

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

**FISCAL YEAR
OCTOBER 1, 2008 - SEPTEMBER 30, 2009
ISSUED BY: FINANCE DEPARTMENT
MARILYN SUTTON**

**CITY OF LIVINGSTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2009**

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City of Livingston, Texas

A Texas Main Street City Since 2005

200 West Church Street, Livingston, Texas 77351-3281

Telephone: (936) 327-4311 Fax: (936) 327-7608

www.cityoflivingston-tx.com

March 15, 2010

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, 2009 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.

Clarke Evans, Mayor

Marilyn Sutton, City Manager

Ellie Monteaux, City Secretary

Council Members: E. Ray Hill, Judy Cochran, Raymond Luna, Billy S. Wiggins, Elgin Davis

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.

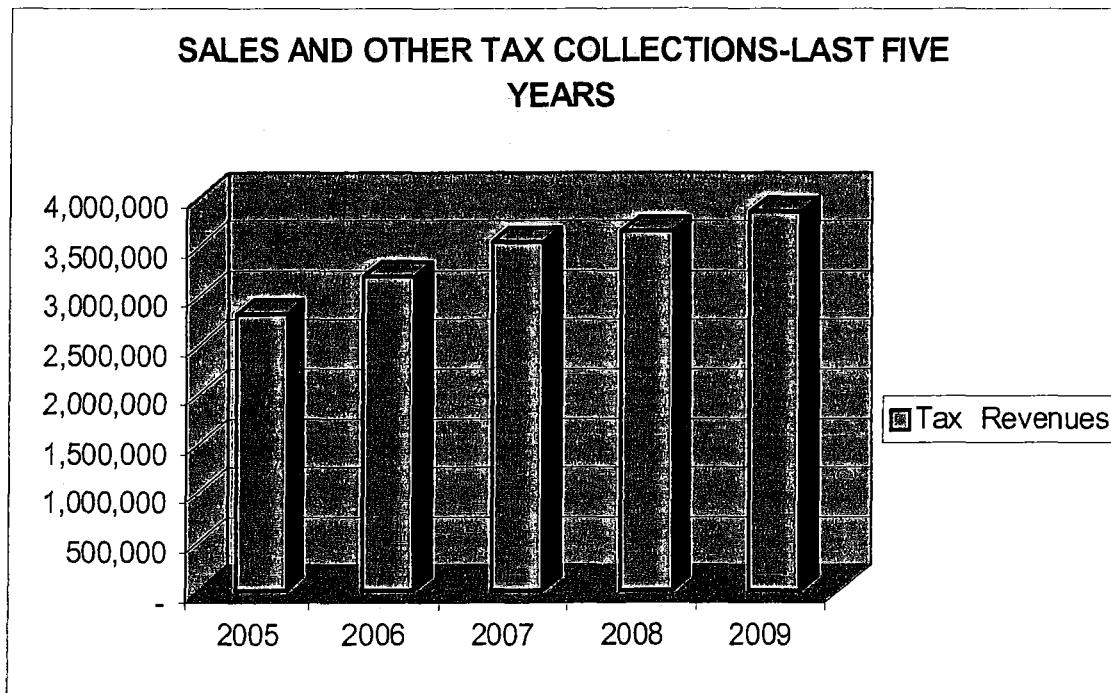
All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

The 2009 fiscal year brought uncertain and difficult economic times to the community. Two leading local economic indicators - declining sales tax collections and rising unemployment rates - reflected a downturn in the local economy in the last quarter of 2009. However, other local economic indicators that are monitored including ad valorem property assessed values, building permits for new construction, and utility connections and revenues, showed continuing but slowing growth in the community. While the growth trend that the City

has enjoyed during the past several years has been affected by the recession, the City of Livingston officials remain cautiously optimistic that new growth and development will occur in the community in 2010. Sales tax receipts, a major indicator of the economic condition of the area, increased from \$3,232,000 in 2007-2008 to \$3,393,000 an increase of \$161,000 or 5.0%, due to the new retail businesses which opened in 2009. A graph of tax receipt growth follows:



Many new residential and commercial construction projects were undertaken in the City during 2009, with 114 building permits issued at a total construction value of \$77,869,160. New or renovated businesses and commercial developments which were completed and opened in 2009 include: La Quinta Inn, Peoples State Bank, Evans Realty, Bethany Home Health, and Solar Nails. An expansion of the Southpoint Shopping Center located on US 59 South included Dr. Kreit's new dental office, A & M Wireless, Party Pro and Interior Treasures. The Rowland Plaza shopping center located on US 190 West across from Wal-Mart added Joe's Italian Restaurant, Walson, Inc. and Urgent Doc. Additional medical offices including Polk Children's Clinic were completed and opened in and adjacent to the Memorial Medical Center subdivision on the US 59 North bypass. Construction of the major expansion of the Central Baptist Church sanctuary and worship facility on North Houston was completed in 2009. Construction began on several new multi-family residential units and Habitat for Humanity has continued to work with the City of Livingston to construct additional new single-family homes in the area into 2010.

Future Economic Outlook

The Livingston Main Street program is now in its fifth year and continues to make progress in efforts to make downtown an attractive, vital area of commerce. This past fiscal year the Livingston Main Street program disbursed more than \$17,000 in locally-raised grant funds to building and business owners through facade, infrastructure and sign grants. Since 2005, Livingston Main Street has provided almost \$55,000 in locally-raised grant funds helping to spur more than \$1,000,000 of reinvestment in the Main Street District.

Three large construction projects by local governmental entities are underway and will continue throughout 2010, 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/Commerce Center to be located on US 59 North adjacent to Pedigo Park and the possible 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. Sales tax revenue accounts for 19% of the City's total annual operating revenue, while utility fees for sanitation, electric, water and sewer services account for 73% of the City's total annual operating revenue. Continuing growth in these two major revenue sources, which account for 92% 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 2010.

Major Initiatives

The focus of the City of Livingston in 2010 will be upgrading essential infrastructure and vital services including the rehabilitation and upgrading of the water distribution system. Improvements will include replacing aging and undersized lines. Improve the water distribution system, 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 seal coating of unpaved streets in the community. Other priorities in 2010 include the abatement of nuisances such as dilapidated buildings, abandoned vehicles, and removal of weeds and debris on private property as well as litter clean-up on public rights-of-way.

City staff is working to develop and prioritize infrastructure improvements to the electric, water and sewer systems which may qualify for disaster recovery funds associated with Hurricane Ike. Additionally, federal economic stimulus funds may be available for law enforcement staffing and public works-related infrastructure projects in the upcoming year. As the City continues to receive inquiries from developers and retailers concerning new projects under consideration in 2010, we are appreciative of the contributions of the many long-time business owners and operators who are the backbone of the community. The blending of historical redevelopment and new development is an important asset for any community and the City is fortunate to have both occurring in Livingston. In 2010, the City looks forward to new development while keeping an eye on preserving the rich historical heritage.

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 2009 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, 2009, 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, 2008. 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 1988-2008). 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, 2009

PRINCIPAL OFFICIALS

City Council

Mayor

Clarke Evans

Mayor Pro-tem
Alderman
Alderwoman
Alderman
Alderman

Billy S. Wiggins
E. Ray Hill
Judy Cochran
Raymond Luna
Elgin Davis

Administration

City Manager
City Secretary
City Attorney

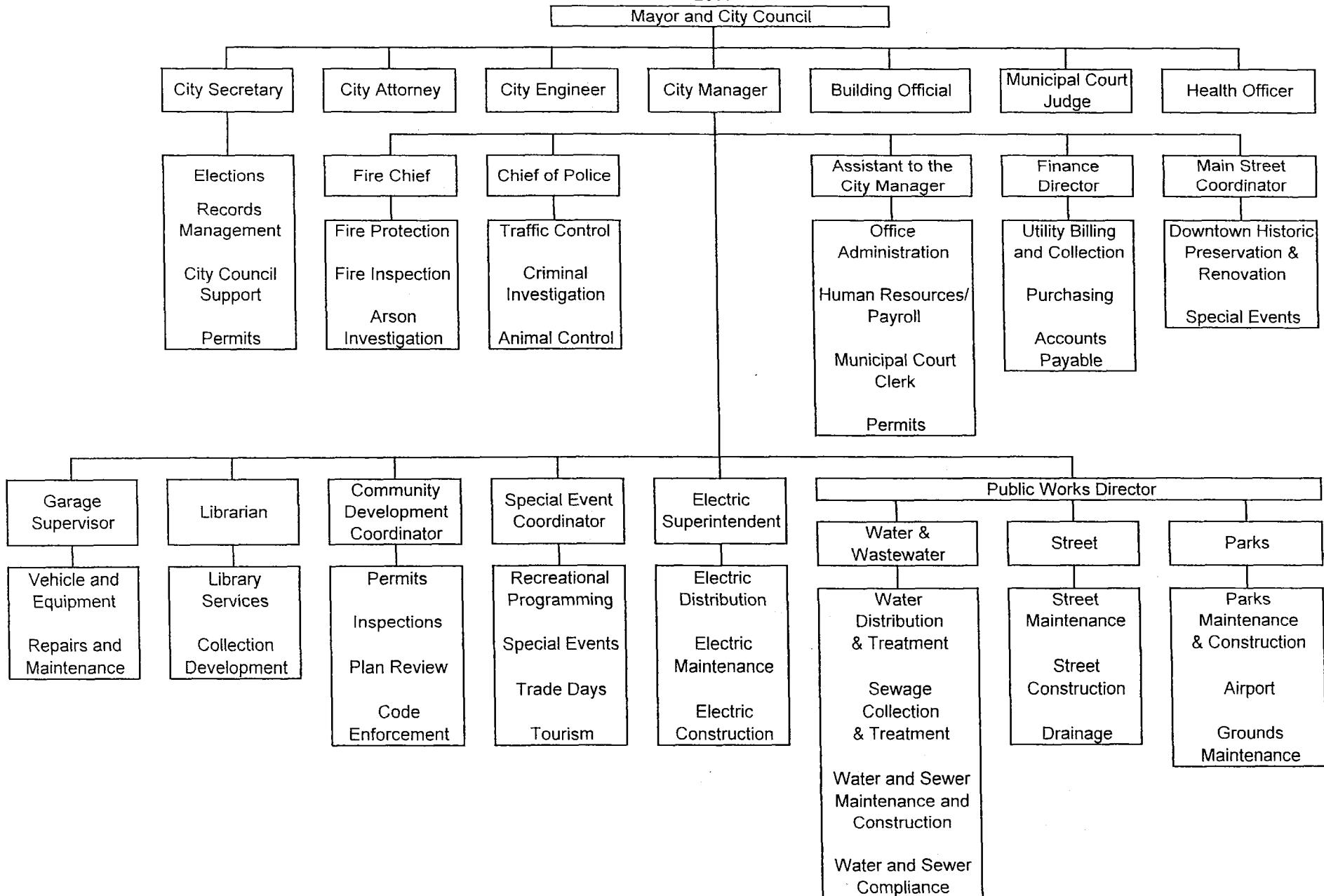
Marilyn Sutton
Ellie Monteaux
Gaffney Phillips

