual fund balance increased by \$261,469. The debt service fund balance increased by \$24,143 which was more than the budgeted decrease of \$9,148 because of higher than budgeted interest income and transfers in. The capital projects fund balance decreased by \$293,507 as a result of amounts spent on street improvements and the transfer of \$200,000 to the general fund to assist with covering the expenses of Hurricane Ike recovery.

Proprietary Fund

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary fund were \$1,858,986. Total net assets increased in 2008 by \$1,024,586. As previously described, the increase in the net assets was primarily the result of higher electricity sales.

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in increased budgeted revenues of \$68,017 or 1.3%. The increase in budgeted revenues was primarily for an increase in hotel/motel taxes, and licenses and permits. The increase in hotel/motel tax was the result of increased activity in business-related and recreational travel and stay in existing lodges. The increase in licenses and permits was the result of an increase in building permits tied to the growth in the local economy. Budgeted expenditures were decreased by \$761,390 or 13.5%. The decreases in budgeted expenditures were primarily for decreased paving and street expenditures associated with street improvement projects. The decrease in budgeted amounts for the library department was for capital projects, including the new library construction, that were deferred until 2009.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2008, the City had \$24,402,299 (net of accumulated depreciation) invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, electrical, water and sewer lines. The total increase in the City's investment in capital assets for the current fiscal year was 1% (4% decrease for governmental activities and a 9% increase in business-type activities) (See Table 3).

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	Totals
	2008	2007	2008	2007	2008	2007
Land	\$ 283,352	\$ 283,352	\$ 577,363	\$ 522,738	\$ 860,715	\$ 806,090
Buildings and improvements	1,961,180	1,893,967	331,443	243,095	2,292,623	2,137,062
Equipment and fixtures	820,006	751,890	512,152	615,353	1,332,158	1,367,243
Paving, sidewalks and streets	6,023,984	6,474,852	-	-	6,023,984	6,474,852
Parks development	1,301,363	1,424,732	-	-	1,301,363	1,424,732
Airport improvements	216,754	235,648	-	-	216,754	235,648
Utility systems	-	-	12,374,702	11,280,169	12,374,702	11,280,169
Total	\$ 10,606,639	\$ 11,064,441	\$ 13,795,660	\$ 12,661,355	\$ 24,402,299	\$ 23,725,796

This year's major additions included:

Police Vehicles	\$ 22,611
Various street improvements	131,475
Street Department tractor	42,893
Library Books	24,633
Street Department Building	85,826
Garage Department Building	87,327
Utility System Improvements	1,339,520
Total	\$ 1,734,285

The City's fiscal year 2009 capital budget calls for it to spend another \$2,535,125 for capital projects, principally for new library (\$850,000), street improvements (\$300,000), police patrol cars (\$51,000), electrical system improvements (\$300,000), water system upgrades and engineering (\$500,000) and sewer system improvements (\$355,000). Additional information on the City of Livingston's capital assets can be found in footnote 6 on pages 41-43 of this report.

Debt

At year-end, the City had \$8,255,000 in bonds outstanding as compared to \$8,945,000 at the end of the prior fiscal year, a decrease of 7.7% - as shown in Table 4.

Table 4
Outstanding Debt, at Year-end

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General obligation bonds (backed by the City)	\$ 3,350,000	\$ 3,645,000	\$ -	\$ -	\$ 3,350,000	\$ 3,645,000
Certificates of obligation (backed by the City)	<u>4,905,000</u>	<u>5,300,000</u>	<u>-</u>	<u>-</u>	<u>4,905,000</u>	<u>5,300,000</u>
Totals	<u>\$ 8,255,000</u>	<u>\$ 8,945,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,255,000</u>	<u>\$ 8,945,000</u>

The City issued debt in June of 2007 in order to refund \$2,940,000 in old debt and issued \$1,500,000 in certificates of obligation to be used primarily for a new library and water system improvements.

The City's general obligation bonds and certificate of obligation continue to carry a triple A rating, the highest rating possible. This rating has been assigned to the City's tax-supported debt since 1970, by two national rating agencies. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to assessed value of all taxable property is -0-%. The City does not currently assess property taxes.

Additional information on the City of Livingston's long-term debt can be found in footnote 9 on pages 46-47 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when determining the projected revenues from various sources and expenditures for the fiscal year 2009 budget. Based on various local economic indicators including sales tax collections, ad valorem property assessed values, building permits for new construction, and utility connections and revenues, the community is beginning to see a slowing of the growth trend that it had enjoyed during the past several years. However, the City feels that it will continue to experience modest economic growth with increases in revenues from utility fees and sales tax for the upcoming year.

2008 saw the completion of many new residential and commercial construction projects in Livingston with 125 building permits issued at a total construction value of \$7,317,952. New or renovated businesses and commercial developments which were completed and opened in 2008 include: The Bradford at Brookside, Best Western Motel, Community Title Company, Catfish King, Popeye's Chicken, and Aaron Rents. Additions in the Jackson Square development include Palais Royal, Texas Workforce Center and a new car wash. An expansion of the Southpoint Shopping Center located on US 59 South includes My Place restaurant, Party Pro, Interior Treasures and Anytime Fitness Center. The new Rowland Plaza shopping center located on US 190 West across from WalMart includes El Taquito restaurant, AT&T, Le Nails, E-Z Money, and Shuky-Deez ice cream shop. Construction is currently nearing completion on the La Quinta Inn, Peoples State Bank, and several medical offices on the US 59 bypass. Construction of the new First Baptist Church worship facility at North Houston and North Washington was completed in late 2008 and the major expansion of Central Baptist Church on North Houston near downtown Livingston is nearing completion.

The General Fund's largest revenue source continues to be sales tax receipts. For the first 6 months of the 2008-2009 fiscal year, sales tax revenues are up more than 10% from the first 6 months of the 2007-2008 fiscal year. Sales tax revenue accounts for 18% of the City's total annual operating revenue. As for the City's business-type activities the City expects the 2008-2009 results will improve in the electric, water and sewer funds based on the expectation of increased usage by new businesses and residences which will generate an increase in utility revenues. Utility fees for sanitation, electric, water and sewer services account for 75% of the City's total annual operating revenue. Continuing growth in these two major revenue sources, which account for 93% of the city's total annual operating revenue, and additional funds from other sources, have allowed the City to continue to operate without an ad valorem property tax since 1988 and the City does not anticipate levying an ad valorem property tax for 2009.

In mid September, 2008, a weather-related disaster in the form of Hurricane Ike impacted the community, with effects of this storm continuing into the coming year. To date, the City has incurred expenses related to emergency response, brush debris collection and disposal, and electric utility restoration costs of about \$1,200,000. As of March, 2009, the City had received reimbursement from the Federal Emergency Management Agency (FEMA) for disaster-related costs in the amount of \$592,728, with the expectation of an additional \$437,872 from FEMA over the next few months, for a total of \$1,030,600 in federal funds.

The City of Livingston continues to receive inquiries from developers and retailers concerning locations that are within the city limits and the City expects new commercial construction will continue into 2009. Clearing and site work for Livingston Town Center, a commercial development to be located at US 190 and FM 350 South, is underway. Additionally, the continuing renovation of historical buildings in downtown Livingston, as a result of the Main Street program, is exciting for the community to witness. Plans for construction of additional health-related medical facilities to be located on the US 59 bypass in the vicinity of Memorial Medical Center have been submitted for review by the development staff.

Three large construction projects by local governmental entities are scheduled to get underway in 2009 including the construction of the new LISD High School campus on U.S. 190 West (\$65,000,000), the new Polk County Judicial Center on Mill Street in downtown Livingston (\$10,500,000) and the expansion of the existing Polk County Law Enforcement/Detention Center on Business 59 (North Washington) (\$19,000,000) in Livingston. These three construction projects will have a very positive effect on the local economy in the coming year and will impact the City's budget through building construction and permitting fees as well as increased utility revenues.

Other projects which are still in the planning and development phase include a \$7,000,000 Polk County Community College/Conference Center to be located near Pedigo Park and the expansion of the existing Camp Cho-Yeh conference center and recreational facilities on US 59 South.

The focus of the City of Livingston in 2009 will be upgrading essential infrastructure and vital services including the rehabilitation and upgrading of the water distribution system to replace aging and undersized lines, the rehabilitation and replacement of aging sanitary sewer lines to reduce infiltration and inflow occurrences, the upgrading of equipment at the wastewater treatment plant and at water pumping stations, and submittal of an application for a Community Development Block grant for seal coating of unpaved streets in the community.

City staff is working to develop and prioritize infrastructure improvements to the electric, water and sewer systems to be funded with disaster recovery funds to be received for repairs to damaged facilities or to improve systems that failed to function during Hurricane Ike in September, 2008. Additionally, federal economic stimulus funds may be available for law enforcement staffing and public works-related infrastructure projects in the upcoming year. The city staff continues to monitor this source of funding and are working with consulting engineers to determine how to seek federal stimulus funds for local projects.

With the purchase of the Wadsworth Family Center from First Baptist Church in December, 2008, the City Council has recently approved the process for soliciting proposals for architectural planning and design services for the renovation of the existing facility into a new library to serve the community.

The City strives to provide an effective, cost-efficient range of services which the citizens have come to expect. The City Council and management staff are committed to the general philosophy of "pay as you go". In general, the City provides services (general government, public safety, streets, parks and recreation, library and utilities) at a cost per capita that is comparable to or below other communities with similar demographic and economic characteristics.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the office of the City Manager at City of Livingston, 200 West Church Street, Livingston, Texas 77351-3281.

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 1,315,524	\$ 220,371	\$ 1,535,895
Certificates of deposit	1,000,000	1,500,000	2,500,000
Receivables:			
Returned checks receivable	1,941	22,159	24,100
Paving accounts receivable	42,707	-	42,707
Utility accounts receivable	-	1,313,898	1,313,898
Deferred issuance cost (net)	137,056	-	137,056
Restricted assets - cash	-	122,980	122,980
Capital assets (net of accumulated depreciation):			
Land	283,352	577,363	860,715
Buildings and improvements	1,961,180	331,443	2,292,623
Equipment and fixtures	820,006	512,152	1,332,158
Paving, sidewalks and streets	6,023,984	-	6,023,984
Parks development	1,301,363	-	1,301,363
Airport improvements	216,754	-	216,754
Electrical system	-	3,114,488	3,114,488
Water system	-	4,237,710	4,237,710
Sewer system	-	5,022,504	5,022,504
Water service contract rights	-	210,000	210,000
Total Assets	<u>\$ 13,103,867</u>	<u>\$ 17,185,068</u>	<u>\$ 30,288,935</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES</u>			
Accounts payable	\$ 320,215	\$ 839,224	\$ 1,159,439
Meter deposits	-	358,218	358,218
Noncurrent Liabilities:			
Due within one year	720,000	65,000	785,000
Due in more than one year	<u>7,535,000</u>	<u>145,000</u>	<u>7,680,000</u>
Total Liabilities	<u>8,575,215</u>	<u>1,407,442</u>	<u>9,982,657</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	3,625,188	13,795,660	17,420,848
Restricted for:			
System improvements	-	106,871	106,871
Debt service	56,185	16,109	72,294
Unrestricted	<u>847,279</u>	<u>1,858,986</u>	<u>2,706,265</u>
Total Net Assets	<u>\$ 4,528,652</u>	<u>\$ 15,777,626</u>	<u>\$ 20,306,278</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Administrative	\$ 543,102	\$ 158,653	\$ 67,070
Sanitation	614,965	837,658	-
Fire	403,472	-	40,136
Police	1,454,820	222,411	17,011
Paving and street	1,003,610	1,921	-
Parks and recreation	927,799	291,150	-
Library	283,433	23,652	6,757
Garage	177,194	-	-
Interest on long-term debt	350,383	-	-
Total governmental activities	<u>5,758,778</u>	<u>1,535,445</u>	<u>130,974</u>
Business-type activities:			
Electric, water and sewer	<u>10,490,362</u>	<u>11,929,258</u>	-
Total business-type activities	<u>10,490,362</u>	<u>11,929,258</u>	-
Total primary government	<u>\$ 16,249,140</u>	<u>\$ 13,464,703</u>	<u>\$ 130,974</u>
General revenues:			
Taxes			
Sales taxes			
Franchise taxes			
Hotel/Motel taxes			
Unrestricted investment earnings			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net assets			
Net assets-beginning			
Net assets-ending			

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (317,379)	\$ -	\$ (317,379)
222,693	-	222,693
(363,336)	-	(363,336)
(1,215,398)	-	(1,215,398)
(1,001,689)	-	(1,001,689)
(636,649)	-	(636,649)
(253,024)	-	(253,024)
(177,194)	-	(177,194)
(350,383)	-	(350,383)
<u>(4,092,359)</u>	<u>-</u>	<u>(4,092,359)</u>
 -	 1,438,896	 1,438,896
<u>-</u>	<u>1,438,896</u>	<u>1,438,896</u>
 (4,092,359)	 1,438,896	 (2,653,463)
 3,232,037	 -	 3,232,037
166,598	-	166,598
261,357	-	261,357
54,954	72,933	127,887
90,514	-	90,514
487,243	(487,243)	-
<u>4,292,703</u>	<u>(414,310)</u>	<u>3,878,393</u>
200,344	1,024,586	1,224,930
4,328,308	14,753,040	19,081,348
<u>\$ 4,528,652</u>	<u>\$ 15,777,626</u>	<u>\$ 20,306,278</u>

See accompanying notes to financial statements

**CITY OF LIVINGSTON, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2008**

	<u>General</u>	<u>Debt Service</u>
<u>ASSETS</u>		
Cash	\$ 1,122,846	\$ 56,185
Certificates of deposit	-	-
Receivables:		
Returned checks receivable	1,941	-
Paving accounts receivable	<u>42,707</u>	<u>-</u>
Total Assets	<u>\$ 1,167,494</u>	<u>\$ 56,185</u>
<u>LIABILITIES</u>		
Accounts payable	<u>320,215</u>	<u>-</u>
Total Liabilities	<u>320,215</u>	<u>-</u>
<u>FUND BALANCES</u>		
Reserved for:		
Capital Projects	-	-
Library Memorials	78,525	-
Debt Service	-	56,185
Unreserved	<u>768,754</u>	<u>-</u>
Total Fund Balances	<u>847,279</u>	<u>56,185</u>
Total Liabilities and Fund Balances	<u>\$ 1,167,494</u>	<u>\$ 56,185</u>

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

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

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

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

Net assets of governmental activities

Capital Projects	Total Governmental Funds
\$ 136,493	\$ 1,315,524
1,000,000	1,000,000
-	1,941
-	42,707
<u>\$ 1,136,493</u>	<u>\$ 2,360,172</u>
-	320,215
-	320,215
1,136,493	1,136,493
-	78,525
-	56,185
-	768,754
<u>1,136,493</u>	2,039,957
<u>\$ 1,136,493</u>	

10,606,639

137,056

(8,255,000)

\$ 4,528,652

See accompanying notes to financial statements

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

	<u>General</u>	<u>Debt Service</u>
<u>REVENUES</u>		
Taxes:		
Sales taxes	\$ 3,232,037	\$ -
Franchise taxes	166,598	-
Hotel/Motel taxes	261,357	-
Licenses and permits	158,653	-
Charges for service	1,063,339	-
Fines and forfeitures	206,059	-
Miscellaneous	379,730	4,155
Total Revenues	<u>5,467,773</u>	<u>4,155</u>
<u>EXPENDITURES</u>		
Current:		
Administrative	465,198	-
Sanitation	614,780	-
Fire	397,386	-
Police	1,408,567	-
Paving and street	608,801	-
Parks and recreation	760,534	-
Library	302,528	-
Garage	275,382	-
Debt service:		
Principal retirement	-	690,000
Interest	-	350,383
Capital outlay:		
Streets	-	-
Total Expenditures	<u>4,833,176</u>	<u>1,040,383</u>
Excess (deficiency) of revenues over expenditures	<u>634,597</u>	<u>(1,036,228)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	500,000	1,060,371
Transfers out	(873,128)	-
Total other financing sources (uses)	<u>(373,128)</u>	<u>1,060,371</u>
Net change in fund balances	261,469	24,143
Fund Balances - beginning	<u>585,810</u>	<u>32,042</u>
Fund Balances - ending	<u>\$ 847,279</u>	<u>\$ 56,185</u>