Form of Government

Council - Manager
General Law City

CITY OF LIVINGSTON, TEXAS ORGANIZATIONAL CHART

2009



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, 2008

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



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, 2009, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2010 on our consideration of the City of Livingston, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis 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
March 15, 2010

CITY OF LIVINGSTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

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, 2009. 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 \$739,000 or 16.3% as a result of the year's operations. The increase was due primarily to an increase in sales tax revenues and grant funds received from the Federal Emergency Management Agency (FEMA) for Hurricane Ike recovery. Net assets of the City's business type activities increased by \$653,000 or 4.1% during 2009. This increase was primarily as a result of increased electricity revenues and transfers from governmental activities for Hurricane Ike recovery.
- The City's total net assets increased by \$1,392,000 or 6.9% during the current fiscal year. The increase is the result of the growth in tax revenues and electricity sales described above along with grant funds received for Hurricane Ike recovery.
- Total cost of the entire City's programs increased \$22,000 or less than 1.0%. Expenses increased in the administrative and police departments while declining in the streets and parks and recreation departments. The largest contributors to the increase were the addition of personnel in the administrative and police departments. The decline in the streets and parks and recreation department costs were primarily the result of the expenses related to Hurricane Ike recovery incurred in 2008 that were not duplicated in 2009.
- As of September 30, 2009, the City of Livingston's governmental funds reported combined ending fund balances of \$1,870,000, a decrease of \$170,000 in comparison with the prior fiscal year. The decrease is due primarily to the utilization of capital projects funds for the new library.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$1,097,000 or approximately 21.7% of total general fund expenditures.
- The City's total bonded debt decreased by \$720,000 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.

City of Livingston, Texas
Management's Discussion and Analysis (continued)
September 30, 2009

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.

City of Livingston, Texas
Management's Discussion and Analysis (continued)
September 30, 2009

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) administers the City's pension plan through a cost-sharing multiple employer defined benefit plan. 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 \$21,698,000 as of September 30, 2009. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business type activities net assets are \$16,431,000. 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 (83.4%) 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, 2009

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

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 2,215,743	\$ 2,497,228	\$ 3,544,404	\$ 3,389,408	\$ 5,760,147	\$ 5,886,636
Capital assets	<u>10,811,760</u>	<u>10,606,639</u>	<u>14,299,578</u>	<u>13,795,660</u>	<u>25,111,338</u>	<u>24,402,299</u>
Total assets	<u>13,027,503</u>	<u>13,103,867</u>	<u>17,843,982</u>	<u>17,185,068</u>	<u>30,871,485</u>	<u>30,288,935</u>
Long-term debt outstanding	7,535,000	8,255,000	140,000	210,000	7,675,000	8,465,000
Other liabilities	<u>224,645</u>	<u>320,215</u>	<u>1,273,357</u>	<u>1,197,442</u>	<u>1,498,002</u>	<u>1,517,657</u>
Total liabilities	<u>7,759,645</u>	<u>8,575,215</u>	<u>1,413,357</u>	<u>1,407,442</u>	<u>9,173,002</u>	<u>9,982,657</u>
Net assets:						
Invested in capital assets, net						
of related debt	3,805,846	3,625,188	14,299,578	13,795,660	18,105,424	17,420,848
Restricted	58,323	56,185	120,096	122,980	178,419	179,165
Unrestricted	<u>1,403,689</u>	<u>847,279</u>	<u>2,010,951</u>	<u>1,858,986</u>	<u>3,414,640</u>	<u>2,706,265</u>
Total net assets	<u>\$ 5,267,858</u>	<u>\$ 4,528,652</u>	<u>\$ 16,430,625</u>	<u>\$ 15,777,626</u>	<u>\$ 21,698,483</u>	<u>\$ 20,306,278</u>

An additional portion of the City's net assets (1%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$3,414,640 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2009, 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 governmental activities total assets decreased by \$76,364. This decrease related to depreciation of capital assets. Long-term debt of governmental activities decreased \$720,000 as the City paid down outstanding bonds.

Analysis of the City's Operations Overall the City had an increase in net assets of \$1,392,205.

City of Livingston, Texas
Management's Discussion and Analysis (continued)
September 30, 2009

Governmental Activities

Governmental activities increased the net assets by \$739,206. Net assets invested in capital assets, net of related debt increased by \$180,658 or 5.0% due to the repayment of outstanding bonds and additional investment in equipment, buildings, and infrastructure net of depreciation. Unrestricted net assets increased by \$1,056,495 as a result of increased sales tax revenues and grants received from FEMA to reimburse the City for costs associated with Hurricane Ike recovery.

Total revenues for governmental activities increased from the previous year by \$1,278,360. The primary increase was in sales tax revenue of \$160,515 due to increased retail and economic activity in the City and an increase in grant revenues of \$994,002 associated with Hurricane Ike recovery.

Business-Type Activities

Net assets from business-type activities increased by \$652,999 or 4.1% from \$15,777,626 in 2008 to \$16,430,625 in 2009. The increase was primarily due to increased electricity revenues, which increased by \$480,042 over 2008 due to increased utilization.

The following table provides a summary of the City's operations for year ended September 30, 2009 with comparative totals for year ended September 30, 2008.

City of Livingston, Texas
 Management's Discussion and Analysis (continued)
 September 30, 2009

Table 2
City of Livingston's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,756,231	\$ 1,535,445	\$ 12,369,934	\$ 11,929,258	\$ 14,126,165	\$ 13,464,703
Capital Grants & Contributions	471,764	-	-	-	471,764	-
Operating Grants & Contributions	653,212	130,974	-	-	653,212	130,974
General Revenues:						
Property tax	-	-	-	-	-	-
Sales tax	3,392,552	3,232,037	-	-	3,392,552	3,232,037
Franchise tax	172,631	166,598	-	-	172,631	166,598
Hotel/Motel tax	291,096	261,357	-	-	291,096	261,357
Investment earnings	12,753	54,954	27,310	72,933	40,063	127,887
Miscellaneous	-	90,514	-	-	-	90,514
Total Revenues	<u>6,750,239</u>	<u>5,471,879</u>	<u>12,397,244</u>	<u>12,002,191</u>	<u>19,147,483</u>	<u>17,474,070</u>
Expenses:						
Administration	625,366	543,102	-	-	625,366	543,102
Sanitation	607,137	614,965	-	-	607,137	614,965
Fire	413,973	403,472	-	-	413,973	403,472
Police	1,530,106	1,454,820	-	-	1,530,106	1,454,820
Paving & Street	935,608	1,003,610	-	-	935,608	1,003,610
Parks &						
Recreation	847,600	927,799	-	-	847,600	927,799
Library	284,255	283,433	-	-	284,255	283,433
Garage	186,795	177,194	-	-	186,795	177,194
Interest on long-term debt	316,960	350,383	-	-	316,960	350,383
Electric, Water, and Sewer	-	-	<u>12,007,478</u>	<u>10,490,362</u>	<u>12,007,478</u>	<u>10,490,362</u>
Total Expenses	<u>5,747,800</u>	<u>5,758,778</u>	<u>12,007,478</u>	<u>10,490,362</u>	<u>17,755,278</u>	<u>16,249,140</u>
Excess (deficiency) before transfers	1,002,439	(286,899)	389,766	1,511,829	1,392,205	1,224,930
Transfers	<u>(263,233)</u>	<u>487,243</u>	<u>263,233</u>	<u>(487,243)</u>	-	-
Increase (decrease) in net assets	739,206	200,344	652,999	1,024,586	1,392,205	1,224,930
Net assets - October 1	<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>
Net assets - September 30	<u>\$ 5,267,858</u>	<u>\$ 4,528,652</u>	<u>\$ 16,430,625</u>	<u>\$ 15,777,626</u>	<u>\$ 21,698,483</u>	<u>\$ 20,306,278</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 \$1,869,959. Approximately 58.6% of the total amount (\$1,096,703) 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 (\$58,323), library (\$64,705) and capital improvements (\$650,228).

The unreserved fund balance of the general fund increased by \$314,129 over the prior year. The increase was the result of increased sales tax collections and grant funds received for Hurricane Ike recovery. The reserved fund balance of the general fund decreased by \$13,547 from the prior year. The decrease was due to the use of library memorial funds to assist in the purchase of a library building.

In the general fund, the City budgeted for an increase in the fund balance on a GAAP basis of \$277,329. Due to expenses for administration, fire, police, paving and street, parks and recreation, library, and garage being \$149,000 less than budgeted, the actual fund balance increased by \$314,129. The debt service fund balance increased by \$2,138 which was more than the budgeted breakeven because of higher than budgeted interest income. The capital projects fund balance decreased by \$486,265 as a result of amounts spent on library improvements and the transfer of \$141,766 to the proprietary 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 \$2,010,951. Total net assets increased in 2009 by \$652,999. As previously described, the increase in the net assets was primarily the result of higher electricity sales and transfers from governmental funds.

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 \$1,384,627 or 26.0%. The increase in budgeted revenues was primarily for an increase in sales tax, licenses and permits and the projected receipt of FEMA grants. The increase in sales tax was the result of increased economic activity. The increase in licenses and permits was the result of an increase in building permits tied to the growth in the local economy. The increase in grant funds was related to Hurricane Ike recovery. Budgeted expenditures were decreased by \$115,807 or 2.2%. The decreases in budgeted expenditures were primarily for decreased library and parks and recreation improvement projects.

City of Livingston, Texas
 Management's Discussion and Analysis (continued)
 September 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2009, the City had \$25,111,338 (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 2.9% (1.9% increase for governmental activities and a 3.7% 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	
	2009	2008	2009	2008	2009	2008	2009	2008
Land	\$ 476,004	\$ 283,352	\$ 629,613	\$ 577,363	\$ 1,105,617	\$ 860,715		
Buildings and improvements	2,277,585	1,961,180	322,173	331,443	2,599,758	2,292,623		
Equipment and fixtures	933,039	820,006	507,866	512,152	1,440,905	1,332,158		
Paving, sidewalks and streets	5,745,138	6,023,984	-	-	5,745,138	6,023,984		
Parks development	1,181,998	1,301,363	-	-	1,181,998	1,301,363		
Airport								
improvements	197,996	216,754	-	-	197,996	216,754		
Utility systems	-	-	12,839,926	12,374,702	12,839,926	12,374,702		
Total	<u>\$ 10,811,760</u>	<u>\$ 10,606,639</u>	<u>\$ 14,299,578</u>	<u>\$ 13,795,660</u>	<u>\$ 25,111,338</u>	<u>\$ 24,402,299</u>		

This year's major additions included:

Police Vehicles	\$ 46,318
Various street improvements	358,455
Street Department tractor	42,893
Library Land and Building	550,432
Utility System Improvements	<u>713,997</u>
Total	<u>\$ 1,712,095</u>

The City's fiscal year 2010 capital budget calls for it to spend another \$2,170,000 for capital projects, principally for street improvements (\$390,000), new backhoe (\$85,000), police patrol car (\$29,000), swimming pool renovation (\$60,000), library renovation (\$50,000), electrical system improvements (\$300,000), water system upgrades and equipment (\$775,000) and sewer system improvements (\$335,000). Additional information on the City of Livingston's capital assets can be found in footnote 6 on pages 41-43 of this report.