See accompanying notes to financial statements

Capital Projects	Total Governmental Funds
\$ -	\$ 3,232,037
-	166,598
-	261,357
-	158,653
-	1,063,339
-	206,059
-	383,885
-	<u>5,471,928</u>
-	
-	465,198
-	614,780
-	397,386
-	1,408,567
-	608,801
-	760,534
-	302,528
-	275,382
-	
-	690,000
-	350,383
93,507	93,507
<u>93,507</u>	<u>5,967,066</u>
(93,507)	(495,138)
-	1,560,371
(200,000)	(1,073,128)
<u>(200,000)</u>	<u>487,243</u>
(293,507)	(7,895)
<u>1,430,000</u>	<u>2,047,852</u>
<u>\$ 1,136,493</u>	<u>\$ 2,039,957</u>

See accompanying notes to financial statements

**CITY OF LIVINGSTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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

Net changes in fund balances - total governmental funds	\$ (7,895)
---	------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(457,802)
---	-----------

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the treatment of long-term debt and related items.	<u>665,850</u>
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Changes in net assets of governmental activities	\$ <u>200,153</u>
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**CITY OF LIVINGSTON, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>REVENUES</u>			
Taxes:			
Sales taxes	\$ 3,150,000	\$ -	\$ 3,150,000
Franchise taxes	165,000	-	165,000
Hotel/Motel taxes	250,000	10,000	260,000
Licenses and permits	100,000	50,000	150,000
Charges for service	1,070,600	3,425	1,074,025
Fines and forfeitures	221,500	7,000	228,500
Miscellaneous	350,850	(2,408)	348,442
Total Revenues	<u>5,307,950</u>	<u>68,017</u>	<u>5,375,967</u>
<u>EXPENDITURES</u>			
Current:			
Administrative	513,195	(970)	512,225
Sanitation	600,500	10,000	610,500
Fire	379,090	14,035	393,125
Police	1,369,950	20,500	1,390,450
Paving and street	682,130	(56,260)	625,870
Parks and recreation	708,455	21,645	730,100
Library	1,069,240	(777,640)	291,600
Garage	299,200	7,300	306,500
Total Expenditures	<u>5,621,760</u>	<u>(761,390)</u>	<u>4,860,370</u>
Excess (deficiency) of revenues over expenditures	<u>(313,810)</u>	<u>829,407</u>	<u>515,597</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	310,355	42,516	352,871
Transfers out	(610,785)	(108,636)	(719,421)
Total other financing sources and (uses)	<u>(300,430)</u>	<u>(66,120)</u>	<u>(366,550)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ (614,240)</u>	<u>\$ 763,287</u>	<u>\$ 149,047</u>
Fund balance at beginning of year			
Fund balance at end of year			

See accompanying notes to financial statements

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 3,232,037	\$ 82,037
166,598	1,598
261,357	1,357
158,653	8,653
1,063,339	(10,686)
206,059	(22,441)
379,730	31,288
<u>5,467,773</u>	<u>91,806</u>
465,198	47,027
614,780	(4,280)
397,386	(4,261)
1,408,567	(18,117)
608,801	17,069
760,534	(30,434)
302,528	(10,928)
275,382	31,118
<u>4,833,176</u>	<u>27,194</u>
<u>634,597</u>	<u>119,000</u>
500,000	147,129
(873,128)	(153,707)
<u>(373,128)</u>	<u>(6,578)</u>
261,469	<u>\$ 112,422</u>
<u>585,810</u>	
<u>\$ 847,279</u>	

See accompanying notes to financial statements

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

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 220,371
Certificates of deposit	1,500,000
Restricted assets	
Cash in bank, water and sewer system improvements	106,871
Cash in bank, reserve fund	16,109
Receivables:	
Returned checks receivable	22,159
Utility accounts receivable	<u>1,313,898</u>
Total Current Assets	<u>3,179,408</u>
Noncurrent assets:	
Capital assets:	
Land	577,363
Building and improvements	463,474
Equipment and fixtures	1,863,850
Electrical system	4,260,607
Water system	5,846,062
Sewer system	<u>7,005,207</u>
	20,016,563
Less accumulated depreciation	<u>(6,220,903)</u>
Net capital assets	<u>13,795,660</u>
Other assets:	
Water service contract rights	<u>210,000</u>
Total Other Assets	<u>210,000</u>
Total Noncurrent Assets	<u>14,005,660</u>
Total Assets	<u>\$ 17,185,068</u>

See accompanying notes to financial statements

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

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	\$ 839,224
Meter deposits	358,218
Contracts payable - Trinity River Authority	<u>65,000</u>
Total current liabilities	<u>1,262,442</u>
Noncurrent liabilities:	
Contracts payable - Trinity River Authority	<u>145,000</u>
Total noncurrent liabilities	<u>145,000</u>
 Total Liabilities	 <u>1,407,442</u>
<u>NET ASSETS</u>	
Invested in capital assets (net of related debt)	13,795,660
Restricted for water and sewer system improvements	106,871
Restricted for Trinity River Authority contracts payable	16,109
Unrestricted	<u>1,858,986</u>
 Total Net Assets	 <u>\$ 15,777,626</u>

See accompanying notes to financial statements

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

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
<u>Operating revenues</u>	
Charges for sales and services:	
Electricity sales	\$ 8,130,710
Water sales	1,665,407
Sewer service charges	1,224,025
Penalties, utilities	130,904
Water tapping fees	31,499
Sewer tapping fees	21,787
Recoveries, electrical	536,574
Recoveries, water	68,249
Revenue, night lights	73,218
Service fees	46,885
Total Operating Revenues	<u>11,929,258</u>
<u>Operating expenses</u>	
Light and Power Department	7,996,778
Water Department	1,659,246
Sewer Department	465,187
Depreciation	369,151
Total Operating Expenses	<u>10,490,362</u>
Operating Income	1,438,896
Non-operating revenues:	
Interest income	<u>72,933</u>
Income Before Transfers	1,511,829
Transfers Out	<u>(487,243)</u>
Change in net assets	1,024,586
Total net assets - beginning	<u>14,753,040</u>
Total net assets - ending	<u>\$ 15,777,626</u>

See accompanying notes to financial statements

**CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 11,878,448
Cash payments to suppliers for goods and services	(9,892,457)
Cash payments to employees for services	<u>(996,532)</u>
Net cash provided by operating activities	<u>989,459</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	<u>(487,243)</u>
Net cash used for noncapital financing activities	<u>(487,243)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,503,456)</u>
Net cash used for capital and related financing activities	<u>(1,503,456)</u>
Cash flows from investing activities:	
Sale of certificate of deposit	200,000
Interest on cash and investments	<u>72,933</u>
Net cash provided by investing activities	<u>272,933</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(728,307)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,071,658</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 343,351</u>

(Continued)

See accompanying notes to financial statements

**CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Business-Type Activities - Enterprise Fund

**Electric
Water and
Sewer**

Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 1,438,896
Adjustments to reconcile operating net income to net cash provided by operating activities:	
Depreciation	369,151
Change in operating assets and liabilities:	
Returned checks receivable	(2,287)
Utility accounts receivable	(50,810)
Accounts payable	(804,841)
Meter deposits	39,350
Total adjustments	(449,437)
Net cash provided by operating activities	\$ 989,459
Reconciliation of total cash and cash investments:	
Unrestricted	\$ 220,371
Restricted	
Cash in bank, water and sewer system improvements	106,871
Cash in bank, reserve fund	16,109
Total cash and cash equivalents	\$ 343,351
	(Concluded)

See accompanying notes to financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF LIVINGSTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The City applies all relevant Government Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The following notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2008.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether: the organization is legally separate (can sue and be sued in their own name); the City holds the corporate powers of the organization; the City appoints a voting majority of the organization's board; the City is able to impose its will on the organization; the organization has the potential to impose a financial benefit/burden on the City; or there is fiscal dependency by the organization on the City. Based upon the application of these criteria, no other agencies or authorities are included in the financial statements of the City.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City has presented the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, capitalized lease obligations, interest, and related costs paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Projects Fund - Capital Projects Fund is used to account for funds received and expended for the construction and renovation of thoroughfares, arterial streets and improvements in the City.

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following proprietary fund:

Electric, Water, and Sewer Fund - The Electric, Water, and Sewer Fund is used to account for the provision of electricity, water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the electric, water and sewer system and billing and collection activities. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to insure integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

The government-wide statements and fund financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled electric, water, and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes (which are currently not assessed by the City) as available if they are collected within 60 days after year end. A 60-day availability period is used for recognition of all other Governmental Fund revenues, as well. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, and interest income. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. All other governmental fund revenues are recognized when received.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements of the proprietary fund. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewal and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings	20-50 years
Utility plant	67 years
Machinery and Equipment	5-15 years
Infrastructure	20-35 years
Improvements	20 years

GASB No. 34 requires the City to report and depreciate infrastructure assets which include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are one of the largest asset classes of the City. The depreciation related to these assets has historically not been reported in the financial statements. The retroactive reporting of infrastructure was subject to an extended implementation period; however, the City's infrastructure records allowed for a complete implementation of GASB 34 in the fiscal year ended September 30, 2003.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Budgetary Control

A separate legally adopted budget is prepared for all governmental and proprietary funds for the City that demonstrates legal compliance at the legal level of budgetary control.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) The proposed operating budget for the upcoming fiscal year beginning October 1 is submitted to the City Council by no later than September 1 of the current fiscal year. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. The budget is submitted in summary form with more detailed line item budgets included for administrative control. The level of control for the detailed budgets is at the department head/function level.
- (2) A public hearing is conducted for comments regarding the proposed budget.
- (3) Prior to September 30, the budget is legally enacted through passage of an ordinance.
- (4) Budgetary control is maintained on an on-going basis for all City budgeted funds, including General, Debt Service, Streets and Capital Projects and Electric, Water and Sewer Funds.
- (5) Budgets for the General, Debt Service, Streets and Capital Projects and Electric, Water and Sewer Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- (6) Budgeted amounts are subject to revision in September of each year by the City Council. Amounts provided in budget comparisons in the financial statements are as originally adopted or as legally amended during the year, except for amendments of \$5,000 or less. The City Manager may amend the budget within and among departments; however, any revisions that alter the total departmental expenditures/expenses by more than \$5,000 must be approved by the City Council.

The budget was amended September 1, 2008 to reflect additional appropriations approved during the year by the City Council. Certain individual amendments were material in relation to the original appropriations which were amended.

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund presents a comparison of budgetary data to actual results.

Investments

The City invests any excess cash in certificates of deposit, which are insured or fully collateralized. These are carried at cost in the financial statements. The City does not have any investments that are reported at amortized costs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Nature and Purposes of Reservations of Fund Equity

The City sets aside funds that can be used only for various capital projects.

Pensions

The provision for pension cost is recorded on an accrual basis, and the City's policy is to fund pension costs as they accrue.

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 any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Property Tax Revenues

Property taxes are levied on October 1 based on the assessed value of property as listed on the previous January 1. Assessed values are an approximation of market value. A revaluation of all real property must be made every year. The last revaluation date was January 1, 2008.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

Due to increased sales tax revenues, property tax assessments were discontinued for fiscal years after September 30, 1988. (See Note 4).

Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Electric, Water and Sewer Fund considers all cash and certificates of deposit (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Interfund Transactions

Interfund transactions are treated as follows:

Transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the City are similarly treated when involving funds of the City. The City did not have any transactions that fell into this category.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Transfers from funds receiving revenues to funds through which the resources are to be expended are classified as transfers. Major transactions that fall into this category include transfers from the Electric, Water and Sewer Fund to the General Fund and from the Electric Water & Sewer Fund and the General Fund to the Debt Service Fund.

Contributions of capital and other non-routine transfers are classified as equity transfers.

Transfers In and Out

The following is a summary of interfund transfers for the year ended September 30, 2008:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 500,000	\$ 873,128
Debt Service Fund	1,060,371	-
Capital Projects Fund	-	200,000
Electric, Water and Sewer Fund	-	487,243
Total	<u>\$ 1,560,371</u>	<u>\$ 1,560,371</u>

Transfers were made from the Electric, Water and Sewer Fund to the General Fund primarily to fund library and garage department operations. Transfers from the General Fund and the Electric, Water and Sewer Fund to the Debt Service Fund were made to meet bond principal and interest obligations. Transfers from the Capital projects Fund to the General Fund were used to meet repair and improvement obligations as a result of the effects of Hurricane Ike.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**Custodial Credit Risk - Deposits**

State statutes require that the City's deposits be collateralized by securities held in the name of the City by the trust department of a bank that does not hold the collateralized deposits. The City remained in compliance with this requirement during the year.

NOTE 3 DEPOSITS AND INVESTMENTS:

As of September 30, 2008, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Non-Pooled Certificates of Deposit	\$ <u>2,500,000</u>	0.083
Total Fair Value	\$ <u>2,500,000</u>	
Portfolio weighted average maturity		0.083

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 investments to five years or less.

NOTE 3 DEPOSITS AND INVESTMENTS: (Continued)

Credit Risk

The City is restricted by state statute to investments which include obligations of the U.S. Government and its agencies, obligations of the State of Texas and its agencies, obligations of other states, cities, and counties having at least an "A" rating, common trust funds of banks domiciled in Texas, certificates of deposit, and repurchase agreements. At September 30, 2008 the City had no investments other than certificates of deposit.

Custodial Credit Risk – Investments

The certificates of deposit are either fully insured or collateralized by securities held in the City of Livingston's name.

NOTE 4 PROPERTY TAXES:

The county assessor/collector's office collects property taxes assessed by the City in accordance with the City's enabling legislation.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

All property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

The City had no property taxes receivable as of September 30, 2008.

The City increased sales tax rates by 1/2 cent beginning January 1, 1988. Due to the resultant increase in sales tax revenue, the City determined it unnecessary to assess property taxes for fiscal years beginning after September 30, 1988. All budgeted expenditures previously met through property taxes are being liquidated through the increased sales tax.

The City did not assess ad valorem taxes for 2008, but the Mayor and Council will evaluate the need to assess taxes in the future.

NOTE 5 DETAIL OF COMBINED ITEMS:

The detail of items combined in the reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities are as follows for the year ended September 30, 2008:

Governmental funds capital outlays	\$ 512,315
Governmental funds depreciation expense	<u>(970,117)</u>
Amount by which depreciation exceeded capital outlays	<u>\$ (457,802)</u>
Repayment of principal of long-term debt	\$ 690,000
Amortization of bond issue costs	<u>(24,150)</u>
Total repayment of bonds and issue costs	<u>\$ 665,850</u>

NOTE 6 CAPITAL ASSETS:

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

	Balance October 1, 2007	Additions	Retirements/ Adjustments	Balance September 30, 2008
Governmental Activities:				
Capital assets not being depreciated				
Land	<u>\$ 283,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,352</u>
Capital assets being depreciated				
Building and Improvements	3,170,240	173,653	-	3,343,893
Equipment and Fixtures	3,728,281	294,523	-	4,022,804
Paving, Sidewalks and Streets	13,220,382	44,139	-	13,264,521
Parks Development	3,144,320	-	-	3,144,320
Airport Improvements	<u>719,574</u>	<u>-</u>	<u>-</u>	<u>719,574</u>
Total capital assets being depreciated	<u>23,982,797</u>	<u>512,315</u>	<u>-</u>	<u>24,495,112</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,276,273)	(106,440)	-	(1,382,713)
Equipment and Fixtures	(2,976,391)	(226,407)	-	(3,202,798)
Paving, Sidewalks and Streets	(6,745,530)	(495,007)	-	(7,240,537)
Parks Development	(1,719,588)	(123,369)	-	(1,842,957)
Airport Improvements	<u>(483,926)</u>	<u>(18,894)</u>	<u>-</u>	<u>(502,820)</u>
Total accumulated depreciation	<u>(13,201,708)</u>	<u>(970,117)</u>	<u>-</u>	<u>(14,171,825)</u>
Total capital assets being depreciated, net	<u>10,781,089</u>	<u>(457,802)</u>	<u>-</u>	<u>10,323,287</u>
Governmental activities capital assets, net	<u>\$ 11,064,441</u>	<u>\$ (457,802)</u>	<u>\$ -</u>	<u>\$ 10,606,639</u>

NOTE 6 CAPITAL ASSETS: (CONTINUED)

	Balance October 1, 2007	Additions	Retirements/ Adjustments	Balance September 30, 2008
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 522,738	\$ 54,625	\$ -	\$ 577,363
Capital assets being depreciated				
Building and Improvements	366,823	96,651	-	463,474
Equipment and Fixtures	1,851,191	12,659	-	1,863,850
Electrical System	3,632,757	627,850	-	4,260,607
Water System	5,301,115	544,947	-	5,846,062
Sewer System	6,838,483	166,724	-	7,005,207
Total capital assets being depreciated	17,990,369	1,448,831	-	19,439,200
Less accumulated depreciation for:				
Building and Improvements	(123,728)	(8,303)	-	(132,031)
Equipment and Fixtures	(1,235,838)	(115,861)	-	(1,351,699)
Electrical System	(1,088,561)	(57,558)	-	(1,146,119)
Water System	(1,524,749)	(83,603)	-	(1,608,352)
Sewer System	(1,878,876)	(103,826)	-	(1,982,702)
Total accumulated depreciation	(5,851,752)	(369,151)	-	(6,220,903)
Total capital assets being depreciated, net	12,138,617	1,079,680	-	13,218,297
Business-type activities capital assets, net	\$ 12,661,355	\$ 1,134,305	\$ -	\$ 13,795,660

FASB-34 (Capitalization of Interest Costs) requires that interest expenditures incurred during construction of assets be capitalized. FASB-62 (Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants) concludes that constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. During 2008, net interest costs were not capitalized because interest expenditures related to constructed assets net of related interest revenue were not material.

NOTE 6 CAPITAL ASSETS: (CONTINUED)

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

Governmental Activities	
Administrative	\$ 54,264
Sanitation	185
Fire	37,197
Police	98,417
Paving and street	565,683
Parks and recreation	183,242
Library	22,227
Garage	8,902
Governmental Activities	<u>\$ 970,117</u>
Business-type activities	
Electric, Water and Street	<u>\$ 369,151</u>

The City did not have any significant active construction projects as of September 30, 2008.

NOTE 7 PENSION PLAN:Plan Description

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

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

Members can retire at age 60 and above with 10 or more years of service or with 25 years of service regardless of age. A member is vested after 10 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. At its December, 2007 meeting the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation of the year ended December 31, 2007. Since its inception, TMRS has used the Unit Credit

NOTE 7 PENSION PLAN: (CONTINUED)

actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by the City. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 30-year "closed" period.

Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percent, which are payable by the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 30-year amortization period. When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a 30-year period. Currently, the unfunded actuarial liability is being amortized over the 30-year period, which began January 2007. The amortization period is closed. The actuarial assumptions included (a) a 7% investment rate of return (net of administrative expenses), (b) no projected salary increases or cost of living adjustments, and (c) an inflation rate of 3.0%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2007 valuation is effective for rates beginning January 2008). For fiscal year 2008, the City's annual pension cost of \$382,053 was equal to the City's required and actual contributions.

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2007
Actuarial Value of Assets	\$8,609,108
Actuarial Accrued Liability	\$12,207,469*
Percentage Funded	70.5%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$3,598,361
Annual Covered Payroll	\$2,608,445
UAAL as a percentage of covered payroll	138%

- The change in actuarial valuation method had the effect of increasing the actuarial accrued liability by \$1,127,147 over the liability calculated under the old method.

NOTE 7 PENSION PLAN: (CONTINUED)

Net Pension Obligation (NPO) at the Beginning of the Period		\$ -
Annual Pension Cost:		
Annual Required Contribution (ARC)	\$ 382,053	
Interest on NPO	-	
Adjustment to the ARC	-	382,053
Contributions Made		(382,053)
Increase in NPO		-
NPO at the end of the period		\$ -

Six Year Trend Information

<u>Fiscal Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2003	\$ 328,493	100%	-
9/30/2004	323,595	100%	-
9/30/2005	359,799	100%	-
9/30/2006	369,679	100%	-
9/30/2007	364,665	100%	-
9/30/2008	382,053	100%	-

Additional supplementary three-year trend information may be found on page 54.

The defined benefit pension plan's annual report is included with the audited financial statements of the Texas Municipal Retirement System (TMRS), a copy of which can be obtained from TMRS at P.O. Box 149153, Austin, Texas 78714-9153.

NOTE 8 SUPPLEMENTAL DEATH BENEFITS:**Plan Description**

The City provides group-term life insurance coverage ("supplemental death benefits") for their active and retired employees through a cost sharing multiple-employer defined benefit plan. Coverage may be discontinued by adopting an ordinance before November 1 of any year to be effective the following January 1. The plan is administered by the TMRS. The Plan was instituted by ordinance of the City. Additional information about the plan can be obtained from TMRS at the address above.

NOTE 8 SUPPLEMENTAL DEATH BENEFITS: (Continued)Benefits

Payments are similar to group-term life insurance benefits, and are paid to the designated beneficiary upon the receipt of an approved application for payment. 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 twelve month period preceding the month of death). The death benefit for retirees is considered a postemployment benefit other than pension benefit and is a fixed amount of \$7,500.

Contributions

Contributions are made monthly based on the covered payroll of employee members. The contribution rate is based upon mortality and service experience of all employees covered by the plan determined actuarially in accordance with the parameters of GASB statement 45. That rate for 2007 was .17% of covered payroll. The City's contribution to the supplemental death benefit plan for the years ended September 30, 2008, 2007, and 2006 were \$9,301, \$8,708, and \$7,961, respectively, which equaled the required contributions each year. The valuation date for the plan is December 31, 2007 using the projected unit credit method. The amortization method is level percent of payroll and the amortization period is 25-years, open period. Investment return is assumed to be 4.25% and inflation is 3.0%. No salary increases or cost of living adjustments are included.

NOTE 9 LONG-TERM DEBT:

The following is a summary of bonds payable of the City for the year ended September 30, 2008:

	<u>Governmental</u>
\$1,600,000 General Obligation Refunding Bonds, 2002 A Series due in annual installments of \$185,000 to \$230,000 through 2010, interest at 3.00% to 3.25% to be paid from taxes	\$ 445,000
\$5,000,000 Certificates of Obligation, Series 2002 B, street and drainage improvements, due in annual installments of \$290,000 to \$450,000 through 2017, interest at 3.25% to 4.20% to be paid from taxes and subordinated pledge of the net revenues of Proprietary Fund	3,480,000
\$1,500,000 Certificates of Obligation, Series 2007, library construction and utility system improvements, due in annual installments of \$165,000 to \$500,000 through 2018, interest at 3.75% to 4.0% to be paid from taxes and subordinated pledge of the net revenues of Proprietary Fund	1,425,000
\$3,055,000 General Obligation Refunding Bonds, Series 2007, due in annual installments of \$340,000 to \$440,000 through 2017, interest at 3.75% to 4.0% to be paid from taxes and subordinated pledge of the net revenues of Proprietary Fund	<u>2,905,000</u>
Total Bonds Payable	<u>\$ 8,255,000</u>

NOTE 9 LONG-TERM DEBT: (CONTINUED)**Changes in Outstanding Debt-**

	Balance October 1, 2007	Issues or Additions	Payments or Expenditures	Balance September 30, 2008	Due Within One Year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 3,645,000	\$ -	\$ 295,000	\$ 3,350,000	\$300,000
Certificates of Obligation	<u>5,300,000</u>	<u>-</u>	<u>395,000</u>	<u>4,905,000</u>	<u>420,000</u>
Total government	<u>\$ 8,945,000</u>	<u>\$ -</u>	<u>\$ 690,000</u>	<u>\$ 8,255,000</u>	<u>\$ 720,000</u>

General Obligation Bonds and Certificates of Obligation-

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. Though the City does not currently assess property taxes to meet this obligation, through the budgeting process, the City is in compliance with this requirement.

The 2007 and 2002 B Certificates of Obligation constitute direct tax obligations of the City payable from ad valorem taxes levied, within the limits prescribed by law, against all taxable property within the City and are additionally secured by a subordinate pledge of the surplus of net revenues of the City's Electric, Water, and Sewer Fund.

The advance refunding of the 1997 certificates of obligation using the 2007 general obligation refunding bonds resulted in a reduction in total debt service requirements of \$338,607.

NOTE 9 LONG-TERM DEBT: (CONTINUED)**Annual Requirements to Retire Debt Obligations-**

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2008, are as follows:

General Obligation Bonds

<u>Year Ending Sept. 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 300,000	\$ 129,700	\$ 429,700
2010	315,000	120,063	435,063
2011	340,000	109,400	449,400
2012	360,000	95,800	455,800
2013	375,000	81,400	456,400
2014-2017	<u>1,660,000</u>	<u>250,600</u>	<u>1,910,600</u>
Total	<u>\$ 3,350,000</u>	<u>\$ 786,963</u>	<u>\$ 4,136,963</u>

Certificates of Obligation

<u>Year Ending Sept. 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 420,000	\$ 187,261	\$ 607,261
2010	430,000	172,336	602,336
2011	450,000	157,821	607,821
2012	470,000	141,738	611,738
2013	485,000	124,788	609,788
2014-2018	<u>2,650,000</u>	<u>323,705</u>	<u>2,973,705</u>
Total	<u>\$ 4,905,000</u>	<u>\$ 1,107,649</u>	<u>\$ 6,012,649</u>

The ordinances authorizing the issuance of Certificates of Obligation bonds created an Interest and Sinking Fund (Debt Service Fund). The ordinances require the City to provide a reserve fund which is adequate to meet principal and interest as it comes due.

NOTE 10 RAW WATER SUPPLY CONTRACT:

On February 22, 1978, the City entered into a contract with the Trinity River Authority of Texas (TRA) to purchase from the TRA amounts of raw water impounded in the Livingston Reservoir. The City is obligated to pay an annual standby charge on or before the 10th day of each February and August, beginning August, 1978. Annual standby charges are calculated by multiplying the equivalent of the current annual average daily amount TRA is obligated to sell to the City by the TRA's rates for sale of raw water to municipalities. The annual average daily amounts of raw water that TRA is obligated to sell to the City is 5.0 MGD through 2020.

NOTE 11 WATER SYSTEM SERVICE CONTRACT:

On February 22, 1978, the City also entered into a water system service contract with the TRA whereby, the TRA agreed to pay all the actual costs of acquiring, by purchase or construction, through the issuance of bonds, a water supply and treatment system to render water supply and treatment services to the inhabitants of the City. Although the TRA is to retain title, the City shall have the exclusive use of the entire project throughout its natural life. On March 10, 1979, the TRA issued \$3,485,000 in bonds to pay for the acquisition of the system. Principal and interest payments on the bonds were secured by an irrevocable first lien on and a pledge of net revenues of the City's combined waterworks and sanitary sewer system.

In December, 1991 the TRA issued \$1,600,000 in bonds to expand the capabilities of the system to meet the requirements of the City. The bonds were secured by the net revenues of the City's combined waterworks and sanitary sewer system. During the year ended September 30, 2003, the 1979 and 1991 bonds with an outstanding balance of \$1,295,000 were refunded through the issuance of \$870,000 of new bonds and the utilization of \$468,741 of reserve funds on deposit with the TRA. The effect was to reduce the total debt service requirement by \$707,000 over the life of the bonds.

Under terms of the contract, the City is to pay to TRA amounts equal to the operation and maintenance expenses of the system plus the amounts necessary for the debt service payments on the TRA's bonds. All such payments shall constitute reasonable and necessary operating expenses of the City's combined waterworks and sanitary sewer systems. During the fiscal year ended September 30, 2008, the City paid approximately \$74,850 into the interest and sinking fund. The annual principal and interest payments after the refunding applicable to the TRA's bonds through maturity are in the following amounts:

<u>Calendar Year</u>	<u>Amount Per Year</u>
2009	\$ 77,735
2010	75,320
2011	<u>72,730</u>
Total	<u>\$ 225,785</u>

Changes in Long-term Contracts Payable-

	<u>Balance October 1, 2007</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance September 30, 2008</u>	<u>Due Within One Year</u>
<u>Business Type Activities</u>					
Contracts payable	\$ 275,000	\$ -	\$ 65,000	\$ 210,000	\$ 65,000
Total business	<u>\$ 275,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 210,000</u>	<u>\$ 65,000</u>

NOTE 12 ENERGY AND POWER CONTRACT:

The City entered into a contract with the Sam Rayburn Municipal Power Agency (Agency) on May 1, 1981 for the purchase of power and energy. The contract became effective upon the delivery to the Agency of the proceeds from the sale of the initial series of bonds. The contract will remain in force until all the bonds shall have been paid or provision for such payment shall have been made pursuant to the indenture, i.e., all contractual obligations entered into by the Agency for the generation, purchase, transmission or transformation of power and energy have been terminated and provision has been made for the payment of any residual costs as permitted by law until the expiration of three years after notice of termination of this contract shall have been given by either the Agency or the City to the other party.

Subject to the agreement, the Agency shall sell and deliver to the City of Livingston and the City of Livingston shall purchase and take from the Agency all power and energy required by the City for the operation of its electrical system. The Agency shall use its best efforts to acquire, by purchase or otherwise, and to deliver or shall cause to be delivered to the points of delivery, power and energy in the manner determined to be the most economical, dependable and otherwise feasible.

The City of Livingston shall pay to the Agency the amount as being due and payable in the billing statement submitted by the Agency to the City whether or not the system, or any part thereof, is completed, is operating or operable, or its output is suspended, interrupted, interfered with, reduced, curtailed, or terminated in whole or in part.

The obligation of the City to make such payments constitutes an operating expense of its electric system payable solely from the revenues and receipts of such electric system. Such obligation to make payments from the revenues and receipts of the City's electric system shall be absolute and unconditional and shall not be conditioned upon the performance or nonperformance of the Agency or any other power purchaser under any power sales contract or any other agreement or instrument and shall not be terminated, reduced or suspended for any other cause or reason whatsoever.

During the year ended September 30, 1999, the Agency entered into an agreement with Entergy Power Marketing Corp. and Entergy Power, Inc. to sell its excess system capacity. In addition, the Agency has agreed to enter into a Requirements Power Supply Agreement with Entergy which allows the Agency to purchase its delivered power and energy supply at a fixed price, sufficient to service the retail loads and normal load growth of the cities it currently serves through the term of its existing contracts through 2021. The City expects that rate stabilization should enable them to avoid the annual rate increases to customers previously scheduled to occur.

The Agency was able to rebate to participating cities a portion of their power purchases in 2008. Reflected in the revenues for the Electric, Water and Sewer Fund is an approximate \$600,000 rebate of power costs.

NOTE 13 RELATED PARTY TRANSACTIONS:

The City of Livingston maintains its bank accounts at two local banks. Certain members of the City Council are either officers or directors of the banks. Deposits in the banks are secured by collateral pledged by the banks.

NOTE 14 LITIGATION:

The City is not currently involved with any threatened or pending litigation.

NOTE 15 COMMITMENTS AND CONTINGENT LIABILITIES:

Grants

The City participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs including the year ended September 30, 2008 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 16 RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City transfers this risk, with the exception of minor deductibles, by purchasing insurance from commercial carriers and by participation in the Texas Municipal League Intergovernmental Risk Pool. The risk pool covers the major risk categories including general public liability, law enforcement liability, auto liability, public official liability, property insurance and workers compensation. Coverage in the pool is continuous and annual contributions are subject to adjustment each year on the anniversary date based on updated exposure information and change in rating.

There were no significant changes in coverage limits from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 17 SANITATION DEPARTMENT CONTRACT:

The City contracted with Waste Services for a five-year period to operate its sanitation department which expires in 2013. The contract will be automatically extended for an additional five-year term with the same terms and conditions unless terminated by either party. The City continues to perform all billing and administrative procedures, but all employees and equipment for the sanitation department have been eliminated.

NOTE 18 GOLF COURSE LEASE AGREEMENT:

The City entered into an agreement to lease the municipal golf course for a five-year period to Paul Hendrix, commencing September 6, 2005. Under the terms of the lease, the City will receive \$1.00 per year in rent.

NOTE 19 RECLASSIFICATION:

Certain amounts have been reclassified in the financial statements from the previous year to conform to current year reporting requirements. The reclassifications did not affect beginning of year net assets or fund balances.