City of Livingston, Texas
 Management's Discussion and Analysis (continued)
 September 30, 2009

Debt

At year-end, the City had \$7,535,000 in bonds outstanding as compared to \$8,255,000 at the end of the prior fiscal year, a decrease of 8.7% - as shown in Table 4.

Table 4
Outstanding Debt, at Year-end

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General obligation bonds (backed by the City)	\$ 3,050,000	\$ 3,350,000	\$ -	\$ -	\$ 3,050,000	\$ 3,350,000
Certificates of obligation (backed by the City)	<u>4,485,000</u>	<u>4,905,000</u>	<u>-</u>	<u>-</u>	<u>4,485,000</u>	<u>4,905,000</u>
Totals	<u>\$ 7,535,000</u>	<u>\$ 8,255,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,535,000</u>	<u>\$ 8,255,000</u>

The City issued debt in June of 2007 in order to retire \$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 but meets its debt obligations through sales tax receipts.

Additional information on the City of Livingston's long-term debt can be found in footnote 9 on pages 46-48 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 2010 budget. 2009 brought uncertain and difficult economic times to our community. Two leading local economic indicators - declining sales tax collections and rising unemployment rates - reflected a downturn in our local economy in the last quarter of 2009. However, other local economic indicators that we monitor, including ad valorem property assessed values, building permits for new construction, and utility connections and revenues, showed continuing but slowing growth. While the growth trend that we have enjoyed during the past several years has been affected by the recession, City of Livingston officials remain cautiously optimistic that new growth and development will occur in the community in 2010.

Many new residential and commercial construction projects were undertaken in Livingston with 114 building permits issued at a total construction value of \$77,869,160. New or renovated businesses and commercial developments which were completed and opened in 2009 include: La Quinta Inn, Peoples State Bank, Evans Realty, Bethany Home Health, and Solar Nails. An expansion of the Southpoint Shopping Center located on US 59 South included Dr. Kreit's new dental office, A & M Wireless, Party Pro and Interior Treasures. The Rowland Plaza shopping center located on US 190 West across from Wal-Mart added Joe's Italian Restaurant, Walson, Inc. and Urgent Doc. Additional medical offices including Polk Children's Clinic were completed and opened in and adjacent to the Memorial Medical Center subdivision on the US 59 North bypass. Construction of the major expansion of the Central Baptist Church sanctuary and worship facility on

City of Livingston, Texas
Management's Discussion and Analysis (continued)
September 30, 2009

North Houston was completed in 2009. Construction began on several new multi-family residential units and Habitat for Humanity has worked with the City of Livingston to continue the construction of new single-family homes in the area.

Our Livingston Main Street program is now in its fifth year and continues to make progress in efforts to make our downtown an attractive, vital area of commerce. This past fiscal year the Livingston Main Street program disbursed more than \$17,000 in locally-raised grant funds to building and business owners through facade, infrastructure and sign grants. Since 2005, Livingston Main Street has provided almost \$55,000 in locally-raised grants helping to spur more than \$1,000,000 of reinvestment in the Main Street District.

Three large construction projects by local governmental entities are underway and will continue throughout 2010 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 our local economy in the coming year.

Other projects which are moving forward include a new Community College/Commerce Center to be located on US 59 North adjacent to Pedigo Park for which a \$4,000,000 grant has been secured by Polk County. In addition, the possible expansion of Camp Cho-Yeh conference and recreational facilities on US 59 South is also under evaluation. The renovation of historical buildings in downtown Livingston continues as a result of the Main Street program, and is exciting for our community to witness and will bring new businesses to the area.

The General Fund's largest revenue source continues to be sales tax receipts. For the first 4 months of the 2009-2010 fiscal year, sales tax revenues are down 18% from the first 4 months of the 2008 - 2009 fiscal year. City administrative staff is currently reviewing possible adjustments to the 2009 - 2010 fiscal year budget in light of the decline in sales tax revenue and will have recommendations for consideration by the City Council within the next few months.

As for the City's business-type activities, the City expects the 2009 - 2010 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 operating revenue.

The focus of the City of Livingston in 2010 will be upgrading essential infrastructure and vital services. These upgrades will include the rehabilitation 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 seal coating of unpaved streets in the community. Other priorities in 2010 include the abatement of nuisances such as dilapidated buildings, abandoned vehicles, and the removal of weeds and debris on private property as well as litter clean-up on public rights-of-way.

City of Livingston, Texas
Management's Discussion and Analysis (continued)
September 30, 2009

City staff is working to develop and prioritize infrastructure improvements to the electric, water and sewer systems which may qualify for disaster recovery funds associated with Hurricane Ike. Additionally, federal economic stimulus funds may be available for law enforcement staffing and public works-related infrastructure projects in the upcoming year.

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, 2009

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,453,858	\$ 449,353	\$ 1,903,211
Certificates of deposit	600,000	1,500,000	2,100,000
Receivables:			
Returned checks receivable	2,101	23,460	25,561
Paving accounts receivable	38,645	-	38,645
Utility accounts receivable	-	1,311,495	1,311,495
Deferred issuance cost (net)	121,139	-	121,139
Restricted assets - cash	-	120,096	120,096
Capital assets (net of accumulated depreciation):			
Land	476,004	629,613	1,105,617
Buildings and improvements	2,277,585	322,173	2,599,758
Equipment and fixtures	933,039	507,866	1,440,905
Paving, sidewalks and streets	5,745,138	-	5,745,138
Parks development	1,181,998	-	1,181,998
Airport improvements	197,996	-	197,996
Electrical system	-	3,216,796	3,216,796
Water system	-	4,582,381	4,582,381
Sewer system	-	5,040,749	5,040,749
Water service contract rights	-	140,000	140,000
Total Assets	<u>\$ 13,027,503</u>	<u>\$ 17,843,982</u>	<u>\$ 30,871,485</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 224,645	\$ 889,909	\$ 1,114,554
Meter deposits	-	383,448	383,448
Noncurrent Liabilities:			
Due within one year	745,000	70,000	815,000
Due in more than one year	<u>6,790,000</u>	<u>70,000</u>	<u>6,860,000</u>
Total Liabilities	<u>7,759,645</u>	<u>1,413,357</u>	<u>9,173,002</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,805,846	14,299,578	18,105,424
Restricted for:			
System improvements	-	108,261	108,261
Debt service	58,323	11,835	70,158
Unrestricted	<u>1,403,689</u>	<u>2,010,951</u>	<u>3,414,640</u>
Total Net Assets	<u>\$ 5,267,858</u>	<u>\$ 16,430,625</u>	<u>\$ 21,698,483</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Program Revenues			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions
<u>FUNCTIONS/PROGRAMS</u>				
Governmental activities:				
Administrative	\$ 625,366	\$ 368,308	\$ -	\$ -
Sanitation	607,137	846,740	-	-
Fire	413,973	-	-	58,888
Police	1,530,106	222,025	-	324,508
Paving and street	935,608	892	471,764	252,500
Parks and recreation	847,600	298,880	-	-
Library	284,255	19,386	-	17,316
Garage	186,795	-	-	-
Interest on long-term debt	316,960	-	-	-
Total governmental activities	<u>5,747,800</u>	<u>1,756,231</u>	<u>471,764</u>	<u>653,212</u>
Business-type activities:				
Electric, water and sewer	<u>12,007,478</u>	<u>12,369,934</u>	-	-
Total business-type activities	<u>12,007,478</u>	<u>12,369,934</u>	-	-
Total primary government	<u>\$ 17,755,278</u>	<u>\$ 14,126,165</u>	<u>\$ 471,764</u>	<u>\$ 653,212</u>
General revenues:				
Taxes				
Sales taxes				
Franchise taxes				
Hotel/Motel taxes				
Unrestricted investment earnings				
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

Governmental Activities	Business-Type Activities	Total
\$ (257,058)	\$ -	\$ (257,058)
239,603	-	239,603
(355,085)	-	(355,085)
(983,573)	-	(983,573)
(210,452)	-	(210,452)
(548,720)	-	(548,720)
(247,553)	-	(247,553)
(186,795)	-	(186,795)
(316,960)	-	(316,960)
<u>(2,866,593)</u>	<u>-</u>	<u>(2,866,593)</u>
-	362,456	362,456
-	<u>362,456</u>	<u>362,456</u>
<u>(2,866,593)</u>	<u>362,456</u>	<u>(2,504,137)</u>
3,392,552	-	3,392,552
172,631	-	172,631
291,096	-	291,096
12,753	27,310	40,063
(263,233)	<u>263,233</u>	<u>-</u>
<u>3,605,799</u>	<u>290,543</u>	<u>3,896,342</u>
739,206	652,999	1,392,205
4,528,652	<u>15,777,626</u>	<u>20,306,278</u>
<u>\$ 5,267,858</u>	<u>\$ 16,430,625</u>	<u>\$ 21,698,483</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2009

	General	Debt Service
ASSETS		
Cash	\$ 1,345,307	\$ 58,323
Certificates of deposit	-	-
Receivables:		
Returned checks receivable	2,101	-
Paving accounts receivable	<u>38,645</u>	-
Total Assets	<u>\$ 1,386,053</u>	<u>\$ 58,323</u>
LIABILITIES		
Accounts payable	\$ 224,645	\$ -
Total Liabilities	<u>224,645</u>	-
FUND BALANCES		
Reserved for:		
Capital Projects	-	-
Library Memorials	64,705	-
Debt Service	-	58,323
Unreserved	<u>1,096,703</u>	-
Total Fund Balances	<u>1,161,408</u>	<u>58,323</u>
Total Liabilities and Fund Balances	<u>\$ 1,386,053</u>	<u>\$ 58,323</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
\$ 50,228	\$ 1,453,858
600,000	600,000
<u>-</u>	<u>2,101</u>
<u>-</u>	<u>38,645</u>
<u>\$ 650,228</u>	<u>\$ 2,094,604</u>
<u>\$ -</u>	<u>\$ 224,645</u>
<u>-</u>	<u>224,645</u>
650,228	650,228
<u>-</u>	<u>64,705</u>
<u>-</u>	<u>58,323</u>
<u>-</u>	<u>1,096,703</u>
<u>650,228</u>	<u>1,869,959</u>
<u>\$ 650,228</u>	
	10,811,760
	121,139
	<u>(7,535,000)</u>
	<u>\$ 5,267,858</u>

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, 2009

	General	Debt Service
REVENUES		
Taxes:		
Sales taxes	\$ 3,392,552	\$ -
Franchise taxes	172,631	-
Hotel/Motel taxes	291,096	-
Licenses and permits	330,493	-
Charges for service	1,069,232	-
Fines and forfeitures	210,193	-
Miscellaneous	1,269,282	2,139
Total Revenues	<u>6,735,479</u>	<u>2,139</u>
EXPENDITURES		
Current:		
Administrative	555,048	-
Sanitation	606,952	-
Fire	402,907	-
Police	1,512,901	-
Paving and street	780,497	-
Parks and recreation	728,376	-
Library	273,591	-
Garage	202,652	-
Debt service:		
Principal retirement	-	720,000
Interest	-	316,960
Capital outlay:		
Library	-	-
Total Expenditures	<u>5,062,924</u>	<u>1,036,960</u>
Excess (deficiency) of revenues over expenditures	<u>1,672,555</u>	<u>(1,034,821)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	1,036,959
Transfers out	(1,358,426)	-
Total other financing sources (uses)	<u>(1,358,426)</u>	<u>1,036,959</u>
Net change in fund balances	314,129	2,138
Fund Balances - beginning	<u>847,279</u>	<u>56,185</u>
Fund Balances - ending	<u>\$ 1,161,408</u>	<u>\$ 58,323</u>

See accompanying notes to financial statements

Capital Projects	Total Governmental Funds
\$ -	\$ 3,392,552
-	172,631
-	291,096
-	330,493
-	1,069,232
-	210,193
-	<u>1,271,421</u>
<u>-</u>	<u>6,737,618</u>
 - - - - -	 - - - - -
-	555,048
-	606,952
-	402,907
-	1,512,901
-	780,497
-	728,376
-	273,591
-	202,652
-	720,000
-	316,960
<u>544,499</u>	<u>544,499</u>
<u>544,499</u>	<u>6,644,383</u>
<u>(544,499)</u>	<u>93,235</u>
 - - - - -	 - - - - -
<u>200,000</u>	<u>1,236,959</u>
<u>(141,766)</u>	<u>(1,500,192)</u>
<u>58,234</u>	<u>(263,233)</u>
 (486,265)	 (169,998)
<u>1,136,493</u>	<u>2,039,957</u>
<u>\$ 650,228</u>	<u>\$ 1,869,959</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, 2009

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

Net changes in fund balances - total governmental funds	\$ (169,998)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	205,123
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>704,081</u>
Changes in net assets of governmental activities	<u>\$ 739,206</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, 2009

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>REVENUES</u>			
Taxes:			
Sales taxes	\$ 3,213,000	\$ 187,000	\$ 3,400,000
Franchise taxes	168,000	2,000	170,000
Hotel/Motel taxes	275,000	-	275,000
Licenses and permits	175,000	150,000	325,000
Charges for service	1,085,800	(24,690)	1,061,110
Fines and forfeitures	230,500	(19,000)	211,500
Miscellaneous	182,700	1,089,317	1,272,017
Total Revenues	<u>5,330,000</u>	<u>1,384,627</u>	<u>6,714,627</u>
<u>EXPENDITURES</u>			
Current:			
Administrative	547,860	22,640	570,500
Sanitation	620,500	(16,000)	604,500
Fire	421,740	2,210	423,950
Police	1,533,550	33,300	1,566,850
Paving and street	747,845	52,275	800,120
Parks and recreation	810,100	(66,375)	743,725
Library	401,325	(114,157)	287,168
Garage	244,450	(29,700)	214,750
Total Expenditures	<u>5,327,370</u>	<u>(115,807)</u>	<u>5,211,563</u>
Excess of revenues over expenditures	<u>2,630</u>	<u>1,500,434</u>	<u>1,503,064</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	691,724	(691,724)	-
Transfers out	(658,492)	(567,243)	(1,225,735)
Total other financing sources and (uses)	<u>33,232</u>	<u>(1,258,967)</u>	<u>(1,225,735)</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ 35,862</u>	<u>\$ 241,467</u>	<u>\$ 277,329</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>
\$ 3,392,552	\$ (7,448)
172,631	2,631
291,096	16,096
330,493	5,493
1,069,232	8,122
210,193	(1,307)
<u>1,269,282</u>	<u>(2,735)</u>
<u>6,735,479</u>	<u>20,852</u>
555,048	15,452
606,952	(2,452)
402,907	21,043
1,512,901	53,949
780,497	19,623
728,376	15,349
273,591	13,577
<u>202,652</u>	<u>12,098</u>
<u>5,062,924</u>	<u>148,639</u>
<u>1,672,555</u>	<u>169,491</u>
<u>(1,358,426)</u>	<u>(132,691)</u>
<u>(1,358,426)</u>	<u>(132,691)</u>
314,129	\$ 36,800
<u>847,279</u>	
<u>\$ 1,161,408</u>	

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
STATEMENT OF NET ASSETS PROPRIETARY FUNDS
SEPTEMBER 30, 2009

Business-Type Activities - Enterprise Fund

**Electric
Water and
Sewer**

ASSETS

Current assets:

Cash	\$ 449,353
Certificates of deposit	1,500,000
Restricted assets	
Cash in bank, water and sewer system improvements	108,261
Cash in bank, reserve fund	11,835
Receivables:	
Returned checks receivable	23,460
Utility accounts receivable	<u>1,311,495</u>
Total Current Assets	<u>3,404,404</u>

Noncurrent assets:

Capital assets:

Land	629,613
Building and improvements	463,474
Equipment and fixtures	1,964,243
Electrical system	4,430,284
Water system	6,281,573
Sewer system	<u>7,129,463</u>
	20,898,650

Less accumulated depreciation	<u>(6,599,072)</u>
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Net capital assets	<u>14,299,578</u>
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Other assets:

Water service contract rights	<u>140,000</u>
Total Other Assets	<u>140,000</u>
Total Noncurrent Assets	<u>14,439,578</u>
Total Assets	<u>\$ 17,843,982</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
STATEMENT OF NET ASSETS PROPRIETARY FUNDS
SEPTEMBER 30, 2009

Business-Type Activities - Enterprise Fund

	Electric
	Water and
	Sewer
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 889,909
Meter deposits	383,448
Contracts payable - Trinity River Authority	70,000
Total current liabilities	<u>1,343,357</u>
Noncurrent liabilities:	
Contracts payable - Trinity River Authority	<u>70,000</u>
Total noncurrent liabilities	<u>70,000</u>
Total liabilities	<u>1,413,357</u>
NET ASSETS	
Invested in capital assets (net of related debt)	14,299,578
Restricted for water and sewer system improvements	108,261
Restricted for Trinity River Authority contracts payable	11,835
Unrestricted	<u>2,010,951</u>
Total Net Assets	<u>\$ 16,430,625</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, 2009

Business-Type Activities - Enterprise Fund

	Electric Water and Sewer
<u>Operating revenues</u>	
Charges for sales and services:	
Electricity sales	\$ 8,324,639
Water sales	1,683,063
Sewer service charges	1,228,693
Penalties, utilities	125,632
Water tapping fees	8,350
Sewer tapping fees	4,100
Recoveries, electrical	822,687
Recoveries, water	58,563
Revenue, night lights	74,383
Service fees	39,824
Total Operating Revenues	<u>12,369,934</u>
<u>Operating expenses</u>	
Light and Power Department	9,292,595
Water Department	1,839,585
Sewer Department	497,129
Depreciation	378,169
Total Operating Expenses	<u>12,007,478</u>
Operating Income	362,456
Non-operating revenues:	
Interest income	<u>27,310</u>
Income Before Transfers	389,766
Transfers In	<u>263,233</u>
Change in net assets	652,999
Total net assets - beginning	<u>15,777,626</u>
Total net assets - ending	<u>\$ 16,430,625</u>

CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Business-Type Activities - Enterprise Fund

	Electric Water and Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 12,372,337
Cash payments to suppliers for goods and services	(10,452,715)
Cash payments to employees for services	<u>(1,101,980)</u>
Net cash provided by operating activities	<u>817,642</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	<u>263,233</u>
Net cash provided by noncapital financing activities	<u>263,233</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(882,087)</u>
Net cash used for capital and related financing activities	<u>(882,087)</u>
Cash flows from investing activities:	
Interest on cash and investments	<u>27,310</u>
Net cash provided by investing activities	<u>27,310</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	226,098
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>343,351</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 569,449</u>

(Continued)

CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Business-Type Activities - Enterprise Fund

	Electric Water and Sewer
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 362,456
Adjustments to reconcile operating net income to net cash provided by operating activities:	
Depreciation	378,169
Change in operating assets and liabilities:	
Returned checks receivable	(1,301)
Utility accounts receivable	2,403
Accounts payable	50,685
Meter deposits	<u>25,230</u>
Total adjustments	<u>455,186</u>
Net cash provided by operating activities	<u>\$ 817,642</u>
Reconciliation of total cash and cash investments:	
Unrestricted	\$ 449,353
Restricted	
Cash in bank, water and sewer system improvements	108,261
Cash in bank, reserve fund	<u>11,835</u>
Total cash and cash equivalents	<u>\$ 569,449</u>

(Concluded)

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF LIVINGSTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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 (GAAP) 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, 2009.

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

GAAP 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 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, 2009 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, 2009.

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 to the Electric, Water and Sewer Fund from the General Fund and Capital Projects Fund and from 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, 2009:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 1,358,426
Debt Service Fund	1,036,959	-
Capital Projects Fund	200,000	141,766
Electric, Water and Sewer Fund	<u>263,233</u>	<u>-</u>
 Total	 <u>\$ 1,500,192</u>	 <u>\$ 1,500,192</u>

Transfers were made from the General Fund to the Electric, Water and Sewer Fund primarily to reimburse the costs associated with Hurricane Ike recovery. Transfers from the General Fund Debt Service Fund were made to meet bond principal and interest obligations. Transfers from the Capital projects Fund to the Electric, Water and Sewer 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, 2009, 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>\$ 2,100,000</u>	0.083
Total Fair Value	<u>\$ 2,100,000</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, 2009 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, 2009.