NOTE 20 SUBSEQUENT EVENTS:

The City suffered significant damage to its infrastructure including streets and electrical distribution system from the effects of Hurricane Ike. Immediately after the hurricane the City spent approximately \$87,000 for street repairs and \$218,000 for electrical distribution system improvements. Subsequent to September 30, 2008 the City spent approximately \$900,000 additional amounts related to Hurricane Ike. The City applied for and received approximately \$593,000 from the Federal Emergency Management Agency and expects to receive an additional \$438,000 when funding becomes available to help defray the costs associated with the recovery.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LIVINGSTON, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION-TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS
Last Three Fiscal Years

Actuarial Valuation Date	(1) Actuarial Value of Assets **	(2) Actuarial Accrued Liability (AAL) Unit Credit *	(3) Unfunded AAL (UAAL)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability As a Percentage of Covered Payroll
12/31/2005	7,816,806	9,896,899	2,080,093	78.98%	2,323,608	89.52%
12/31/2006	8,688,455	10,983,645	2,295,190	79.10%	2,547,261	90.10%
12/31/2007 (A)	8,609,108	12,207,469	3,598,361	70.52%	2,608,445	137.95%

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

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

(A) For the year ended December 31, 2007 the Texas Municipal Retirement System changed its actuarial funding method from the Unit Credit to the Projected Unit Credit method.

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

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

**CITY OF LIVINGSTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>REVENUES</u>			
Miscellaneous	\$ -	\$ -	\$ -
Total Revenues	-	-	-
<u>EXPENDITURES</u>			
Debt service:			
Principal retirement	690,000	-	690,000
Interest	350,383	-	350,383
Total Expenditures	1,040,383	-	1,040,383
Excess (deficiency) of revenues over expenditures	(1,040,383)	-	(1,040,383)
<u>OTHER FINANCING SOURCES</u>			
Transfers in	913,733	117,502	1,031,235
Total other financing sources	913,733	117,502	1,031,235
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ (126,650)	\$ 117,502	\$ (9,148)
Fund balances at beginning of year			
Fund balance at end of year			

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 4,155	\$ 4,155
<u>4,155</u>	<u>4,155</u>
690,000	-
350,383	-
<u>1,040,383</u>	<u>-</u>
<u>(1,036,228)</u>	<u>4,155</u>
1,060,371	29,136
<u>1,060,371</u>	<u>29,136</u>
24,143	\$ <u>33,291</u>
<u>32,042</u>	
<u>\$ 56,185</u>	

**CITY OF LIVINGSTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts GAAP Basis		
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>
<u>EXPENDITURES</u>			
Capital outlay:			
Streets	\$ 95,000	\$ -	\$ 95,000
Total Expenditures	<u>95,000</u>	<u>-</u>	<u>95,000</u>
Excess (deficiency) of revenues over expenditures	\$ (95,000)	\$ -	\$ (95,000)
<u>OTHER FINANCING SOURCES</u>			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ (95,000)	\$ -	\$ (95,000)
Fund balance at beginning of year			
Fund balance at end of year			

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 93,507	\$ 1,493
<u>93,507</u>	<u>1,493</u>
<u>(93,507)</u>	<u>1,493</u>
<u>(200,000)</u>	<u>(200,000)</u>
<u>(200,000)</u>	<u>(200,000)</u>
(293,507)	<u>\$ (198,507)</u>
<u>1,430,000</u>	
<u>\$ 1,136,493</u>	

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2008 AND 2007**

ASSETS

	<u>2008</u>	<u>2007</u>
Cash	\$ 1,122,846	\$ 816,242
Receivables:		
Returned checks receivable	1,941	2,491
Paving accounts receivable	<u>42,707</u>	<u>46,052</u>
Total Assets	<u>\$ 1,167,494</u>	<u>\$ 864,785</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ <u>320,215</u>	\$ <u>278,975</u>
Total Liabilities	<u>320,215</u>	<u>278,975</u>

FUND BALANCES

Reserve for library memorials	78,525	2,598
Unreserved	<u>768,754</u>	<u>583,212</u>
Total Fund Balances	<u>847,279</u>	<u>585,810</u>
Total Liabilities and Fund Balances	<u>\$ 1,167,494</u>	<u>\$ 864,785</u>

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CITY OF LIVINGSTON, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008
WITH COMPARATIVE ACTUAL TOTALS FOR 2007

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
REVENUES				
Taxes:				
Sales taxes	\$ 3,150,000	\$ -	\$ 3,150,000	\$ 3,232,037
Franchise taxes	165,000	-	165,000	166,598
Hotel/Motel taxes	250,000	10,000	260,000	261,357
Licenses and permits	100,000	50,000	150,000	158,653
Charges for service	1,070,600	3,425	1,074,025	1,063,339
Fines and forfeitures	221,500	7,000	228,500	206,059
Miscellaneous	350,850	(2,408)	348,442	379,730
Total Revenues	<u>5,307,950</u>	<u>68,017</u>	<u>5,375,967</u>	<u>5,467,773</u>
EXPENDITURES				
Administrative	513,195	(970)	512,225	465,198
Sanitation	600,500	10,000	610,500	614,780
Fire	379,090	14,035	393,125	397,386
Police	1,369,950	20,500	1,390,450	1,408,567
Paving and street	682,130	(56,260)	625,870	608,801
Parks and recreation	708,455	21,645	730,100	760,534
Library	1,069,240	(777,640)	291,600	302,528
Garage	299,200	7,300	306,500	275,382
Total Expenditures	<u>5,621,760</u>	<u>(761,390)</u>	<u>4,860,370</u>	<u>4,833,176</u>
Excess of revenues over expenditures	<u>(313,810)</u>	<u>829,407</u>	<u>515,597</u>	<u>634,597</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	310,355	42,516	352,871	500,000
Transfers out	<u>(610,785)</u>	<u>(108,636)</u>	<u>(719,421)</u>	<u>(873,128)</u>
Total other financing sources (uses)	<u>(300,430)</u>	<u>(66,120)</u>	<u>(366,550)</u>	<u>(373,128)</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ (614,240)</u>	<u>\$ 763,287</u>	<u>\$ 149,047</u>	\$ 261,469
Fund balances at beginning of year				<u>585,810</u>
Fund balances at end of year				\$ 847,279

Variance With Final Budget Positive (Negative)	2007 Actual
\$ 82,037	\$ 3,144,640
1,598	162,312
1,357	236,920
8,653	171,091
(10,686)	1,044,379
(22,441)	220,568
31,288	416,879
<u>91,806</u>	<u>5,396,789</u>
47,027	521,904
(4,280)	595,356
(4,261)	363,708
(18,117)	1,345,380
17,069	731,867
(30,434)	774,271
(10,928)	283,358
31,118	180,352
<u>27,194</u>	<u>4,796,196</u>
<u>119,000</u>	<u>600,593</u>
147,129	198,535
(153,707)	(469,653)
<u>(6,578)</u>	<u>(271,118)</u>
<u>\$ 112,422</u>	\$ 329,475
	<u>256,335</u>
	<u>\$ 585,810</u>

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008
WITH COMPARATIVE ACTUAL TOTALS FOR 2007**

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
ADMINISTRATIVE DEPARTMENT				
Salaries	\$ 147,800	\$ 1,500	\$ 149,300	\$ 146,829
Social Security	12,125	-	12,125	11,639
Retirement	56,650	(1,650)	55,000	55,639
Employee insurance	52,750	(4,250)	48,500	47,029
Insurance and bonds	11,770	(270)	11,500	10,532
Legal and professional	60,000	(10,000)	50,000	44,592
Auditing and accounting	5,000	300	5,300	5,167
Supplies	30,000	5,000	35,000	28,279
Repairs-building and grounds	15,000	3,000	18,000	7,290
Equipment repairs and maintenance	5,500	-	5,500	1,871
Gas and oil	2,200	500	2,700	2,850
Utility/telephone	7,700	(100)	7,600	7,959
Dues and subscriptions	12,500	-	12,500	10,641
Building demolitions	10,000	-	10,000	4,040
Transportation and contingency	67,500	-	67,500	63,696
Postage and miscellaneous	11,700	5,000	16,700	16,725
	508,195	(970)	507,225	464,778
Capital expenditures	5,000	-	5,000	420
Total Administrative	513,195	(970)	512,225	465,198
SANITATION DEPARTMENT				
Supplies	80,000	5,000	85,000	84,777
Refuse disposal/landfills	520,500	5,000	525,500	530,003
Total Sanitation	\$ 600,500	\$ 10,000	\$ 610,500	\$ 614,780

Variance With Final Budget Positive (Negative)	2007 Actual
\$ 2,471	\$ 141,842
486	11,922
(639)	54,095
1,471	42,837
968	11,043
5,408	40,493
133	4,883
6,721	34,627
10,710	10,242
3,629	4,410
(150)	2,014
(359)	7,339
1,859	13,560
5,960	5,358
3,804	83,311
<u>(25)</u>	<u>14,192</u>
42,447	482,168
<u>4,580</u>	<u>39,736</u>
<u>47,027</u>	<u>521,904</u>
223	73,485
<u>(4,503)</u>	<u>521,871</u>
<u>\$ (4,280)</u>	<u>\$ 595,356</u>

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008
WITH COMPARATIVE ACTUAL TOTALS FOR 2007**

	Budgeted Amounts GAAP Basis			Actual
	Original	Revisions	Final	
FIRE DEPARTMENT				
Salaries	\$ 137,500	\$ -	\$ 137,500	\$ 137,613
Salaries, administration	24,500	500	25,000	24,329
Social Security	8,800	475	9,275	9,256
Retirement	13,500	500	14,000	14,146
Employee insurance	18,000	(1,000)	17,000	16,775
Insurance and bonds	29,700	-	29,700	27,700
Recruitment costs	1,200	(650)	550	-
Supplies	25,000	(2,000)	23,000	25,983
Repairs-building and grounds	2,500	-	2,500	105
Equipment repairs and maintenance	20,000	5,000	25,000	29,551
Gas and oil	15,815	9,185	25,000	30,744
Utility/telephone	10,500	1,000	11,500	11,047
Dues and subscriptions	1,500	(300)	1,200	1,251
Transportation and contingency	10,000	5,000	15,000	13,621
Maintenance contribution	25,000	(3,000)	22,000	20,881
Postage and miscellaneous	4,575	(675)	3,900	3,274
	348,090	14,035	362,125	366,276
Capital expenditures	31,000	-	31,000	31,110
Total Fire	379,090	14,035	393,125	397,386
POLICE DEPARTMENT				
Salaries	795,000	10,000	805,000	815,850
Salaries, administration	24,500	500	25,000	24,329
Social Security	62,700	2,050	64,750	65,562
Retirement	115,000	(1,000)	114,000	117,226
Employee insurance	130,100	(15,100)	115,000	113,203
Uniforms	2,500	1,000	3,500	3,202
Insurance and bonds	49,775	225	50,000	49,872
Supplies	30,000	(2,500)	27,500	23,442
Repairs-building and grounds	7,500	2,500	10,000	8,526
Equipment repairs and maintenance	20,000	3,000	23,000	19,773
Gas and oil	46,200	3,800	50,000	59,462
Utility/telephone	8,500	1,500	10,000	9,404
Dues and subscriptions	500	(150)	350	115
Transportation and contingency	20,000	5,000	25,000	25,722
Postage and miscellaneous	21,675	(5,325)	16,350	20,714
	1,333,950	5,500	1,339,450	1,356,402
Capital expenditures	36,000	15,000	51,000	52,165
Total Police	\$ 1,369,950	\$ 20,500	\$ 1,390,450	\$ 1,408,567

Variance With Final Budget Positive (Negative)	2007 Actual
\$ (113)	\$ 125,281
671	23,514
19	8,624
(146)	13,120
225	19,727
2,000	20,790
550	275
(2,983)	20,799
2,395	2,712
(4,551)	31,982
(5,744)	15,203
453	10,231
(51)	1,077
1,379	11,163
1,119	25,551
626	3,831
(4,151)	333,880
(110)	29,828
(4,261)	363,708
(10,850)	734,278
671	23,514
(812)	59,118
(3,226)	104,585
1,797	109,813
298	2,925
128	45,136
4,058	25,057
1,474	11,715
3,227	28,857
(9,462)	41,361
596	7,627
235	240
(722)	20,334
(4,364)	24,836
(16,952)	1,239,396
(1,165)	105,984
\$ (18,117)	\$ 1,345,380

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008
WITH COMPARATIVE ACTUAL TOTALS FOR 2007**

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
PAVING AND STREET DEPARTMENT				
Salaries	\$ 218,000	\$ (3,000)	\$ 215,000	\$ 209,830
Salaries, administration	24,500	500	25,000	24,329
Social Security	18,550	(550)	18,000	17,896
Retirement	31,500	(500)	31,000	31,268
Employee insurance	42,000	(1,500)	40,500	39,382
Uniforms	3,300	(300)	3,000	2,656
Insurance and bonds	23,650	2,850	26,500	26,303
Supplies	27,500	(4,000)	23,500	14,231
Equipment repairs and maintenance	38,500	(13,500)	25,000	14,428
Gas and oil	38,500	1,500	40,000	50,176
Transit system	4,620	-	4,620	4,620
Transportation and contingency	2,760	240	3,000	2,808
	473,380	(18,260)	455,120	437,927
Capital expenditures	208,750	(38,000)	170,750	170,874
Total Paving and Street	682,130	(56,260)	625,870	608,801
PARKS AND RECREATION DEPARTMENT				
Salaries	263,000	9,000	272,000	279,743
Salaries, administration	49,000	1,000	50,000	48,656
Social Security	23,900	1,100	25,000	25,089
Retirement	31,500	1,000	32,500	35,391
Employee insurance	48,000	(2,500)	45,500	45,257
Uniforms	4,500	-	4,500	3,142
Insurance and bonds	26,400	(450)	25,950	24,004
Advertising, hotel tax	65,000	-	65,000	74,035
Supplies	51,000	(500)	50,500	40,806
Repairs-building and grounds	45,000	-	45,000	41,558
Equipment repairs and maintenance	13,500	(4,500)	9,000	11,280
Gas and oil	42,680	15,070	57,750	85,931
Utility/telephone	13,700	1,300	15,000	15,961
Dues and subscriptions	550	-	550	300
Transportation and contingency	5,000	750	5,750	5,613
Programming costs	5,000	1,000	6,000	4,690
Postage and miscellaneous	5,725	(1,625)	4,100	3,250
	693,455	20,645	714,100	744,706
Capital expenditures	15,000	1,000	16,000	15,828
Total Parks and Recreation	\$ 708,455	\$ 21,645	\$ 730,100	\$ 760,534

Variance With Final Budget Positive (Negative)	2007 Actual
\$ 5,170	\$ 210,802
671	23,514
104	17,854
(268)	30,276
1,118	37,464
344	3,065
197	26,175
9,269	24,567
10,572	34,438
(10,176)	31,402
-	4,620
<u>192</u>	<u>2,303</u>
17,193	446,480
<u>(124)</u>	<u>285,387</u>
<u>17,069</u>	<u>731,867</u>
(7,743)	240,287
1,344	47,027
(89)	21,717
(2,891)	30,338
243	38,353
1,358	3,837
1,946	22,578
(9,035)	58,522
9,694	44,872
3,442	54,709
(2,280)	14,167
(28,181)	47,704
(961)	13,995
250	455
137	5,881
1,310	4,658
<u>850</u>	<u>5,581</u>
(30,606)	654,681
<u>172</u>	<u>119,590</u>
\$ (30,434)	\$ 774,271

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008
WITH COMPARATIVE ACTUAL TOTALS FOR 2007**

	Budgeted Amounts GAAP Basis			Actual
	Original	Revisions	Final	
LIBRARY DEPARTMENT				
Salaries	\$ 140,000	\$ (1,500)	\$ 138,500	\$ 137,068
Salaries, administration	24,500	500	25,000	24,329
Social Security	12,600	(100)	12,500	12,329
Retirement	20,500	(500)	20,000	19,745
Employee insurance	30,000	(5,000)	25,000	26,532
Insurance and bonds	8,050	-	8,050	8,076
Supplies	8,200	800	9,000	10,015
Repairs-building and grounds	5,000	1,500	6,500	5,902
Equipment repairs and maintenance	3,500	300	3,800	5,133
Utility/telephone	5,000	200	5,200	4,783
Dues and subscriptions	3,000	50	3,050	3,036
Transportation and contingency	2,000	500	2,500	2,035
Postage and printing	1,890	610	2,500	2,224
	264,240	(2,640)	261,600	261,207
Memorial capital	15,000	-	15,000	24,633
Capital expenditures	790,000	(775,000)	15,000	16,688
Total Library	1,069,240	(777,640)	291,600	302,528
GARAGE DEPARTMENT				
Salaries	78,750	2,250	81,000	79,560
Salaries, administration	24,500	500	25,000	24,326
Social Security	7,900	300	8,200	7,930
Retirement	11,150	50	11,200	11,118
Employee insurance	12,000	(500)	11,500	11,173
Uniforms	1,000	-	1,000	907
Insurance and bonds	8,800	700	9,500	9,483
Supplies	8,500	-	8,500	7,296
Repairs-building and grounds	2,500	-	2,500	1,515
Equipment repairs and maintenance	5,000	-	5,000	5,094
Gas and oil	3,850	-	3,850	4,337
Utility/telephone	4,500	1,750	6,250	5,554
	168,450	5,050	173,500	168,293
Capital expenditures	130,750	2,250	133,000	107,089
Total Garage	299,200	7,300	306,500	275,382
TOTAL GENERAL EXPENDITURES	\$ 5,621,760	\$ (761,390)	\$ 4,860,370	\$ 4,833,176

Variance With Final Budget Positive (Negative)	2007 Actual
\$ 1,432	\$ 134,160
671	23,514
171	11,991
255	19,497
(1,532)	25,418
(26)	7,303
(1,015)	9,352
598	8,625
(1,333)	948
417	4,466
14	2,447
465	976
276	1,264
393	249,961
(9,633)	22,175
(1,688)	11,222
(10,928)	283,358
1,440	73,895
674	23,512
270	7,381
82	10,471
327	10,703
93	989
17	8,030
1,204	5,861
985	1,351
(94)	4,499
(487)	3,179
696	4,178
5,207	154,049
25,911	26,303
31,118	180,352
\$ 27,194	\$ 4,796,196

DEBT SERVICE FUND

**CITY OF LIVINGSTON, TEXAS
DEBT SERVICE FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2008 AND 2007**

ASSETS

	<u>2008</u>	<u>2007</u>
Cash	\$ 56,185	\$ 32,042
Total Assets	\$ 56,185	\$ 32,042

FUND BALANCES

Reserve for debt service	\$ 56,185	\$ 32,042
Total Fund Balance	\$ 56,185	\$ 32,042

**CITY OF LIVINGSTON, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008
WITH COMPARATIVE ACTUAL TOTALS FOR 2007**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>REVENUES</u>			
Miscellaneous	\$ -	\$ -	\$ -
Total Revenues	-	-	-
<u>EXPENDITURES</u>			
Bond issue costs	-	-	-
Debt service:			
Principal retirement	690,000	-	690,000
Interest	350,383	-	350,383
Total Expenditures	1,040,383	-	1,040,383
Excess (deficiency) of revenues over expenditures	(1,040,383)	-	(1,040,383)
<u>OTHER FINANCING SOURCES (USES)</u>			
Bonds Issued from refunding debt	-	-	-
Redemption of refunded bonds	-	-	-
Transfers in	913,733	117,502	1,031,235
Total other financing sources	913,733	117,502	1,031,235
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ (126,650)	\$ 117,502	\$ (9,148)
Fund balances at beginning of year			
Fund balance at end of year			

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2007</u>
\$ 4,155	\$ 4,155	\$ 18,668
<u>4,155</u>	<u>4,155</u>	<u>18,668</u>
-	-	74,689
690,000	-	570,000
350,383	-	363,425
<u>1,040,383</u>	<u>-</u>	<u>1,008,114</u>
<u>(1,036,228)</u>	<u>4,155</u>	<u>(989,446)</u>
-	-	3,055,000
-	-	(2,940,000)
1,060,371	(29,136)	842,060
<u>1,060,371</u>	<u>29,136</u>	<u>957,060</u>
24,143	33,291	(32,386)
<u>32,042</u>	<u>-</u>	<u>64,428</u>
<u>\$ 56,185</u>	<u>\$ 33,291</u>	<u>\$ 32,042</u>

CAPITAL PROJECTS FUND

**CITY OF LIVINGSTON, TEXAS
CAPITAL PROJECTS FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2008 AND 2007**

ASSETS

	<u>2008</u>	<u>2007</u>
Cash	\$ 136,493	\$ -
Certificates of deposit	<u>1,000,000</u>	<u>1,430,000</u>
Total Assets	<u>\$ 1,136,493</u>	<u>\$ 1,430,000</u>

FUND BALANCES

Fund Balances:		
Reserved for:		
Capital projects	<u>\$ 1,136,493</u>	<u>\$ 1,430,000</u>
Total Fund Balances	<u>\$ 1,136,493</u>	<u>\$ 1,430,000</u>

**CITY OF LIVINGSTON, TEXAS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008
WITH COMPARATIVE ACTUALS FOR 2007**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>EXPENDITURES</u>			
Bond issue costs	\$ -	\$ -	\$ -
Capital outlay:			
Streets	95,000	-	95,000
Total Expenditures	95,000	-	95,000
Excess (deficiency) of revenues over expenditures	(95,000)	-	(95,000)
<u>OTHER FINANCING SOURCES</u>			
Bonds issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources	-	-	-
Excess of revenues and other financing sources over expenditures and other uses	\$ (95,000)	\$ -	\$ (95,000)
Fund balances at beginning of year			
Fund balances at end of year			

<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>	<u>2007</u>
\$ -	\$ -	\$ 32,593
<u>93,507</u>	<u>1,493</u>	<u>-</u>
<u>93,507</u>	<u>1,493</u>	<u>32,593</u>
<u>(93,507)</u>	<u>1,493</u>	<u>(32,593)</u>
-	-	1,500,000
-	-	-
<u>(200,000)</u>	<u>-</u>	<u>(37,407)</u>
<u>(200,000)</u>	<u>-</u>	<u>1,462,593</u>
\$ (293,507)	\$ 1,493	\$ 1,430,000
<u>1,430,000</u>	<u>-</u>	<u>-</u>
<u>\$ 1,136,493</u>	<u>\$ 1,493</u>	<u>\$ 1,430,000</u>

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PROPRIETARY FUND

**CITY OF LIVINGSTON, TEXAS
COMPARATIVE STATEMENT OF NET ASSETS
ELECTRIC, WATER AND SEWER FUND
SEPTEMBER 30, 2008 AND 2007**

ASSETS	2008	2007
Current assets:		
Cash	\$ 220,371	\$ 894,885
Certificates of deposit	1,500,000	1,700,000
Restricted assets		
Cash in bank, water and sewer system improvements	106,871	158,853
Cash in bank, reserve fund	16,109	17,920
Receivables:		
Returned checks receivable	22,159	19,872
Utility accounts receivable	<u>1,313,898</u>	<u>1,263,088</u>
Total Current Assets	<u>3,179,408</u>	<u>4,054,618</u>
Noncurrent assets:		
Capital assets:		
Land	577,363	522,738
Building and improvements	463,474	366,823
Equipment and fixtures	1,863,850	1,851,191
Electrical system	4,260,607	3,632,757
Water system	5,846,062	5,301,115
Sewer system	<u>7,005,207</u>	<u>6,838,483</u>
	20,016,563	18,513,107
Less accumulated depreciation	<u>(6,220,903)</u>	<u>(5,851,752)</u>
Net capital assets	<u>13,795,660</u>	<u>12,661,355</u>
Other assets:		
Water service contract rights	<u>210,000</u>	<u>275,000</u>
Total Other Assets	<u>210,000</u>	<u>275,000</u>
Total Noncurrent Assets	<u>14,005,660</u>	<u>12,936,355</u>
Total Assets	<u>\$ 17,185,068</u>	<u>\$ 16,990,973</u>

	2008	2007
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 839,224	\$ 1,644,065
Meter deposits	358,218	318,868
Contracts payable-Trinity River Authority	65,000	60,000
Total current liabilities	<u>1,262,442</u>	<u>2,022,933</u>
Noncurrent liabilities:		
Contracts payable-Trinity River Authority	<u>145,000</u>	<u>215,000</u>
Total noncurrent liabilities	<u>145,000</u>	<u>215,000</u>
Total liabilities	<u>1,407,442</u>	<u>2,237,933</u>
NET ASSETS		
Invested in capital assets (net of related debt)	13,795,660	12,661,355
Restricted for water and sewer system improvements	106,871	158,852
Restricted for Trinity River Authority contracts payable	16,109	17,920
Unrestricted	<u>1,858,986</u>	<u>1,914,913</u>
Total net assets	<u>\$ 15,777,626</u>	<u>\$ 14,753,040</u>

CITY OF LIVINGSTON, TEXAS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
ELECTRIC, WATER, AND SEWER FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

Business-Type Activities - Enterprise Fund

	<u>2008</u>	<u>2007</u>
<u>Operating revenues:</u>		
Charges for sales and services:		
Electricity sales	\$ 8,130,710	\$ 7,189,430
Water sales	1,665,407	1,526,673
Sewer service charges	1,224,025	1,140,556
Penalties, utilities	130,904	122,459
Water tapping fees	31,499	22,312
Sewer tapping fees	21,787	13,299
Recoveries, electrical	536,574	592,614
Recoveries, water	68,249	80,722
Revenue, night lights	73,218	70,614
Service fees	46,885	41,148
Total Operating Revenues	<u>11,929,258</u>	<u>10,799,827</u>
<u>Operating expenses:</u>		
Light and Power Department	7,996,778	8,161,925
Water Department	1,659,246	1,542,215
Sewer Department	465,187	441,562
Depreciation	369,151	340,056
Total Operating Expenses	<u>10,490,362</u>	<u>10,485,758</u>
Operating Income	1,438,896	314,069
<u>Non-operating revenues:</u>		
Interest income	<u>72,933</u>	<u>75,798</u>
Income Before Transfers	1,511,829	389,867
Transfers Out	<u>(487,243)</u>	<u>(533,535)</u>
Change in net assets	1,024,586	(143,668)
Total net assets - beginning	<u>14,753,040</u>	<u>14,896,708</u>
Total net assets - ending	<u>\$ 15,777,626</u>	<u>\$ 14,753,040</u>

**CITY OF LIVINGSTON, TEXAS
COMPARATIVE STATEMENT OF CASH FLOWS
ELECTRIC, WATER, AND SEWER FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

Business-Type Activities - Enterprise Fund

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash received from customers	\$ 11,878,448	\$ 10,887,537
Cash payments to suppliers for goods and services	(9,892,457)	(8,417,628)
Cash payments to employees for services	<u>(996,532)</u>	<u>(972,513)</u>
Net cash provided by operating activities	<u>989,459</u>	<u>1,497,396</u>
Cash flows from noncapital financing activities:		
Transfers to other funds	<u>(487,243)</u>	<u>(533,535)</u>
Net cash used for noncapital financing activities	<u>(487,243)</u>	<u>(533,535)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(1,503,456)</u>	<u>(789,271)</u>
Net cash used for capital and related financing activities	<u>(1,503,456)</u>	<u>(789,271)</u>
Cash flows from investing activities:		
Sale of certificate of deposit	200,000	303,090
Interest on cash and investments	<u>72,933</u>	<u>75,798</u>
Net cash provided by investing activities	<u>272,933</u>	<u>378,888</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(728,307)	553,478
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,071,658</u>	<u>518,180</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 343,351</u>	<u>\$ 1,071,658</u>

(Continued)

**CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
ELECTRIC, WATER, AND SEWER FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

Business-Type Activities - Enterprise Fund

	<u>2008</u>	<u>2007</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 1,438,896	\$ 314,069
Adjustments to reconcile operating net income to net cash provided by operating activities:		
Depreciation	369,151	340,056
Change in operating assets and liabilities:		
Returned checks receivable	(2,287)	(5,514)
Utility accounts receivable	(50,810)	19,862
Accounts payable	(804,841)	833,252
Meter deposits	<u>39,350</u>	<u>(4,329)</u>
Total adjustments	<u>(449,437)</u>	<u>1,183,327</u>
Net cash provided by operating activities	<u>\$ 989,459</u>	<u>\$ 1,497,396</u>
Reconciliation of total cash and cash investments		
Unrestricted	\$ 220,371	\$ 894,885
Restricted		
Cash in bank, water and sewer system improvements	106,871	158,853
Cash in bank, reserve fund	<u>16,109</u>	<u>17,920</u>
Total cash and cash equivalents	<u>\$ 343,351</u>	<u>\$ 1,071,658</u>

(Concluded)

ENTERPRISE FUND

CITY OF LIVINGSTON, TEXAS
ENTERPRISE FUND
SCHEDULE OF EXPENSES BY DEPARTMENT - COMPARED TO BUDGET
FOR THE YEAR ENDED SEPTEMBER 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008			
	Original Budget	Revisions	Final	Actual
LIGHT AND POWER DEPARTMENT				
Salaries	\$ 530,000	\$ (100,000)	\$ 430,000	\$ 450,087
Salaries, administration	24,500	500	25,000	24,326
Social Security	42,450	(7,450)	35,000	36,275
Retirement	77,250	(15,750)	61,500	64,839
Employee insurance	72,000	(24,000)	48,000	47,331
Uniform rental	6,050	(2,550)	3,500	3,020
Insurance and bonds	21,450	50	21,500	21,077
Legal and professional	2,500	1,150	3,650	3,943
Engineering	3,000	-	3,000	-
Supplies	40,000	(5,000)	35,000	26,800
Repairs-building and grounds and equipment	22,500	(500)	22,000	15,729
Gas and oil	24,200	800	25,000	34,188
Utility/telephone	4,300	-	4,300	4,235
Dues and subscriptions	5,500	-	5,500	7,720
Power purchase	7,760,800	(260,800)	7,500,000	7,204,818
Transportation and contingency	15,000	-	15,000	19,774
Utility billing	9,000	2,500	11,500	12,015
Postage and miscellaneous	11,850	4,650	16,500	15,718
Auditing and accounting	5,000	167	5,167	4,883
Total Light and Power	<u>8,677,350</u>	<u>(406,233)</u>	<u>8,271,117</u>	<u>7,996,778</u>
WATER DEPARTMENT				
Salaries	330,000	-	330,000	339,281
Salaries - administration	24,500	500	25,000	24,327
Social Security	27,150	2,000	29,150	27,799
Retirement	47,500	(1,000)	46,500	48,193
Employee insurance	62,000	(7,000)	55,000	50,196
Uniform rental	4,000	(500)	3,500	2,958
Insurance and bonds	18,150	2,350	20,500	20,356
Legal and professional	2,500	-	2,500	1,937
Supplies	40,500	(5,250)	35,250	28,493
Repairs-building and grounds	7,000	(1,000)	6,000	4,888
Repairs-equipment	35,000	(5,000)	30,000	23,815
Gas and oil	12,650	850	13,500	14,780
Engineering	5,000	5,500	10,500	7,756
Dues and subscriptions	3,800	-	3,800	3,900
Water-TRA	58,400	-	58,400	58,400
Operations and maintenance-TRA	900,000	(10,000)	890,000	886,378
Transportation and contingency	13,800	700	14,500	16,998
Utility billing	9,000	2,500	11,500	11,765
Postage and printing	13,125	(125)	13,000	9,953
TRA-debt service	77,500	(5,500)	72,000	71,907
Auditing and accounting	5,000	167	5,167	5,166
Total Water	<u>1,696,575</u>	<u>(20,808)</u>	<u>1,675,767</u>	<u>1,659,246</u>

Variance	2007 Actual
\$ (20,087)	\$ 472,156
674	22,562
(1,275)	37,847
(3,339)	66,985
669	59,807
480	4,457
423	19,176
(293)	3,340
3,000	-
8,200	29,982
6,271	25,202
(9,188)	20,114
65	3,815
(2,220)	5,575
295,182	7,355,515
(4,774)	10,469
(515)	8,628
782	11,412
284	4,883
<u>274,339</u>	<u>8,161,925</u>