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 2009, 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, 2009:

Governmental funds capital outlays	\$ 1,158,730
Governmental funds depreciation expense	<u>(953,607)</u>
Amount by which capital outlays exceeded depreciation	<u>\$ 205,123</u>
Repayment of principal of long-term debt	720,000
Amortization of bond issue costs	<u>(15,919)</u>
Total repayment of bonds and issue costs	<u>\$ 704,081</u>

NOTE 6 CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2009 was as follows:

	Balance October 1, 2008	Additions	Retirements/ Adjustments	Balance September 30, 2009
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 283,352	\$ 192,652	\$ -	\$ 476,004
Capital assets being depreciated				
Building and Improvements	3,343,893	430,381	-	3,774,274
Equipment and Fixtures	4,022,806	347,550	-	4,370,356
Paving, Sidewalks and Streets	13,264,521	188,147	-	13,452,668
Parks Development	3,144,320	-	-	3,144,320
Airport Improvements	719,574	-	-	719,574
Total capital assets being depreciated	<u>24,495,114</u>	<u>966,078</u>	<u>-</u>	<u>25,461,192</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,382,713)	(113,976)	-	(1,496,689)
Equipment and Fixtures	(3,202,802)	(234,515)	-	(3,437,317)
Paving, Sidewalks and Streets	(7,240,537)	(466,993)	-	(7,707,530)
Parks Development	(1,842,957)	(119,365)	-	(1,962,322)
Airport Improvements	(502,820)	(18,758)	-	(521,578)
Total accumulated depreciation	<u>(14,171,829)</u>	<u>(953,607)</u>	<u>-</u>	<u>(15,125,436)</u>
Total capital assets being depreciated, net	<u>10,323,285</u>	<u>12,471</u>	<u>-</u>	<u>10,335,756</u>
Governmental activities capital assets, net	<u>\$ 10,606,637</u>	<u>\$ 205,123</u>	<u>\$ -</u>	<u>\$ 10,811,760</u>

NOTE 6 CAPITAL ASSETS: (CONTINUED)

	Balance October 1, 2008	Additions	Retirements/ Adjustments	Balance September 30, 2009
Business-type Activities:				
Capital assets not being depreciated				
Land	<u>\$ 577,363</u>	<u>\$ 52,250</u>	<u>\$ -</u>	<u>\$ 629,613</u>
Capital assets being depreciated				
Building and Improvements	463,474	-	-	463,474
Equipment and Fixtures	1,863,850	100,393	-	1,964,243
Electrical System	4,260,607	169,677	-	4,430,284
Water System	5,846,062	435,511	-	6,281,573
Sewer System	<u>7,005,207</u>	<u>124,256</u>	<u>-</u>	<u>7,129,463</u>
Total capital assets being depreciated	<u>19,439,200</u>	<u>829,837</u>	<u>-</u>	<u>20,269,037</u>
Less accumulated depreciation for:				
Building and Improvements	(132,031)	(9,270)	-	(141,301)
Equipment and Fixtures	(1,351,699)	(104,678)	-	(1,456,377)
Electrical System	(1,146,119)	(67,369)	-	(1,213,488)
Water System	(1,608,352)	(90,840)	-	(1,699,192)
Sewer System	<u>(1,982,702)</u>	<u>(106,012)</u>	<u>-</u>	<u>(2,088,714)</u>
Total accumulated depreciation	<u>(6,220,903)</u>	<u>(378,169)</u>	<u>-</u>	<u>(6,599,072)</u>
Total capital assets being depreciated, net	<u>13,218,297</u>	<u>451,668</u>	<u>-</u>	<u>13,669,965</u>
Business-type activities capital assets, net	<u>\$ 13,795,660</u>	<u>\$ 503,918</u>	<u>\$ -</u>	<u>\$ 14,299,578</u>

GAAP requires that interest expenditures incurred during construction of assets be capitalized. GAAP also 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 2009, 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	\$ 51,876
Sanitation	185
Fire	35,382
Police	93,866
Paving and street	547,596
Parks and recreation	180,427
Library	33,476
Garage	10,799
Governmental Activities	<u>\$ 953,607</u>
Business-type activities	
Electric, Water and Street	<u>\$ 378,169</u>

The City did not have any significant active construction projects as of September 30, 2009.

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), 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.

NOTE 7 PENSION PLAN: (CONTINUED)

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 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases vary by age and service and cost of living adjustments are 2.1%, 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, 2008 valuation is effective for rates beginning January 2009). For fiscal year 2009, the City's annual pension cost of \$464,952 was equal to the City's required and actual contributions.

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2008
Actuarial Value of Assets	\$7,960,183
Actuarial Accrued Liability	\$11,751,010
Percentage Funded	67.7%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$3,790,827
Annual Covered Payroll	\$2,936,949
UAAL as a percentage of covered payroll	129.1%

NOTE 7 PENSION PLAN: (CONTINUED)

Net Pension Obligation (NPO) at the Beginning of the Period	\$	_____
Annual Pension Cost:		
Annual Required Contribution (ARC)	\$	464,952
Interest on NPO		-
Adjustment to the ARC		464,952
Contributions Made		(464,952)
Increase in NPO		-
NPO at the end of the period	\$	_____

Six Year Trend Information

Fiscal Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
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%	-
9/30/2009	464,952	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 2008 was .34% of covered payroll. The rate is equal to the cost of providing one-year term life insurance. The City's contribution to the supplemental death benefit plan for the years ended September 30, 2009, 2008, and 2007 were \$10,178, \$9,301, and \$8,708, respectively, which equaled the required contributions each year. The valuation date for the plan is December 31, 2008 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, 2009:

	<u>Governmental-Type Activities</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	\$ 230,000
\$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	3,150,000
\$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	1,335,000
\$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>2,820,000</u>
Total Bonds Payable	<u>\$ 7,535,000</u>

NOTE 9 LONG-TERM DEBT: (CONTINUED)

Changes in Outstanding Debt-

	Balance October 1, 2008	Issues or Additions	Payments or Expenditures	Balance September 30, 2009	Due Within One Year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 3,350,000	\$ -	\$ 300,000	\$ 3,050,000	\$ 315,000
Certificates of Obligation	4,905,000	-	420,000	4,485,000	430,000
Total government	\$ 8,255,000	\$ -	\$ 720,000	\$ 7,535,000	\$ 745,000

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 City does not currently assess ad valorem taxes; however, the certificates of obligation and general obligation debt is expected to be repaid through sales tax and other general revenue receipts.

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. The 1997 bonds were retired at the time of the refunding, and there is no outstanding in-substance defeased debt.

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, 2009, are as follows:

General Obligation Bonds

Year Ending Sept. 30,	Governmental Activities		
	Principal	Interest	Total
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	390,000	66,400	456,400
2015-2017	<u>1,270,000</u>	<u>102,800</u>	<u>1,372,800</u>
Total	<u>\$ 3,050,000</u>	<u>\$ 575,863</u>	<u>\$ 3,625,863</u>

Certificates of Obligation

Year Ending Sept. 30,	Governmental Activities		
	Principal	Interest	Total
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	505,000	106,736	611,736
2014-2018	<u>2,145,000</u>	<u>216,969</u>	<u>2,361,969</u>
Total	<u>\$ 4,485,000</u>	<u>\$ 920,388</u>	<u>\$ 5,405,388</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, 2009, the City paid approximately \$71,000 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>
2010	75,320
2011	72,730
Total	\$ 148,050

Changes in Long-term Contracts Payable-

<u>Business Type Activities</u>	<u>Balance October 1, 2008</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance September 30, 2009</u>	<u>Due Within One Year</u>
Contracts payable	\$ 210,000	\$ -	\$ 70,000	\$ 140,000	\$ 70,000
Total business	\$ 210,000	\$ -	\$ 70,000	\$ 140,000	\$ 70,000

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 2009. Reflected in the revenues for the Electric, Water and Sewer Fund is an approximate \$800,000 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, 2009 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. The City received approximately \$1,000,000 in federal grants in 2009 principally related to Hurricane Ike Recovery. These amounts are included in miscellaneous income for the general fund.

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 expects to receive additional funding from the Federal Emergency Management Agency of approximately \$174,000 during the 2010 fiscal year related to costs associated with Hurricane Ike 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
12/31/2006	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%
12/31/2008	7,960,183	11,751,010	3,790,827	67.74%	2,936,949	129.07%

* 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.

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, 2009

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>REVENUES</u>			
Miscellaneous	\$ _____	\$ _____	\$ _____
Total Revenues	_____	_____	_____
<u>EXPENDITURES</u>			
Debt service:			
Principal retirement	720,000	-	720,000
Interest	316,960	-	316,960
Total Expenditures	<u>1,036,960</u>	_____	<u>1,036,960</u>
Excess (deficiency) of revenues over expenditures	(1,036,960)	_____	(1,036,960)
<u>OTHER FINANCING SOURCES</u>			
Transfers in	1,036,960	-	1,036,960
Total other financing sources	<u>1,036,960</u>	_____	<u>1,036,960</u>
Excess of revenues and other financing sources over expenditures and other uses	\$ _____	\$ _____	\$ _____
Fund balances at beginning of year			
Fund balance at end of year			

<u>Actual</u>	Variance with Final Budget Positive (Negative)
\$ 2,139	\$ 2,139
<u>2,139</u>	<u>2,139</u>
720,000	-
316,960	-
<u>1,036,960</u>	<u>-</u>
(1,034,821)	2,139
1,036,959	(1)
<u>1,036,959</u>	<u>(1)</u>
2,138	\$ 2,138
<u>56,185</u>	
\$ 58,323	

CITY OF LIVINGSTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>EXPENDITURES</u>			
Capital outlay:			
Library	\$ 750,000	\$ (199,568)	\$ 550,432
Total Expenditures	<u>750,000</u>	<u>(199,568)</u>	<u>550,432</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (750,000)</u>	<u>\$ 199,568</u>	<u>\$ (550,432)</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers in	-	200,000	200,000
Transfers out	<u>(300,000)</u>	<u>125,000</u>	<u>(175,000)</u>
Total other financing sources	<u>(300,000)</u>	<u>325,000</u>	<u>25,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ (1,050,000)</u>	<u>\$ 524,568</u>	<u>\$ (525,432)</u>
Fund balance at beginning of year			
Fund balance at end of year			

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 544,499	\$ 5,933
<u>544,499</u>	<u>5,933</u>
<u>(544,499)</u>	<u>5,933</u>
200,000	-
<u>(141,766)</u>	<u>33,234</u>
<u>58,234</u>	<u>33,234</u>
(486,265)	\$ 39,167
<u>1,136,493</u>	
<u>\$ 650,228</u>	

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

CITY OF LIVINGSTON, TEXAS
GENERAL FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2009 AND 2008

ASSETS

	2009	2008
Cash	\$ 1,345,307	\$ 1,122,846
Receivables:		
Returned checks receivable	2,101	1,941
Paving accounts receivable	<u>38,645</u>	<u>42,707</u>
Total Assets	<u>\$ 1,386,053</u>	<u>\$ 1,167,494</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 224,645	\$ 320,215
Total Liabilities	<u>224,645</u>	<u>320,215</u>

FUND BALANCES

Reserve for library memorials	64,705	78,525
Unreserved	<u>1,096,703</u>	<u>768,754</u>
Total Fund Balances	<u>1,161,408</u>	<u>847,279</u>
Total Liabilities and Fund Balances	<u>\$ 1,386,053</u>	<u>\$ 1,167,494</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, 2009
WITH COMPARATIVE ACTUAL TOTALS FOR 2008

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
REVENUES				
Taxes:				
Sales taxes	\$ 3,213,000	\$ 187,000	\$ 3,400,000	\$ 3,392,552
Franchise taxes	168,000	2,000	170,000	172,631
Hotel/Motel taxes	275,000	-	275,000	291,096
Licenses and permits	175,000	150,000	325,000	330,493
Charges for service	1,085,800	(24,690)	1,061,110	1,069,232
Fines and forfeitures	230,500	(19,000)	211,500	210,193
Miscellaneous	182,700	1,089,317	1,272,017	1,269,282
Total Revenues	<u>5,330,000</u>	<u>1,384,627</u>	<u>6,714,627</u>	<u>6,735,479</u>
EXPENDITURES				
Administrative	547,860	22,640	570,500	555,048
Sanitation	620,500	(16,000)	604,500	606,952
Fire	421,740	2,210	423,950	402,907
Police	1,533,550	33,300	1,566,850	1,512,901
Paving and street	747,845	52,275	800,120	780,497
Parks and recreation	810,100	(66,375)	743,725	728,376
Library	401,325	(114,157)	287,168	273,591
Garage	244,450	(29,700)	214,750	202,652
Total Expenditures	<u>5,327,370</u>	<u>(115,807)</u>	<u>5,211,563</u>	<u>5,062,924</u>
Excess of revenues over expenditures	<u>2,630</u>	<u>1,500,434</u>	<u>1,503,064</u>	<u>1,672,555</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	691,724	(691,724)	-	-
Transfers out	(658,492)	(567,243)	(1,225,735)	(1,358,426)
Total other financing sources (uses)	<u>33,232</u>	<u>(1,258,967)</u>	<u>(1,225,735)</u>	<u>(1,358,426)</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ 35,862</u>	<u>\$ 241,467</u>	<u>\$ 277,329</u>	<u>\$ 314,129</u>
Fund balances at beginning of year				847,279
Fund balances at end of year				<u>\$ 1,161,408</u>

Variance With Final Budget Positive (Negative)	2008 Actual
\$ (7,448)	\$ 3,232,037
2,631	166,598
16,096	261,357
5,493	158,653
8,122	1,063,339
(1,307)	206,059
(2,735)	379,730
<u>20,852</u>	<u>5,467,773</u>
 15,452	465,198
(2,452)	614,780
21,043	397,386
53,949	1,408,567
19,623	608,801
15,349	760,534
13,577	302,528
12,098	275,382
<u>148,639</u>	<u>4,833,176</u>
 <u>169,491</u>	<u>634,597</u>
 <u>(132,691)</u>	<u>500,000</u>
<u>(132,691)</u>	<u>(873,128)</u>
<u>(132,691)</u>	<u>(373,128)</u>
 <u>\$ 36,800</u>	<u>\$ 261,469</u>
 <u>585,810</u>	
 <u>\$ 847,279</u>	

CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH COMPARATIVE ACTUAL TOTALS FOR 2008

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
ADMINISTRATIVE DEPARTMENT				
Salaries	\$ 168,000	\$ 2,000	\$ 170,000	\$ 169,412
Social Security	14,000	(500)	13,500	13,418
Retirement	64,500	1,000	65,500	65,525
Employee insurance	59,000	(3,500)	55,500	55,497
Insurance and bonds	12,650	(2,150)	10,500	10,457
Legal and professional	45,000	20,000	65,000	62,737
Auditing and accounting	5,500	1,500	7,000	6,967
Supplies	35,000	(5,000)	30,000	30,302
Repairs-building and grounds	15,000	(7,000)	8,000	7,338
Equipment repairs and maintenance	5,500	1,000	6,500	7,328
Gas and oil	3,510	(1,210)	2,300	1,859
Utility/telephone	8,500	2,000	10,500	9,877
Dues and subscriptions	12,500	2,500	15,000	15,185
Building demolitions	10,000	-	10,000	-
Transportation and contingency	68,000	7,000	75,000	74,176
Postage and miscellaneous	16,200	-	16,200	14,874
	542,860	17,640	560,500	544,952
Capital expenditures	5,000	5,000	10,000	10,096
Total Administrative	<u>547,860</u>	<u>22,640</u>	<u>570,500</u>	<u>555,048</u>
SANITATION DEPARTMENT				
Supplies	90,000	(25,000)	65,000	62,307
Refuse disposal/landfills	530,500	9,000	539,500	544,645
Total Sanitation	<u>620,500</u>	<u>(16,000)</u>	<u>604,500</u>	<u>606,952</u>

Variance With Final Budget Positive (Negative)	2008 Actual
\$ 588	\$ 146,829
82	11,639
(25)	55,639
3	47,029
43	10,532
2,263	44,592
33	5,167
(302)	28,279
662	7,290
(828)	1,871
441	2,850
623	7,959
(185)	10,641
10,000	4,040
824	63,696
<u>1,326</u>	<u>16,725</u>
<u>15,548</u>	<u>464,778</u>
<u>(96)</u>	<u>420</u>
<u>15,452</u>	<u>465,198</u>
2,693	84,777
<u>(5,145)</u>	<u>530,003</u>
<u>(2,452)</u>	<u>614,780</u>

CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH COMPARATIVE ACTUAL TOTALS FOR 2008

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
FIRE DEPARTMENT				
Salaries	146,000	6,500	152,500	151,306
Salaries, administration	27,000	-	27,000	25,024
Social Security	9,800	-	9,800	9,599
Retirement	15,550	(50)	15,500	15,518
Employee insurance	17,820	(20)	17,800	17,731
Insurance and bonds	32,670	(2,670)	30,000	27,818
Recruitment costs	1,200	-	1,200	-
Supplies	25,000	-	25,000	23,710
Repairs-building and grounds	2,500	12,500	15,000	14,296
Equipment repairs and maintenance	25,000	-	25,000	25,197
Gas and oil	32,500	(12,500)	20,000	16,875
Utility/telephone	12,000	-	12,000	10,878
Dues and subscriptions	1,300	50	1,350	1,242
Transportation and contingency	15,000	-	15,000	13,951
Maintenance contribution	23,000	-	23,000	21,920
Postage and miscellaneous	4,400	(600)	3,800	3,526
	<u>390,740</u>	<u>3,210</u>	<u>393,950</u>	<u>378,591</u>
Capital expenditures	<u>31,000</u>	<u>(1,000)</u>	<u>30,000</u>	<u>24,316</u>
Total Fire	<u>421,740</u>	<u>2,210</u>	<u>423,950</u>	<u>402,907</u>
POLICE DEPARTMENT				
Salaries	875,000	(5,000)	870,000	846,000
Salaries, administration	27,000	-	27,000	25,023
Social Security	69,000	1,000	70,000	68,008
Retirement	133,650	-	133,650	131,644
Employee insurance	134,750	(1,750)	133,000	129,700
Uniforms	3,500	800	4,300	2,432
Insurance and bonds	55,000	(2,500)	52,500	52,467
Supplies	27,500	(2,500)	25,000	19,190
Repairs-building and grounds	12,000	33,000	45,000	36,416
Equipment repairs and maintenance	23,000	4,500	27,500	28,559
Gas and oil	65,000	(20,000)	45,000	39,524
Utility/telephone	10,000	-	10,000	11,136
Dues and subscriptions	350	50	400	383
Transportation and contingency	25,000	-	25,000	27,795
Postage and miscellaneous	17,800	700	18,500	17,962
	<u>1,478,550</u>	<u>8,300</u>	<u>1,486,850</u>	<u>1,436,239</u>
Capital expenditures	<u>55,000</u>	<u>25,000</u>	<u>80,000</u>	<u>76,662</u>
Total Police	<u>1,533,550</u>	<u>33,300</u>	<u>1,566,850</u>	<u>1,512,901</u>

Variance With Final Budget Positive (Negative)	2008 Actual
1,194	137,613
1,976	24,329
201	9,256
(18)	14,146
69	16,775
2,182	27,700
1,200	-
1,290	25,983
704	105
(197)	29,551
3,125	30,744
1,122	11,047
108	1,251
1,049	13,621
1,080	20,881
274	3,274
<hr/>	<hr/>
15,359	366,276
5,684	31,110
<hr/>	<hr/>
21,043	397,386
24,000	815,850
1,977	24,329
1,992	65,562
2,006	117,226
3,300	113,203
1,868	3,202
33	49,872
5,810	23,442
8,584	8,526
(1,059)	19,773
5,476	59,462
(1,136)	9,404
17	115
(2,795)	25,722
538	20,714
<hr/>	<hr/>
50,611	1,356,402
3,338	52,165
<hr/>	<hr/>
53,949	1,408,567

CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH COMPARATIVE ACTUAL TOTALS FOR 2008

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
PAVING AND STREET DEPARTMENT				
Salaries	190,000	(5,000)	185,000	179,995
Salaries, administration	27,000	-	27,000	25,023
Social Security	16,600	(100)	16,500	15,684
Retirement	28,925	6,575	35,500	31,897
Employee insurance	43,500	(11,500)	32,000	31,780
Uniforms	3,300	(300)	3,000	2,871
Insurance and bonds	29,150	(1,150)	28,000	26,956
Supplies	24,500	(8,000)	16,500	15,396
Repairs-building and grounds	-	5,000	5,000	3,742
Equipment repairs and maintenance	25,000	(2,000)	23,000	26,373
Gas and oil	52,000	(32,000)	20,000	20,335
Transit system	4,620	-	4,620	4,620
Transportation and contingency	3,250	750	4,000	3,339
	<u>447,845</u>	<u>(47,725)</u>	<u>400,120</u>	<u>388,011</u>
Capital expenditures	<u>300,000</u>	<u>100,000</u>	<u>400,000</u>	<u>392,486</u>
Total Paving and Street	<u>747,845</u>	<u>52,275</u>	<u>800,120</u>	<u>780,497</u>
PARKS AND RECREATION DEPARTMENT				
Salaries	290,000	(20,000)	270,000	262,320
Salaries, administration	54,000	-	54,000	50,047
Social Security	26,300	(1,700)	24,600	23,896
Retirement	39,175	(3,925)	35,250	32,407
Employee insurance	42,500	2,500	45,000	44,809
Uniforms	4,800	(200)	4,600	4,373
Insurance and bonds	28,550	(5,550)	23,000	22,544
Advertising, hotel tax	65,000	10,000	75,000	80,249
Supplies	51,000	(13,000)	38,000	37,360
Repairs-building and grounds	42,500	(10,000)	32,500	31,467
Equipment repairs and maintenance	11,000	10,000	21,000	17,377
Gas and oil	75,075	(41,075)	34,000	22,410
Utility/telephone	15,500	3,100	18,600	24,588
Dues and subscriptions	550	(50)	500	500
Transportation and contingency	5,750	(1,000)	4,750	3,957
Programming costs	6,000	(1,000)	5,000	5,152
Postage and miscellaneous	4,400	(1,475)	2,925	3,717
	<u>762,100</u>	<u>(73,375)</u>	<u>688,725</u>	<u>667,173</u>
Capital expenditures	<u>48,000</u>	<u>7,000</u>	<u>55,000</u>	<u>61,203</u>
Total Parks and Recreation	<u>810,100</u>	<u>(66,375)</u>	<u>743,725</u>	<u>728,376</u>