(9,281)	307,807
673	22,562
1,351	25,276
(1,693)	44,407
4,804	54,280
542	3,827
144	16,657
563	2,149
6,757	29,168
1,112	6,033
6,185	26,102
(1,280)	11,220
2,744	8,844
(100)	3,590
-	58,400
3,622	810,898
(2,498)	12,247
(265)	8,628
3,047	11,587
93	73,650
1	4,883
<u>16,521</u>	<u>1,542,215</u>

CITY OF LIVINGSTON, TEXAS
ENTERPRISE FUND
SCHEDULE OF EXPENSES BY DEPARTMENT - COMPARED TO BUDGET
FOR THE YEAR ENDED SEPTEMBER 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008			
	Original Budget	Revisions	Final	Actual
SEWER DEPARTMENT				
Salaries	131,250	-	131,250	134,263
Salaries, administration	24,500	500	25,000	24,248
Social Security	11,950	50	12,000	12,109
Retirement	18,750	-	18,750	19,193
Employee insurance	22,000	-	22,000	20,874
Uniform rental	1,800	-	1,800	1,387
Insurance and bonds	7,370	2,480	9,850	9,831
Lab fees-engineering	35,000	-	35,000	25,192
Supplies	30,000	(3,000)	27,000	30,093
Chemicals	25,000	(1,500)	23,500	23,693
Legal/professional	1,000	-	1,000	-
Repairs-equipment	25,000	5,000	30,000	26,941
Repairs-building and grounds	2,000	750	2,750	2,694
Gas and oil	19,800	3,200	23,000	29,072
Dues and subscriptions	15,000	(2,900)	12,100	11,975
Transportation and contingency	79,000	800	79,800	79,143
Utilities and telephone	15,000	500	15,500	14,479
Total Sewer	<u>464,420</u>	<u>5,880</u>	<u>470,300</u>	<u>465,187</u>
TOTAL ENTERPRISE FUND				
DEPARTMENT EXPENDITURES	<u>\$ 10,838,345</u>	<u>\$ (421,161)</u>	<u>\$ 10,417,184</u>	<u>\$ 10,121,211</u>

<u>Variance</u>	<u>2007 Actual</u>
(3,013)	124,864
752	22,562
(109)	11,280
(443)	17,580
1,126	20,045
413	1,580
19	6,737
9,808	57,471
(3,093)	25,276
(193)	23,892
1,000	200
3,059	11,228
56	151
(6,072)	18,349
125	11,883
657	75,477
<u>1,021</u>	<u>12,987</u>
<u>5,113</u>	<u>441,562</u>
 <u>\$ 295,973</u>	 <u>\$ 10,145,702</u>

STATISTICAL SECTION

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

TABLE A-1

CITY OF LIVINGSTON, TEXAS
NET ASSETS BY COMPONENT
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 2,545,275	\$ 3,321,143	\$ 3,129,245
Restricted	68,957	71,335	74,795
Unrestricted	<u>741,344</u>	<u>320,621</u>	<u>358,030</u>
Total governmental activities net assets	<u>\$ 3,355,576</u>	<u>\$ 3,713,099</u>	<u>\$ 3,562,070</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 11,885,862	\$ 11,846,648	\$ 12,040,291
Restricted	225,533	189,018	137,798
Unrestricted	<u>1,392,408</u>	<u>2,170,395</u>	<u>2,709,960</u>
Total business-type activities net assets	<u>\$ 13,503,803</u>	<u>\$ 14,206,061</u>	<u>\$ 14,888,049</u>
Primary government			
Invested in capital assets, net of related debt	\$ 14,431,137	\$ 15,167,791	\$ 15,169,536
Restricted	294,490	260,353	212,593
Unrestricted	<u>2,133,752</u>	<u>2,491,016</u>	<u>3,067,990</u>
Total primary government net assets	<u>\$ 16,859,379</u>	<u>\$ 17,919,160</u>	<u>\$ 18,450,119</u>

Note: Information, which is supposed to be presented for last ten years, is presented for years available.

TABLE A-1

<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 3,545,562	\$ 3,549,442	\$ 3,625,188
64,428	32,042	56,185
<u>301,060</u>	<u>746,824</u>	<u>847,279</u>
<u>\$ 3,911,050</u>	<u>\$ 4,328,308</u>	<u>\$ 4,528,652</u>
\$ 12,212,140	\$ 12,661,355	\$ 13,795,660
138,706	176,772	122,980
<u>2,545,862</u>	<u>1,914,913</u>	<u>1,858,986</u>
<u>\$ 14,896,708</u>	<u>\$ 14,753,040</u>	<u>\$ 15,777,626</u>
\$ 15,757,702	\$ 16,210,797	\$ 17,420,848
203,134	208,814	179,165
<u>2,846,922</u>	<u>2,661,737</u>	<u>2,706,265</u>
<u>\$ 18,807,758</u>	<u>\$ 19,081,348</u>	<u>\$ 20,306,278</u>

TABLE A-2

CITY OF LIVINGSTON, TEXAS
CHANGES IN NET ASSETS
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
Administrative	\$ 297,458	\$ 305,279	\$ 429,415	\$ 494,543	\$ 550,712	\$ 543,102
Sanitation	489,301	508,167	525,284	552,169	595,541	614,965
Fire	311,421	290,679	307,944	328,722	372,421	403,472
Police	1,126,591	1,132,421	1,201,267	1,260,724	1,345,599	1,454,820
Paving and street	634,610	785,259	921,559	971,433	1,023,956	1,003,610
Parks and recreation	825,657	778,992	792,944	806,073	842,246	927,799
Library	230,328	230,800	237,031	246,801	274,830	283,433
Garage	137,050	136,813	139,382	158,581	163,178	177,194
Interest on long-term debt	379,555	400,800	381,833	362,868	363,425	350,383
Total governmental activities expense	<u>4,431,971</u>	<u>4,569,210</u>	<u>4,936,659</u>	<u>5,181,914</u>	<u>5,531,908</u>	<u>5,758,778</u>
Business-type activities:						
Electric, water and sewer	9,947,254	9,378,300	9,747,275	10,407,751	10,553,606	10,490,362
Total business-type activities expenses	<u>9,947,254</u>	<u>9,378,300</u>	<u>9,747,275</u>	<u>10,407,751</u>	<u>10,553,606</u>	<u>10,490,362</u>
Total primary government expenses	<u>\$ 14,379,225</u>	<u>\$ 13,947,510</u>	<u>\$ 14,683,934</u>	<u>\$ 15,589,665</u>	<u>\$ 16,085,514</u>	<u>\$ 16,249,140</u>
Program Revenues						
Governmental activities:						
Charges for services						
Administration	\$ 70,903	\$ 68,619	\$ 78,386	\$ 167,499	\$ 171,091	\$ 158,653
Sanitation	678,791	708,348	716,199	735,376	835,662	837,658
Police	240,419	189,847	238,120	236,332	224,131	222,411
Paving and street	1,501	1,916	25,756	83,227	8,931	1,921
Parks and recreation	321,888	427,800	401,882	269,001	290,508	291,150
Library	16,958	15,729	17,339	16,518	18,085	23,652
Operating grants and contributions	67,133	168,623	115,024	392,402	228,664	130,974
Capital grants and contributions	-	404,018	64,077	12,891	-	-
Total governmental activities program revenues	<u>1,397,593</u>	<u>1,984,900</u>	<u>1,656,783</u>	<u>1,913,246</u>	<u>1,777,072</u>	<u>1,666,419</u>
Business-type activities:						
Charges for services						
Electric, water and sewer	9,981,003	10,312,959	10,655,080	10,708,095	10,867,675	11,929,258
Total business-type activities program revenues	<u>9,981,003</u>	<u>10,312,959</u>	<u>10,655,080</u>	<u>10,708,095</u>	<u>10,867,675</u>	<u>11,929,258</u>
Total primary government program revenues	<u>\$ 11,378,596</u>	<u>\$ 12,297,859</u>	<u>\$ 12,311,863</u>	<u>\$ 12,621,341</u>	<u>\$ 12,644,747</u>	<u>\$ 13,595,677</u>
Net (Expense) Revenues						
Governmental activities	\$ (3,034,378)	\$ (2,584,310)	\$ (3,279,876)	\$ (3,268,668)	\$ (3,754,836)	\$ (4,092,359)
Business-type activities	33,749	934,659	907,805	300,344	314,069	1,438,896
Total primary government program net expense	<u>\$ (3,000,629)</u>	<u>\$ (1,649,651)</u>	<u>\$ (2,372,071)</u>	<u>\$ (2,968,324)</u>	<u>\$ (3,440,767)</u>	<u>\$ (2,653,463)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Sales taxes	\$ 2,199,629	\$ 2,324,945	\$ 2,544,289	\$ 2,885,734	\$ 3,144,640	\$ 3,232,037
Franchise taxes	124,949	134,374	136,979	148,230	162,312	166,598
Hotel/Motel taxes	116,991	136,563	131,303	168,967	236,920	261,357
Investment earnings	64,680	43,145	31,869	14,373	60,343	54,954
Miscellaneous	24,127	55,615	25,266	34,381	34,344	90,323
Transfers	455,955	242,191	259,141	365,963	533,535	487,243
Total governmental activities	<u>2,986,331</u>	<u>2,941,833</u>	<u>3,128,847</u>	<u>3,617,648</u>	<u>4,172,094</u>	<u>4,292,512</u>
Business-type activities:						
Investment earnings	21,190	14,790	33,324	74,278	75,798	72,933
Transfers	(455,955)	(242,191)	(259,141)	(365,963)	(533,535)	(487,243)
Total business-type activities	<u>(434,765)</u>	<u>(232,401)</u>	<u>(225,817)</u>	<u>(291,685)</u>	<u>(457,737)</u>	<u>(414,310)</u>
Total primary government	<u>\$ 2,551,566</u>	<u>\$ 2,709,432</u>	<u>\$ 2,903,030</u>	<u>\$ 3,325,963</u>	<u>\$ 3,714,357</u>	<u>\$ 3,878,202</u>
Changes in Net Assets						
Governmental activities	\$ (48,047)	\$ 357,523	\$ (151,029)	\$ 348,980	\$ 417,258	\$ 200,153
Business-type activities	(401,016)	702,258	681,988	8,659	(143,668)	1,024,586
Total primary government	<u>\$ (449,063)</u>	<u>\$ 1,059,781</u>	<u>\$ 530,959</u>	<u>\$ 357,639</u>	<u>\$ 273,590</u>	<u>\$ 1,224,739</u>

Note: Information, which is supposed to be presented for last ten years, is presented for years available.

A. Grant received in 2004 to fund street improvements.

B. FEMA grant received in 2006 to assist with Hurricane Rita recovery.

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CITY OF LIVINGSTON, TEXAS
FUND BALANCES GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>Fiscal Year</u>			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund				
Reserved	\$ 32,311	\$ 24,965	\$ 18,449	\$ 9,848
Unreserved	<u>134,622</u>	<u>215,150</u>	<u>409,807</u>	<u>461,852</u>
Total General Fund	<u>\$ 166,933</u>	<u>\$ 240,115</u>	<u>\$ 428,256</u>	<u>\$ 471,700</u>
All Other Governmental Funds				
Reserved				
Debt Service Fund	\$ 142,299	\$ 151,139	\$ 60,326	\$ 63,345
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 142,299</u>	<u>\$ 151,139</u>	<u>\$ 60,326</u>	<u>\$ 63,345</u>

A. Bond proceeds for resurfacing of City streets.

B. Bond proceeds for library renovations and utility system improvements.

TABLE A-3

<u>Fiscal Year</u>					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 212	\$ 13,243	\$ 5,096	\$ 2,598	\$ 2,598	\$ 78,525
<u>740,600</u>	<u>635,728</u>	<u>420,260</u>	<u>253,737</u>	<u>583,212</u>	<u>768,754</u>
<u>\$ 740,812</u>	<u>\$ 648,971</u>	<u>\$ 425,356</u>	<u>\$ 256,335</u>	<u>\$ 585,810</u>	<u>\$ 847,279</u>
\$ 68,957	\$ 71,335	\$ 74,795	\$ 64,428	\$ 32,042	\$ 56,185
<u>3,221,395</u>	A. <u>1,267,007</u>	<u>342,948</u>	<u>-</u>	<u>1,430,000</u>	B. <u>1,136,493</u>
<u>\$ 3,290,352</u>	<u>\$ 1,338,342</u>	<u>\$ 417,743</u>	<u>\$ 64,428</u>	<u>\$ 1,462,042</u>	<u>\$ 1,192,678</u>

CITY OF LIVINGSTON, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>Fiscal Year</u>			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues				
Taxes	\$ 2,094,957	\$ 2,254,103	\$ 2,225,216	\$ 2,439,934
Licenses and permits	98,402	65,372	61,645	39,422
Charges for service	560,635	797,694	813,228	911,272
Fines and forfeitures	103,441	130,154	156,830	152,717
Miscellaneous	<u>245,433</u>	<u>198,953</u>	<u>423,424</u>	<u>179,894</u>
Total Revenues	<u>3,102,868</u>	<u>3,446,276</u>	<u>3,680,343</u>	<u>3,723,239</u>
Expenditures				
Administrative	211,259	185,542	185,567	219,570
Sanitation	394,160	427,658	460,487	481,974
Fire	273,657	317,288	279,783	290,064
Police	858,558	925,680	923,481	1,009,301
Paving and street	561,299	568,984	689,612	629,290
Parks and recreation	895,893	767,938	1,005,060	603,608
Library	211,570	196,052	251,299	210,043
Garage	112,136	114,547	123,676	122,338
Capital outlay	478,751	-	-	-
Debt service				
Interest	315,999	304,029	292,623	282,348
Principal	<u>155,000</u>	<u>165,000</u>	<u>175,000</u>	<u>190,000</u>
Total Expenditures	<u>4,468,282</u>	<u>3,972,718</u>	<u>4,386,588</u>	<u>4,038,536</u>
Excess of revenues over (under) expenditures	(1,365,414)	(526,442)	(706,245)	(315,297)
Other Financing Sources (Uses)				
Proceeds from borrowing	-	-	-	-
Proceeds from refunding	-	-	-	-
Redemption of refunded bonds	-	-	-	-
Transfers in	1,459,578	1,067,965	1,171,131	834,107
Transfers out	<u>(474,000)</u>	<u>(469,024)</u>	<u>(367,873)</u>	<u>(472,348)</u>
Total other financing sources	<u>985,578</u>	<u>598,941</u>	<u>803,258</u>	<u>361,759</u>
Net change in fund balances	<u>\$ (379,836)</u>	<u>\$ 72,499</u>	<u>\$ 97,013</u>	<u>\$ 46,462</u>
Debt service as a percentage of noncapital expenditures	16.9%	17.0%	15.8%	15.4%

- B. Bond proceeds in 2003 used for street resurfacing.
C. Refunding of bonds in 2003 due to favorable interest rates.
D. Grant received in 2004 for street improvements.
E. Bond proceeds in 2007 to be used for library and utility system improvements.
F. Refunding of bonds in 2007 due to favorable interest rates.

TABLE A-4

<u>Fiscal Year</u>					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 2,441,633	\$ 2,595,882	\$ 2,812,571	\$ 3,202,931	\$ 3,543,872	\$ 3,659,992
70,903	68,620	78,387	167,500	171,091	158,653
978,312	1,054,801	962,644	1,027,350	1,044,379	1,063,339
167,862	174,479	220,754	208,945	220,568	206,059
<u>268,702</u>	<u>790,232</u>	D. <u>444,987</u>	<u>558,205</u>	<u>435,547</u>	<u>383,885</u>
<u>3,927,412</u>	<u>4,684,014</u>	<u>4,519,343</u>	<u>5,164,931</u>	<u>5,415,457</u>	<u>5,471,928</u>
335,176	251,405	381,312	451,244	629,186	465,198
489,056	508,272	525,099	551,984	595,356	614,780
309,087	273,847	290,596	331,699	363,708	397,386
1,055,415	1,084,599	1,222,758	1,202,886	1,345,380	1,408,567
333,779	963,848	578,207	1,003,620	731,867	608,801
685,545	647,341	685,484	834,370	774,271	760,534
228,237	230,581	242,879	252,259	283,358	302,528
152,792	129,975	132,278	157,723	180,352	275,382
1,778,605	B. 1,954,388	942,252	344,577	-	93,507
379,556	400,800	381,833	362,868	363,425	350,383
240,000	530,000	540,000	560,000	570,000	690,000
<u>5,987,248</u>	<u>6,975,056</u>	<u>5,922,698</u>	<u>6,053,230</u>	<u>5,836,903</u>	<u>5,967,066</u>
(2,059,836)	(2,291,042)	(1,403,355)	(888,299)	(421,446)	(495,138)
5,000,000	B. -	-	-	1,500,000	E. -
1,600,000	C. -	-	-	3,055,000	F. -
(1,500,000)	C. -	-	-	(2,940,000)	F. -
937,577	1,154,768	1,196,580	1,274,601	1,040,595	1,560,371
<u>(481,622)</u>	<u>(907,577)</u>	<u>(937,439)</u>	<u>(908,638)</u>	<u>(507,060)</u>	<u>(1,073,128)</u>
<u>5,555,955</u>	<u>247,191</u>	<u>259,141</u>	<u>365,963</u>	<u>2,148,535</u>	<u>487,243</u>
<u>\$ 3,496,119</u>	<u>\$ (2,043,851)</u>	<u>\$ (1,144,214)</u>	<u>\$ (522,336)</u>	<u>\$ 1,727,089</u>	<u>\$ (7,895)</u>
18.1%	27.5%	25.9%	24.0%	21.9%	24.3%

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REVENUE CAPACITY

These schedules contain information to help the reader assess the City's most available local revenue sources, property tax, sales tax, and electrical, water and sewer revenues.