Variance With Final Budget Positive (Negative)	2008 Actual
5,005	209,830
1,977	24,329
816	17,896
3,603	31,268
220	39,382
129	2,656
1,044	26,303
1,104	14,231
1,258	-
(3,373)	14,428
(335)	50,176
-	4,620
<u>661</u>	<u>2,808</u>
12,109	437,927
<u>7,514</u>	<u>170,874</u>
<u>19,623</u>	<u>608,801</u>
7,680	279,743
3,953	48,656
704	25,089
2,843	35,391
191	45,257
227	3,142
456	24,004
(5,249)	74,035
640	40,806
1,033	41,558
3,623	11,280
11,590	85,931
(5,988)	15,961
-	300
793	5,613
(152)	4,690
(792)	3,250
21,552	744,706
<u>(6,203)</u>	<u>15,828</u>
<u>15,349</u>	<u>760,534</u>

CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH COMPARATIVE ACTUAL TOTALS FOR 2008

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
LIBRARY DEPARTMENT				
Salaries	140,000	(9,000)	131,000	129,456
Salaries, administration	27,000	-	27,000	25,023
Social Security	12,775	(775)	12,000	11,818
Retirement	21,550	(550)	21,000	19,948
Employee insurance	29,700	(5,200)	24,500	23,640
Insurance and bonds	8,850	(750)	8,100	7,936
Supplies	9,500	500	10,000	11,386
Repairs-building and grounds	5,000	2,000	7,000	6,571
Equipment repairs and maintenance	3,500	100	3,600	2,488
Utility/telephone	5,500	600	6,100	5,642
Dues and subscriptions	3,200	(200)	3,000	2,811
Transportation and contingency	2,000	-	2,000	1,770
Postage and printing	2,750	(450)	2,300	2,290
	271,325	(13,725)	257,600	250,779
Memorial capital	15,000	5,000	20,000	21,053
Capital expenditures	115,000	(105,432)	9,568	1,759
Total Library	<u>401,325</u>	<u>(114,157)</u>	<u>287,168</u>	<u>273,591</u>
GARAGE DEPARTMENT				
Salaries	83,850	(850)	83,000	80,630
Salaries, administration	27,000	-	27,000	25,023
Social Security	8,500	(350)	8,150	8,082
Retirement	12,425	75	12,500	12,452
Employee insurance	12,000	-	12,000	11,823
Uniforms	1,100	-	1,100	1,084
Insurance and bonds	10,450	(950)	9,500	9,363
Supplies	8,500	(1,000)	7,500	5,340
Repairs-building and grounds	2,500	6,500	9,000	9,004
Equipment repairs and maintenance	5,000	200	5,200	4,078
Gas and oil	5,000	(1,700)	3,300	2,896
Utility/telephone	7,000	(500)	6,500	6,221
	183,325	1,425	184,750	175,996
Capital expenditures	61,125	(31,125)	30,000	26,656
Total Garage	<u>244,450</u>	<u>(29,700)</u>	<u>214,750</u>	<u>202,652</u>
TOTAL GENERAL EXPENDITURES	<u>\$ 5,327,370</u>	<u>\$ (115,807)</u>	<u>\$ 5,211,563</u>	<u>\$ 5,062,924</u>

Variance With Final Budget Positive (Negative)	2008 Actual
1,544	137,068
1,977	24,329
182	12,329
1,052	19,745
860	26,532
164	8,076
(1,386)	10,015
429	5,902
1,112	5,133
458	4,783
189	3,036
230	2,035
10	<u>2,224</u>
 6,821	 261,207
 (1,053)	 24,633
<u>7,809</u>	<u>16,688</u>
 <u>13,577</u>	 <u>302,528</u>
 2,370	 79,560
1,977	24,326
68	7,930
48	11,118
177	11,173
16	907
137	9,483
2,160	7,296
(4)	1,515
1,122	5,094
404	4,337
279	<u>5,554</u>
 8,754	 168,293
<u>3,344</u>	<u>107,089</u>
 <u>12,098</u>	 <u>275,382</u>
 \$ 148,639	 \$ 4,833,176

DEBT SERVICE FUND

CITY OF LIVINGSTON, TEXAS
DEBT SERVICE FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2009 AND 2008

ASSETS

	2009	2008
Cash	\$ 58,323	\$ 56,185
Total Assets	<u>\$ 58,323</u>	<u>\$ 56,185</u>

FUND BALANCES

Reserve for debt service	\$ 58,323	\$ 56,185
Total Fund Balance	<u>\$ 58,323</u>	<u>\$ 56,185</u>

CITY OF LIVINGSTON, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH COMPARATIVE ACTUAL TOTALS FOR 2008

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>REVENUES</u>			
Miscellaneous	\$ -	\$ -	\$ -
Total Revenues	- - -	- - -	- - -
<u>EXPENDITURES</u>			
Debt service:			
Principal retirement	720,000	-	720,000
Interest	316,960	-	316,960
Total Expenditures	1,036,960	- - -	1,036,960
Excess (deficiency) of revenues over expenditures	(1,036,960)	- - -	(1,036,960)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	1,036,960	-	1,036,960
Total other financing sources	1,036,960	- - -	1,036,960
Excess of revenues and other financing sources over expenditures and other uses	\$ -	\$ -	\$ -
Fund balances at beginning of year			
Fund balance at end of year			

Actual	Variance with Final Budget Positive (Negative)	2008
\$ 2,139	\$ 2,139	\$ 4,155
<u>2,139</u>	<u>2,139</u>	<u>4,155</u>
720,000	-	690,000
316,960	-	350,383
<u>1,036,960</u>	<u>-</u>	<u>1,040,383</u>
(1,034,821)	2,139	(1,036,228)
1,036,959	1	1,060,371
<u>1,036,959</u>	<u>(1)</u>	<u>1,060,371</u>
2,138	2,138	24,143
<u>56,185</u>	<u>-</u>	<u>32,042</u>
\$ 58,323	\$ 2,138	\$ 56,185

CAPITAL PROJECTS FUND

CITY OF LIVINGSTON, TEXAS
CAPITAL PROJECTS FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2009 AND 2008

ASSETS

	2009	2008
Cash	\$ 50,228	\$ 136,493
Certificates of deposit	<u>600,000</u>	<u>1,000,000</u>
Total Assets	\$ 650,228	\$ 1,136,493

FUND BALANCES

Fund Balances:

Reserved for:		
Capital projects	\$ 650,228	\$ 1,136,493
Total Fund Balances	\$ 650,228	\$ 1,136,493

CITY OF LIVINGSTON, TEXAS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH COMPARATIVE ACTUALS FOR 2008

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>EXPENDITURES</u>			
Bond issue costs	\$ -	\$ -	\$ -
Capital outlay:			
Library	750,000	(199,568)	550,432
Total Expenditures	<u>750,000</u>	<u>(199,568)</u>	<u>550,432</u>
Excess (deficiency) of revenues over expenditures	<u>(750,000)</u>	<u>199,568</u>	<u>(550,432)</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers in	- -	200,000	200,000
Transfers out	<u>(300,000)</u>	<u>125,000</u>	<u>(175,000)</u>
Total other financing sources	<u>(300,000)</u>	<u>200,000</u>	<u>25,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ (1,050,000)</u>	<u>\$ 399,568</u>	<u>\$ (525,432)</u>
Fund balances at beginning of year			
Fund balances at end of year			

Actual	Variance With Final Budget Positive (Negative)	2008
\$ -	\$ -	\$ -
<u>544,499</u>	<u>5,933</u>	<u>93,507</u>
<u>544,499</u>	<u>5,933</u>	<u>93,507</u>
<u>(544,499)</u>	<u>5,933</u>	<u>(93,507)</u>
<u>200,000</u>	<u>-</u>	<u>-</u>
<u>(141,766)</u>	<u>33,234</u>	<u>(200,000)</u>
<u>58,234</u>	<u>33,234</u>	<u>(200,000)</u>
\$ (486,265)	\$ 39,167	\$ (293,507)
<u>1,136,493</u>	<u>-</u>	<u>1,430,000</u>
<u>\$ 650,228</u>	<u>\$ 39,167</u>	<u>\$ 1,136,493</u>

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PROPRIETARY FUND

CITY OF LIVINGSTON, TEXAS
COMPARATIVE STATEMENT OF NET ASSETS
ELECTRIC, WATER AND SEWER FUND
SEPTEMBER 30, 2009 AND 2008

ASSETS	2009	2008
Current assets:		
Cash	\$ 449,353	\$ 220,371
Certificates of deposit	1,500,000	1,500,000
Restricted assets		
Cash in bank, water and sewer system improvements	108,261	106,871
Cash in bank, reserve fund	11,835	16,109
Receivables:		
Returned checks receivable	23,460	22,159
Utility accounts receivable	<u>1,311,495</u>	<u>1,313,898</u>
Total Current Assets	<u>3,404,404</u>	<u>3,179,408</u>
Noncurrent assets:		
Capital assets:		
Land	629,613	577,363
Building and improvements	463,474	463,474
Equipment and fixtures	1,964,243	1,863,850
Electrical system	4,430,284	4,260,607
Water system	6,281,573	5,846,062
Sewer system	<u>7,129,463</u>	<u>7,005,207</u>
Less accumulated depreciation	<u>20,898,650</u>	<u>20,016,563</u>
Net capital assets	<u>14,299,578</u>	<u>13,795,660</u>
Other assets:		
Water service contract rights	<u>140,000</u>	<u>210,000</u>
Total Other Assets	<u>140,000</u>	<u>210,000</u>
Total Noncurrent Assets	<u>14,439,578</u>	<u>14,005,660</u>
Total Assets	<u>\$ 17,843,982</u>	<u>\$ 17,185,068</u>

	2009	2008
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 889,909	\$ 839,224
Meter deposits	383,448	358,218
Contracts payable-Trinity River Authority	70,000	65,000
Total current liabilities	<u>1,343,357</u>	<u>1,262,442</u>
Noncurrent liabilities:		
Contracts payable-Trinity River Authority	<u>70,000</u>	<u>145,000</u>
Total noncurrent liabilities	<u>70,000</u>	<u>145,000</u>
Total liabilities	<u>1,413,357</u>	<u>1,407,442</u>
NET ASSETS		
Invested in capital assets (net of related debt)	14,299,578	13,795,660
Restricted for water and sewer system improvements	108,261	106,871
Restricted for Trinity River Authority contracts payable	11,835	16,109
Unrestricted	<u>2,010,951</u>	<u>1,858,986</u>
Total net assets	<u>\$ 16,430,625</u>	<u>\$ 15,777,626</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, 2009 AND 2008

<u>Business-Type Activities - Enterprise Fund</u>		
	<u>2009</u>	<u>2008</u>
<u>Operating revenues:</u>		
Charges for sales and services:		
Electricity sales	\$ 8,324,639	\$ 8,130,710
Water sales	1,683,063	1,665,407
Sewer service charges	1,228,693	1,224,025
Penalties, utilities	125,632	130,904
Water tapping fees	8,350	31,499
Sewer tapping fees	4,100	21,787
Recoveries, electrical	822,687	536,574
Recoveries, water	58,563	68,249
Revenue, night lights	74,383	73,218
Service fees	39,824	46,885
Total Operating Revenues	<u>12,369,934</u>	<u>11,929,258</u>
<u>Operating expenses:</u>		
Light and Power Department	9,292,595	7,996,778
Water Department	1,839,585	1,659,246
Sewer Department	497,129	465,187
Depreciation	378,169	369,151
Total Operating Expenses	<u>12,007,478</u>	<u>10,490,362</u>
Operating Income	362,456	1,438,896
<u>Non-operating revenues:</u>		
Interest income	<u>27,310</u>	<u>72,933</u>
Income Before Transfers	389,766	1,511,829
Transfers In	263,233	-
Transfers Out	<u>-</u>	<u>(487,243)</u>
Change in net assets	652,999	1,024,586
Total net assets - beginning	<u>15,777,626</u>	<u>14,753,040</u>
Total net assets - ending	<u>\$ 16,430,625</u>	<u>\$ 15,777,626</u>