CITY OF LIVINGSTON, TEXAS
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Tax Year	Real Property (1)		Personal (1)
	Assessed Value	Estimated Actual Value	Assessed Value
1998	126,456,776	126,456,776	41,871,715
1999	139,390,979	139,390,979	45,102,762
2000	159,938,722	159,938,722	34,434,642
2001	157,870,532	157,870,532	44,505,537
2002	161,310,608	161,310,608	46,660,580
2003	164,961,394	164,961,394	46,719,165
2004	181,381,433	181,381,433	48,106,813
2005	195,285,576	195,285,576	48,821,394
2006	199,230,665	199,230,665	51,858,018
2007	324,079,092	324,079,092	57,234,573

(1) Information was provided by the Polk County Assessor/Collector's office.

TABLE B-1

<u>Personal Estimated Actual Value</u>	<u>Total Property</u>		<u>Ratio of Total Assessed to Total Estimated Actual Value</u>
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	
41,871,715	168,328,491	168,328,491	100%
45,102,762	184,493,741	184,493,741	100%
34,434,642	194,373,364	194,373,364	100%
44,505,537	202,376,069	202,376,069	100%
46,660,580	207,971,188	207,971,188	100%
46,719,165	211,680,559	211,680,559	100%
48,106,813	229,488,246	229,488,246	100%
48,821,394	244,106,970	244,106,970	100%
51,858,018	251,088,683	251,088,683	100%
57,234,573	381,313,665	381,313,665	100%

CITY OF LIVINGSTON, TEXAS
PROPERTY TAX RATES AND TAX LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
(1)

TAX RATES PER \$100 ASSESSED VALUATION
(DIRECT AND OVERLAPPING)

<u>County Fiscal Year</u>	<u>City General Fund</u>	<u>School District</u>	<u>County</u>	<u>Total</u>
1998	.00	1.4700	0.5089	1.9789
1999	.00	1.4700	0.5550	2.0250
2000	.00	1.4900	0.5550	2.0450
2001	.00	1.5125	0.5550	2.0675
2002	.00	1.5525	0.5550	2.1075
2003	.00	1.5525	0.5550	2.1075
2004	.00	1.5525	0.5550	2.1075
2005	.00	1.5525	0.6277	2.1802
2006	.00	1.4245	0.6277	2.0522
2007	.00	1.1100	0.6277	1.7377

<u>County Fiscal Year</u>	<u>City General Fund</u>	<u>School District</u>	<u>County</u>	<u>Total</u>
1998	-	7,990,692	7,551,913	15,542,605
1999	-	8,521,628	7,872,215	16,393,843
2000	-	9,480,087	8,262,508	17,742,595
2001	-	10,143,543	8,937,795	19,081,338
2002	-	11,460,192	8,938,961	20,399,153
2003	-	11,099,615	9,223,803	20,323,418
2004	-	11,597,686	9,886,492	21,484,178
2005	-	12,513,074	11,292,797	23,805,871
2006	-	12,611,002	12,068,543	24,679,545
2007	-	10,722,728	12,954,936	23,677,664

Tax Rate Limitations: General Law City with a maximum authorized tax rate of \$1.50 for all purposes, imposed by Texas Constitution.

Tax Payment Data: Taxes are due October 1; Delinquent after January 31. No discounts allowed for early payment.

Tax Collection Data: Tax statements on current tax mailed October 1; second notice on unpaid current tax mailed on January 1. Delinquent notices mailed to all taxpayers once annually.

(1) All information in this schedule was provided by the Polk County Tax Assessor/Collector's office.

**CITY OF LIVINGSTON, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago**

TEN LARGEST TAXPAYERS, 2007 ASSESSED VALUES				TEN LARGEST TAXPAYERS, 1998 ASSESSED VALUES			
(*) Name	Assessed Value	Rank	Percent of Total	Assessed Value	Rank	Percent of Total	
Memorial Health System of ET	\$ 21,187,937	1	5.56%	\$ -	-	0.00%	
Wal-Mart Stores	9,445,934	2	2.48%	14,890,746	1	9.57%	
Lowe's	7,781,794	3	2.04%	-	-	0.00%	
First National Bank	7,615,664	4	2.00%	1,629,834	10	0.00%	
Livingston Shopping Center, LTD	4,982,414	5	1.31%	-	-	0.00%	
Livingston Ventures	4,782,892	6	1.25%	-	-	0.00%	
MCN Livingston LLC	4,315,646	7	1.13%	-	-	0.00%	
Brookshire Brothers	3,079,112	8	0.81%	-	-	0.00%	
First State Bank	2,413,391	9	0.63%	-	-	0.00%	
Gardens ALC	1,758,862	10	0.54%	1,949,989	4	1.24%	
Ronnie Loper	-		0.00%	2,588,375	2	1.65%	
Wal-Mart Stores	-		0.00%	2,057,441	3	1.31%	
McNiel Real Estate	-		0.00%	1,847,165	5	1.18%	
Factory Stores, Inc.	-		0.00%	1,830,353	6	1.16%	
H.E. Butts	-		0.00%	1,779,567	7	1.13%	
Vanity Fair Factory Outlet	-		0.00%	1,762,129	8	1.12%	
Jackson Farm & Elect Supply	-		0.00%	1,657,857	9	1.05%	
	<u>\$ 67,363,646</u>		<u>17.75%</u>	<u>\$ 31,993,456</u>		<u>19.41%</u>	

(*) Information provided by Polk County Tax Assessor/Collector's Office.

**CITY OF LIVINGSTON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
1998-99	N/A	N/A	N/A	61	61
1999-00	N/A	N/A	N/A	15	15
2000-01	N/A	N/A	N/A	42	42
2001-02	N/A	N/A	N/A	-	-
2002-03	N/A	N/A	N/A	64	64
2003-04	N/A	N/A	N/A	-	-
2004-05	N/A	N/A	N/A	-	-
2005-06	N/A	N/A	N/A	-	-
2006-07	N/A	N/A	N/A	-	-
2007-08	N/A	N/A	N/A	-	-

* City discontinued levying property taxes in fiscal 1989.

TABLE B-4

Total Collections as Percent of Current Levy	Adjustment	Outstanding Delinquent Taxes	Outstanding Delinquent as a Percent of Total Tax Levy
N/A	(102)	2,140	N/A
N/A	(103)	2,022	N/A
N/A	(2)	2,101	N/A
N/A	-	2,101	N/A
N/A	64	2,101	N/A
N/A	(2,101)	-	N/A
N/A	-	-	N/A
N/A	-	-	N/A
N/A	-	-	N/A
N/A	-	-	N/A

**CITY OF LIVINGSTON, TEXAS
TAXABLE SALES BY CATEGORY
Last Ten Fiscal Years**

	<u>Fiscal Year</u>			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Agriculture, forestry, & fishing	\$ 150,265	\$ 132,265	\$ 186,082	\$ 120,040
Mining	1,569,682	881,964	2,445,805	3,017,072
Construction	2,497,919	304,801	1,427,549	2,178,456
Manufacturing	4,597,158	4,217,761	3,618,803	2,805,088
Transportation, communication, utility	4,211,352	4,161,561	3,940,131	3,915,504
Wholesale Trade	5,216,119	1,678,572	1,313,493	1,290,343
Retail Trade	105,983,420	107,579,312	112,245,922	107,735,964
Finance, insurance, real estate	186,539	208,516	331,846	321,496
Services	6,524,395	7,437,827	6,697,287	5,937,256
Public administration	830,146	-	-	-
Other	-	-	-	-
Total	<u>\$ 131,766,995</u>	<u>\$ 126,602,579</u>	<u>\$ 132,206,918</u>	<u>\$ 127,321,219</u>

Source: State Comptroller's Office

TABLE B-5

<u>Fiscal Year</u>					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 104,087	\$ 55,655	\$ 17,846	\$ -	\$ -	\$ -
1,670,892	2,928,533	5,613,633	7,700,436	60,829	756,938
3,176,878	459,045	424,557	787,927	11,059,135	11,376,991
2,626,183	3,348,853	3,585,308	3,323,607	5,178,592	6,562,549
					63,730
3,944,208	3,694,829	3,502,046	3,498,339	74,518	8,816,753
1,820,682	2,341,586	2,315,597	2,906,373	8,451,726	128,369,896
110,586,688	107,480,485	122,067,358	131,436,864	119,034,315	1,690,872
309,122	282,049	107,361	69,374	1,177,586	29,680,044
6,103,505	6,247,964	6,119,047	5,621,477	32,216,522	-
-	-	-	-	-	-
-	-	440,818	3,097,013	-	-
<u>\$ 130,342,245</u>	<u>\$ 126,838,999</u>	<u>\$ 144,193,571</u>	<u>\$ 158,441,410</u>	<u>\$ 177,253,223</u>	<u>\$ 187,317,773</u>

**CITY OF LIVINGSTON, TEXAS
ELECTRICAL, WATER, AND SEWER REVENUES
Last Ten Fiscal Years**

	<u>Fiscal Year</u>			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Electrical revenues	\$ 7,833,902	\$ 6,874,758	\$ 6,756,183	\$ 6,568,105
Water revenues	1,320,284	1,433,655	1,457,245	1,491,121
Sewer revenues	<u>836,288</u>	<u>865,533</u>	<u>928,194</u>	<u>969,701</u>
Total	<u>\$ 9,990,474</u>	<u>\$ 9,173,946</u>	<u>\$ 9,141,622</u>	<u>\$ 9,028,927</u>

Sources: Various City Departments

TABLE B-6

<u>Fiscal Year</u>					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 7,350,587	\$ 7,584,035	\$ 7,873,279	\$ 8,039,723	\$ 8,016,265	\$ 8,918,291
1,573,863	1,637,733	1,650,187	1,550,614	1,629,707	1,765,155
<u>1,056,553</u>	<u>1,091,190</u>	<u>1,131,614</u>	<u>1,117,758</u>	<u>1,153,855</u>	<u>1,245,812</u>
<u>\$ 9,981,003</u>	<u>\$ 10,312,958</u>	<u>\$ 10,655,080</u>	<u>\$ 10,708,095</u>	<u>\$ 10,799,827</u>	<u>\$ 11,929,258</u>

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DEBT CAPACITY

These schedules 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.

CITY OF LIVINGSTON, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>CERTIFICATES OF OBLIGATION</u>	<u>GENERAL OBLIGATION BONDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>	<u>PERCENTAGE OF PERSONAL INCOME</u>
1998-99	5,200,000	-	5,200,000	4.99%
1999-00	5,035,000	-	5,035,000	4.58%
2000-01	4,860,000	-	4,860,000	4.23%
2001-02	4,670,000	-	4,670,000	3.54%
2002-03	8,115,000 (1)	1,415,000	9,530,000	6.98%
2003-04	7,770,000	1,230,000	9,000,000	6.58%
2004-05	7,415,000	1,045,000	8,460,000	6.19%
2005-06	7,050,000	850,000	7,900,000	5.38%
2006-07	5,300,000 (2)	3,645,000 (2)	8,945,000	6.00%
2007-08	4,905,000	3,350,000	8,255,000	4.98%

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

(1) The City issued \$5,000,000 in new bonds and \$1,600,000 in refunding bonds in 2003

(2) The City issued \$1,500,000 in new bonds and \$3,055,000 in refunding bonds in 2007

TABLE C-1

PER CAPITA	PERSONAL INCOME DATA
1,036	104,224,554
1,003	110,046,594
968	114,799,587
860	131,989,302
1,754	136,449,795
1,657	136,770,342
1,557	136,770,342
1,454	146,913,753
1,646	149,038,056
1,519	165,695,634

**CITY OF LIVINGSTON, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value (1)</u>	<u>Gross Bonded Debt (3)</u>	<u>Less: Debt Service Fund</u>
1998-99	5,019 (2)	168,328,491	-	142,299
1999-00	5,019	184,493,741	-	151,159
2000-01	5,433 (4)	194,373,364	-	60,326
2001-02	5,433	202,376,069	-	63,345
2002-03	5,433	207,971,188	-	68,957
2003-04	5,433	211,680,559	-	71,335
2004-05	5,433	229,488,246	-	74,795
2005-06	5,433	244,106,970	-	64,428
2006-07	5,433	251,088,683	-	32,042
2007-08	5,433	381,313,665	-	56,185

(1) Net of exemptions (information provided by Polk County Assessor/Collector's office)

(2) U.S. Census 1990

(3) Since 1988, the City has had no bonds that are being repaid through general property taxes.

(4) U.S. Census 2000

TABLE C-2

Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

**CITY OF LIVINGSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
September 30, 2008**

<u>Governmental Unit</u>	<u>Outstanding Debt</u>	<u>Percentage Applicable to This Governmental Unit *</u>	<u>City of Livingston's Share of Debt</u>
City of Livingston	\$ -	100%	\$ -
(1) Livingston Independent School District	63,070,000	20%	12,614,000
(2) County of Polk	35,029,686	13%	<u>4,553,859</u>
Total direct and overlapping debt			<u>\$ 17,167,859</u>

(1) Information provided by Livingston Independent School District Business Office

(2) Information provided by Polk County Auditor's Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of Livingston, Texas. This process recognizes that when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the 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.

*For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's taxable assessed value.

**CITY OF LIVINGSTON, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
September 30, 2008**

Assessed value, year 2007	<u>\$ 381,313,665</u>
Debt Limit - Ten Percent of assessed value	38,131,367
Amount of Debt Applicable to Debt Limit:	
General Obligation bonds	3,350,000
Other debt (certificates of obligation)	<u>4,905,000</u>
Total bonded debt	<u>8,255,000</u>
Less: Assets in debt service fund	56,185
Total amount of debt applicable to debt limit	<u>8,198,815</u>
Legal debt margin	<u>\$ 29,932,552</u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Legal Debt Margin as a Percentage of the Debt Limit
1999	\$ 16,832,849	5,057,701	\$ 11,775,148	69.95%
2000	\$ 18,449,374	4,883,861	\$ 13,565,513	73.53%
2001	\$ 19,437,336	4,799,674	\$ 14,637,662	75.31%
2002	\$ 20,237,607	4,606,655	\$ 15,630,952	77.24%
2003	\$ 20,797,119	9,461,043	\$ 11,336,076	54.51%
2004	\$ 21,168,056	8,928,665	\$ 12,239,391	57.82%
2005	\$ 22,948,825	8,385,205	\$ 14,563,620	63.46%
2006	\$ 24,410,697	7,835,572	\$ 16,575,125	67.90%
2007	\$ 25,108,868	8,912,958	\$ 16,195,910	64.50%
2008	\$ 38,131,367	8,198,815	\$ 29,932,552	78.50%

Note: Under state finance law, the City's outstanding general obligation debt should not exceed ten percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

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DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**CITY OF LIVINGSTON, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
1998-99	5,019	104,224,554	20,766	-
1999-00	5,019	110,046,594	21,926	-
2000-01	5,433	114,799,587	21,130	5.80%
2001-02	5,433	131,989,302	24,294	6.00%
2002-03	5,433	136,449,795	25,115	7.50%
2003-04	5,433	136,770,342	25,174	7.70%
2004-05	5,433	136,770,342	25,174	6.70%
2005-06	5,433	146,913,753	27,041	6.30%
2006-07	5,433	149,038,056	27,432	6.20%
2007-08	5,433	165,695,634	30,498	6.20%

* Sources: Population provided by the 1990 and 2000 census. Personal income provided by Bureau of Economic Analysis. Unemployment rate (for the years available) provided Bureau of Labor Statistics.

TABLE D-2

**CITY OF LIVINGSTON, TEXAS
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

(*) <u>Name</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
Livingston ISD	600	1	7.82%	575	1	8.51%
Wal-Mart Super Center	500	2	6.52%	500	2	7.40%
County of Polk - Government	300	3	3.91%	300	3	4.44%
IAH Detention Facility	229	4	2.98%	-	-	0.00%
Memorial Med. Center	175	5	2.28%	140	4	2.07%
Pine Ridge Nursing Center	175	6	2.28%	120	5	1.78%
Camp Cho-Yeh & Conf. Cent.	170	7	2.22%	-	-	0.00%
Sam Houston Elec. Coop	153	8	1.99%	-	-	0.00%
Brookshire Bros.	148	9	1.93%	89	6	1.32%
Lowe's Home Improvement	123	10	1.60%	-	-	0.00%
First National Bank	-		0.00%	80	7	1.18%
McDonalds Restaurant	-		0.00%	77	8	1.14%
City of Livingston	-		0.00%	70	9	1.04%
First State Bank	-		0.00%	70	10	1.04%
	<u>2,573</u>		<u>33.54%</u>	<u>2,021</u>		<u>29.90%</u>

(*) Information provided by the Polk County Economic & Industrial Development Corporation.

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OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF LIVINGSTON, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

FUNCTION/PROGRAM	Full-time Equivalent Employees as of September 30,				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Administrative	9	8	8	8	8
Fire	1	1 A	1	1	1
Police					
Officers	18	19	18	17	17
Other staff	5	3	4	5	4
Paving and street	7	6	6	6	7
Parks and recreation	9	9	9	7	7
Library	4	4	4	4	4
Garage	2	2	2	2	2
Electric, Water & Sewer	<u>16</u>	<u>17</u>	<u>17</u>	<u>18</u>	<u>18</u>
Total	71	69	69	68	68

Sources: Various City Departments

A. The City does not have a paid fire department. The City has approximately 40 citizens who volunteer to serve in the fire department.

B. Includes 2 employees assigned to community development.

TABLE E-1

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
9	9	10 B	11	12
1	1	2	2	2
18	18	18	18	17
4	5	5	5	6
7	6	7	7	5
7	9	9	10	8
4	4	5	5	4
2	2	2	2	2
<u>18</u>	<u>18</u>	<u>19</u>	<u>16</u>	<u>18</u>
70	72	77	76	74

CITY OF LIVINGSTON, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

<u>FUNCTION/PROGRAM</u>	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Police				
Violations (Traffic & Criminal)	3,043	3,726	2,959	2,993
Fire				
Fire Calls	504	504	615	609
Library				
Volumes of Books	18,843	22,402	22,812	22,846
Electric				
Average daily kilowatt hours sold	221,135	205,024	199,352	198,484
Total customers	3,181	3,176	3,170	3,232
Water				
Average daily consumption	1,278,066	1,238,649	1,497,025	1,342,285
Total connections	3,060	3,085	3,076	3,056

Sources: Various City Departments

TABLE E-2

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
2,788	2,241	2,761	2,493	3,047	2,823
510	488	592	592	728	863
23,863	23,383	24,425	22,212	22,426	20,770
202,958 3,221	219,935 3,238	224,874 3,278	226,791 3,281	227,240 3,325	224,443 3,329
1,284,118 3,123	1,314,511 3,143	1,415,414 3,186	1,347,551 3,213	1,347,079 3,224	1,445,855 3,214

CITY OF LIVINGSTON, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

<u>FUNCTION/PROGRAM</u>	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Police				
Patrol Units	9	9	9	9
Fire				
Stations and substation	2	2	2	2
Vehicles including fire trucks	15	9	9	9
Paving and Street				
Miles of Paved Streets	49.20	49.20	49.20	49.20
Miles of Paved Sidewalks	12.50	12.50	12.50	12.50
Street lights	676	679	686	691
Night lights	625	640	420	435
Parks & Recreation				
Acres of Parks	373.50	373.50	373.50	373.50
Water				
Miles of water mains	33.95	33.95	33.95	33.95
Storage capacity-gallons	2,150,000	2,150,000	2,150,000	2,150,000
Sewer				
Miles of sewer lines	78.12	78.12	78.12	78.12

Sources: Various City Departments

TABLE E-3

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
9	9	9	9	9	7
2	2	2	2	3	3
8	8	9	9	9	17
49.20	49.20	49.20	49.20	49.20	53.24
12.50	12.50	12.50	12.50	12.50	12.50
693	697	703	711	711	721
438	453	466	481	481	468
373.50	373.50	373.50	373.50	373.50	373.50
33.95	33.95	33.95	33.95	33.95	34.40
2,150,000	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000
78.12	78.12	78.12	78.12	78.12	78.88

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MISCELLANEOUS STATISTICAL DATA - UNAUDITED

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED

DATE OF INCORPORATION:	October 3, 1902
GOVERNMENT:	General Law City Council - Manager Elected Officials: Mayor Five (5) Council members
POPULATION:	1990 U.S. Census - 5,019 2000 U.S. Census - 5,433

INCORPORATED AREA IN ACRES LAST TEN YEARS

1999	5,346	2004	5,451
2000	5,352	2005	5,456
2001	5,440	2006	5,456
2002	5,440	2007	5,465
2003	5,440	2008	5,465

TRANSPORTATION FACILITIESStreets

53.24 Miles paved street
12.77 Unpaved streets
10.50 Miles undeveloped streets
12.50 Miles sidewalk

Highways

U.S. 59 and U.S. 190 Intersect
in Downtown Area. Also serve as
principal city streets

Railways

Union Pacific RR Company

Municipal Airport

Runway - 3,700' paved
Windsocks, tiedowns, telephone
Privately owned hangars
Airport lighted

WATER AND SANITATION FACILITIESWater Mains

12" 7.86 miles
8" 6.09 miles
6" 20.45 miles

Water Pumpage

Present requirements 1,800,000
gallons per day

Water Storage

Elevated - 800,000 gallons
Ground - 1,350,000 gallons

Sewer Lines

Sanitation - 78.88 miles of line
Storm - Adequate for proper
drainage

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED**PERSONNEL**

<u>Department</u>	<u>Number of Employees</u>	<u>Employees Statistics</u>	
		<u>Years of Service</u>	<u>Number of Employees</u>
Administrative	8	31+	3
Electric	6	20-30	10
Water	9	15-19	7
Sewer	3	10-14	8
Police	23	6-9	14
Street	5	1-5	24
Parks and Recreational	6	Less than (one) 1 year	8
Library	4		
Garage	2		24
Community Devel.	2		
Fire	2		
Mainstreet	2		
Trade Days	2		
Total	74		

PERSONNEL POLICY PROVISIONS

Cost of Living Salary Adjustment
Merit System (all employees)
Paid vacation (80 hours after one year)
 (120 hours after 10 years)
 (160 hours after 20 years)
Paid sick leave (80 hours) with 240 hours accrual
Paid Holidays (Nine)
Bereavement Leave (24 hours)
Earned personal leave days (Two)
Award program-Annual banquet, safety,
 service, attendance, and volunteer awards.
Education tuition reimbursement
Family Leave (FMLA)
Workers Compensation Program

Paid Insurance Benefits - all regular
full-time employees and portion of
dependents (hospitalization and life
insurance, dental and vision prescription
cards) and portion of dependent
medical costs.
Retirement Benefits ratio match 2:1
Social Security
Volunteer Program (MVP)
Sick Leave Pool
Holiday Compensation
Law Enforcement Certificate Pay
Paid uniforms for all service personnel
Healthy initiative program
Water/Wastewater Certificate pay

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED

POLICE PROTECTIONPersonnel

One (1) Chief
 One (1) Lieutenant
 Four (4) Sergeants
 One (1) Detective
 Seven (7) Officers
 Three (3) Reserve Officers
 Four (4) Telecommunication Operators
 Two (2) Relief Telecommunication Operators
 One (1) Animal Control Officer
 Two (2) School Officers

One (1) Municipal Court Judge
 One (1) Secretary/Comm. Spv
 One (1) Corporation Clerk
 One (1) Records Clerk
 One (1) Associate Municipal
 Court Judge

Equipment

Eight (8) Patrol Units
 Six (6) Radars
 Radio Communication System
 Computer System

Traffic and Criminal Violations

\$170,075 fines collected
 2,823 violations

FIRE PROTECTIONPersonnel

One (1) Fire Chief
 Thirty-seven (37) volunteer firemen
 Three (3) radio dispatchers - full time and standby
 One (1) secretary

Housing

1992 Station 1 - 8 Truck bays, 2 offices
 1 classroom, and 1 workroom

Equipment

Five (5) pumpers (1-1000 GPM; 3-1250 GPM; 1-750 GPM)
 One (1) aerial ladder truck (1750 GPM)
 Two (2) tankers (3000 gal. capacity)
 One (1) Haz-Mat truck
 Two (2) rescue boats and equipment
 One (1) Command Post-32' self-contained
 Radio communication system including 50 mobile units,
 dispatch module and 6 remotes
 "Jaws" of life (4 sets with 1 set of air bags)

1996 Station 2 - 5 Truck bays

2007 Station 3 - 2 Truck bays

Fire Training Field - Used for live
 fire training and other rescue classes

Water rescue equipment
 Trench rescue equipment
 Rope rescue equipment
 Two (2) Thermal imagers
 Two (2) utility vehicle
 Two (2) Grass/brush fire trucks
 One (1) Heavy Rescue
 1-6 Bottle cascade system-light tower
 1-8 Bottle cascade system
 300 gallons AFFF Foam
 200 gallons Forestry Foam
 One (1) John Deere Gator

50 gallons Micro Blaze
 40 self-contained air packs
 6 generators
 8 entry saws
 Hazardous material equipment
 3 Ventilation saws
 2 Metal cutoff saws
 3 450 GPM Float Pumps

Total Fire Calls

2007-2008 - 863 fire calls

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED**POPULATION INFORMATION**

U.S. Census - 1940	1,851
U.S. Census - 1950	2,855
U.S. Census - 1960	3,398
U.S. Census - 1970	3,925
U.S. Census - 1980	4,928
U.S. Census - 1990	5,019
U.S. Census - 2000	5,433

ENTERPRISES AS OF SEPTEMBER 30, 2008

(1) Centerpoint Energy	Gas Utility	Active Customers 1,410 Inactive Customers N/A
(1) RB3 (Reach Broadband)	Television Cable	Customers - 500
(1) Livingston Telephone Co.	Telephone System	Access Lines - 4347
(1) Telcom Supply	Television Cable	Customers - 1071
City of Livingston	Electric & Water Systems	Electric Customers 3,329 Water Customers 3,214
(1) Information provided by individual corporate offices		

CITY ELECTRIC DEPARTMENT STATISTICS (LAST TEN YEARS)

Year	Number of Customers	KWH Consumed		Total
		Residential	Commercial	
1999	3,181	27,857,061	46,976,625	74,833,686
2000	3,176	29,645,524	43,117,915	72,763,439
2001	3,170	29,378,803	43,067,743	72,446,546
2002	3,232	28,769,229	48,636,624	77,405,853
2003	3,221	29,146,576	49,115,934	78,262,510
2004	3,238	29,229,573	51,046,854	80,276,427
2005	3,278	30,113,643	51,965,355	82,078,998
2006	3,281	29,935,701	52,842,837	82,778,538
2007	3,325	30,371,804	52,570,936	82,942,740
2008	3,329	29,226,472	52,695,081	81,921,533

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED**MUNICIPAL SALES TAX**

1998-99	\$ 1,977,188
1999-00	\$ 2,105,743
2000-01	\$ 2,040,731
2001-02	\$ 2,189,216
2002-03	\$ 2,199,629
2003-04	\$ 2,324,945
2004-05	\$ 2,544,289
2005-06	\$ 2,885,734
2006-07	\$ 3,144,640
2007-08	\$ 3,232,037

WATER DEPARTMENT STATISTICS (LAST TEN YEARS)

<u>Year</u>	<u>Gallons Consumed *</u>	<u>Gallons Pumped</u>
1999	452,107,000	531,334,000
2000	546,414,000	593,900,000
2001	489,934,000	602,301,000
2002	468,703,000	580,397,000
2003	479,796,400	613,309,000
2004	481,082,000	615,675,000
2005	516,626,000	644,243,000
2006	491,856,000	649,023,000
2007	491,684,000	642,198,000
2008	527,737,000	701,968,000

* Water consumption at municipally-owned facilities not included.

*** EDUCATIONAL FACILITIES****Public Schools**

Timbercreek Elementary (Pre-K - 3)
Pine Ridge Elementary (Pre-K - 3)
Livingston Intermediate School (Grades 4-5)
Livingston Jr. High School (Grades 6-8)
Livingston High School (Grades 9-12)
Livingston Special Education and Cooperative
Training (Adult Education-Special Services)

Public School Miscellaneous Data

Teachers - 268 Certified
105 Aides Para Professional
176 Auxiliary
Average Daily Attendance - 3,884 Inclusive

Public School Administrative Personnel

Superintendent - One (1)
Asst. Superintendent - Three (3)
Principals - Seven (7)
Asst. Principals - Eight (8)
Counselors - Seventeen (17)
Directors of Special Prog./Curriculum -
Eleven (11)
Other - 36
Private
Private Kindergarten and/or
Nursery Schools - Six (6)

* Information provided by Livingston Independent School District Business Office.

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED**CULTURAL AND RECREATIONAL ACTIVITIES****Barney Wiggins Fairgrounds**

Sixty (60) Acres, Highway 146, South
 Rodeo Arena and Concession Stand
 Little League Baseball Complex - 5 lighted fields
 Concessions and restrooms
 Trailer Camp Sites, Livestock
 Pavilion and Grandstands

Matthews Park

Eight-five (85) Acres, West
 Matthews Street, Picnic Area, Playground
 Equipment, Four (4) Lighted Tennis Courts,
 Two (2) Picnic Pavilions and .5 mile lighted
 jogging trail with exercise stations.
 Junior olympic pool constructed in 1992
 Bathhouses and Volleyball court.

Youth Center - South Washington

Four and one-half (4 1/2) acres
 Playground area

Murphy Memorial Library

Located 601 West Church Street, Constructed
 in 1967. Construction Value \$120,000. Staff-
 Professional Librarian, Three (3) Assistants,
 One (1) Aide, Janitorial help.
 Volumes; 2008 - 20,007

Joe Pedigo City Park

224 acres U.S. 59 Bypass, Phase I -
 approximately 50 acres-completed
 May, 1990. Baseball and softball
 fields, soccer fields, covered picnic
 shelters and concession stand.
 Phase II completed in 1999 Trade
 Days pavilions (2) and infrastructure,
 3 softball fields, lake, concession
 stand, restrooms, and maintenance shop.

ELECTION INFORMATION

* Number of registered voters in County	38,398
* Number voting in last general election	20,323
Number of registered voters in City	3,148
** Number voting in last Municipal election (2005)	910
Percentage of voters voting:	
Last general election (County)	52.9%
** Last Municipal election (Municipal) (2005)	28.9%

* Information provided by Polk County Clerk's Office and Polk County Tax Office.

** Information provided by City of Livingston.

**CITY OF LIVINGSTON, TEXAS
CITY OFFICIALS
For the Year Ended September 30, 2008**

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Clarke Evans	Mayor	\$ 25,000
E. Ray Hill	Alderman	25,000
Judy Cochran	Mayor Pro-tem	25,000
Billy S. Wiggins	Alderman	25,000
Raymond Luna	Alderman	25,000
Marilyn Sutton	City Manager	25,000
Ellie Monteaux	City Secretary	25,000
Gaffney Phillips	City Attorney	25,000

NOTE: All employees are covered by Public Employees Blanket Bond in the amount of \$25,000.