CITY OF LIVINGSTON, TEXAS
COMPARATIVE STATEMENT OF CASH FLOWS
ELECTRIC, WATER, AND SEWER FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

Business-Type Activities - Enterprise Fund

	2009	2008
Cash flows from operating activities:		
Cash received from customers	\$ 12,372,337	\$ 11,878,448
Cash payments to suppliers for goods and services	(10,452,715)	(9,892,457)
Cash payments to employees for services	(1,101,980)	(996,532)
Net cash provided by operating activities	<u>817,642</u>	<u>989,459</u>
Cash flows from noncapital financing activities:		
Transfers from (to) other funds	<u>263,233</u>	<u>(487,243)</u>
Net cash provided (used) for noncapital financing activities	<u>263,233</u>	<u>(487,243)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(882,087)</u>	<u>(1,503,456)</u>
Net cash used for capital and related financing activities	<u>(882,087)</u>	<u>(1,503,456)</u>
Cash flows from investing activities:		
Sale of certificate of deposit	-	200,000
Interest on cash and investments	<u>27,310</u>	<u>72,933</u>
Net cash provided by investing activities	<u>27,310</u>	<u>272,933</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>226,098</u>	<u>(728,307)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>343,351</u>	<u>1,071,658</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 569,449</u>	<u>\$ 343,351</u>

(Continued)

CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
ELECTRIC, WATER, AND SEWER FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

Business-Type Activities - Enterprise Fund

	2009	2008
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 362,456	\$ 1,438,896
Adjustments to reconcile operating net income to net cash provided by operating activities:		
Depreciation	378,169	369,151
Change in operating assets and liabilities:		
Returned checks receivable	(1,301)	(2,287)
Utility accounts receivable	2,403	(50,810)
Accounts payable	50,685	(804,841)
Meter deposits	<u>25,230</u>	<u>39,350</u>
Total adjustments	<u>455,186</u>	<u>(449,437)</u>
Net cash provided by operating activities	<u>\$ 817,642</u>	<u>\$ 989,459</u>
Reconciliation of total cash and cash investments		
Unrestricted	\$ 449,353	\$ 220,371
Restricted		
Cash in bank, water and sewer system improvements	108,261	106,871
Cash in bank, reserve fund	<u>11,835</u>	<u>16,109</u>
Total cash and cash equivalents	<u>\$ 569,449</u>	<u>\$ 343,351</u>

(Concluded)

ENTERPRISE FUND

**CITY OF LIVINGSTON, TEXAS
ENTERPRISE FUND**

**SCHEDULE OF EXPENSES BY DEPARTMENT - COMPARED TO BUDGET
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009			
	Original Budget	Revisions	Final	Actual
LIGHT AND POWER DEPARTMENT				
Salaries	\$ 550,000	\$ (30,000)	\$ 520,000	\$ 505,337
Salaries, administration	27,000	-	27,000	25,023
Social Security	44,150	(2,150)	42,000	40,572
Retirement	85,250	(8,750)	76,500	77,709
Employee insurance	71,000	(11,000)	60,000	60,050
Uniform rental	4,500	-	4,500	4,460
Insurance and bonds	23,650	(1,650)	22,000	21,819
Legal and professional	3,750	-	3,750	2,983
Engineering	3,000	-	3,000	-
Supplies	40,000	(15,000)	25,000	25,105
Repairs-building and grounds and equipment	25,000	(5,000)	20,000	18,043
Gas and oil	32,500	(10,500)	22,000	17,463
Utility/telephone	4,500	2,300	6,800	6,384
Dues and subscriptions	5,800	2,000	7,800	7,604
Power purchase	7,740,000	490,000	8,230,000	8,441,956
Transportation and contingency	15,000	(5,000)	10,000	8,577
Utility billing	12,000	-	12,000	11,189
Postage and miscellaneous	18,000	(5,000)	13,000	11,354
Auditing and accounting	5,500	1,500	7,000	6,967
Total Light and Power	8,710,600	401,750	9,112,350	9,292,595
WATER DEPARTMENT				
Salaries	370,000	15,000	385,000	378,425
Salaries - administration	27,000	-	27,000	25,023
Social Security	30,375	1,625	32,000	31,032
Retirement	56,925	(5,425)	51,500	53,296
Employee insurance	53,500	4,500	58,000	56,574
Uniform rental	3,850	-	3,850	3,867
Insurance and bonds	22,550	(1,550)	21,000	21,797
Legal and professional	2,500	-	2,500	1,250
Supplies	40,500	(4,500)	36,000	44,987
Repairs-building and grounds	6,500	2,000	8,500	8,002
Repairs-equipment	32,000	(4,500)	27,500	24,663
Gas and oil	17,550	(5,550)	12,000	9,032
Engineering	11,000	19,000	30,000	31,943
Dues and subscriptions	4,000	-	4,000	3,660
Water-TRA	58,400	-	58,400	58,400
Operations and maintenance-TRA	1,026,950	(55,015)	971,935	971,935
Transportation and contingency	22,000	(1,000)	21,000	15,942
Utility billing	12,000	-	12,000	10,252
Postage and printing	14,000	-	14,000	11,495
TRA-debt service	80,930	(9,888)	71,042	71,042
Auditing and accounting	5,500	1,500	7,000	6,968
Total Water	1,898,030	(43,803)	1,854,227	1,839,585

<u>Variance</u>	<u>2008</u>	<u>Actual</u>
\$ 14,663	\$ 450,087	
1,977	24,326	
1,428	36,275	
(1,209)	64,839	
(50)	47,331	
40	3,020	
181	21,077	
767	3,943	
3,000	-	
(105)	26,800	
1,957	15,729	
4,537	34,188	
416	4,235	
196	7,720	
(211,956)	7,204,818	
1,423	19,774	
811	12,015	
1,646	15,718	
33	4,883	
<u>(180,245)</u>	<u>7,996,778</u>	

6,575	339,281
1,977	24,327
968	27,799
(1,796)	48,193
1,426	50,196
(17)	2,958
(797)	20,356
1,250	1,937
(8,987)	28,493
498	4,888
2,837	23,815
2,968	14,780
(1,943)	7,756
340	3,900
-	58,400
-	886,378
5,058	16,998
1,748	11,765
2,505	9,953
-	71,907
32	5,166
<u>14,642</u>	<u>1,659,246</u>

CITY OF LIVINGSTON, TEXAS
ENTERPRISE FUND
SCHEDULE OF EXPENSES BY DEPARTMENT - COMPARED TO BUDGET
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009			
	Original Budget	Revisions	Final	Actual
SEWER DEPARTMENT				
Salaries	153,000	18,000	171,000	167,078
Salaries, administration	27,000	-	27,000	25,023
Social Security	13,775	1,450	15,225	14,971
Retirement	23,675	(1,675)	22,000	23,555
Employee insurance	21,850	150	22,000	22,450
Uniform rental	1,950	(450)	1,500	1,207
Insurance and bonds	10,850	(2,850)	8,000	7,556
Lab fees-engineering	38,000	(3,000)	35,000	40,508
Supplies	30,000	-	30,000	23,786
Chemicals	25,000	-	25,000	21,960
Legal/professional	1,000	-	1,000	-
Repairs-equipment	30,000	5,000	35,000	44,446
Repairs-building and grounds	2,500	1,500	4,000	3,884
Gas and oil	29,900	(12,400)	17,500	14,929
Dues and subscriptions	15,000	(2,000)	13,000	11,680
Transportation and contingency	88,000	(4,500)	83,500	58,260
Utilities and telephone	16,000	-	16,000	15,836
Total Sewer	<u>527,500</u>	<u>(775)</u>	<u>526,725</u>	<u>497,129</u>
TOTAL ENTERPRISE FUND DEPARTMENT EXPENDITURES	<u>\$ 11,136,130</u>	<u>\$ 357,172</u>	<u>\$11,493,302</u>	<u>\$ 11,629,309</u>

<u>Variance</u>	<u>2008</u>
	<u>Actual</u>
3,922	134,263
1,977	24,248
254	12,109
(1,555)	19,193
(450)	20,874
293	1,387
444	9,831
(5,508)	25,192
6,214	30,093
3,040	23,693
1,000	-
(9,446)	26,941
116	2,694
2,571	29,072
1,320	11,975
25,240	79,143
164	14,479
<u>29,596</u>	<u>465,187</u>
<u>\$ (136,007)</u>	<u>\$ 10,121,211</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 Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 3,545,562	\$ 3,549,442	\$ 3,625,188	\$ 3,805,846
64,428	32,042	56,185	58,323
<u>301,060</u>	<u>746,824</u>	<u>847,279</u>	<u>1,403,689</u>
<u>\$ 3,911,050</u>	<u>\$ 4,328,308</u>	<u>\$ 4,528,652</u>	<u>\$ 5,267,858</u>
\$ 12,212,140	\$ 12,661,355	\$ 13,795,660	\$ 14,299,578
138,706	176,772	122,980	120,096
<u>2,545,862</u>	<u>1,914,913</u>	<u>1,858,986</u>	<u>2,010,951</u>
<u>\$ 14,896,708</u>	<u>\$ 14,753,040</u>	<u>\$ 15,777,626</u>	<u>\$ 16,430,625</u>
\$ 15,757,702	\$ 16,210,797	\$ 17,420,848	\$ 18,105,424
203,134	208,814	179,165	178,419
<u>2,846,922</u>	<u>2,661,737</u>	<u>2,706,265</u>	<u>3,414,640</u>
<u>\$ 18,807,758</u>	<u>\$ 19,081,348</u>	<u>\$ 20,306,278</u>	<u>\$ 21,698,483</u>

TABLE A-2

CITY OF LIVINGSTON, TEXAS
CHANGES IN NET ASSETS
Last Seven 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	<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 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	B.	228,664
Capital grants and contributions	-	404,018	64,077	12,891	B.	130,974
Total governmental activities program revenues	<u>1,397,593</u>	<u>1,984,900</u>	<u>A. 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	<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 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	<u>33,749</u>	<u>934,659</u>	<u>907,805</u>	<u>300,344</u>	<u>314,069</u>	<u>1,438,896</u>
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	90,514
Transfers	<u>455,955</u>	<u>247,191</u>	<u>259,141</u>	<u>365,963</u>	<u>533,535</u>	<u>487,243</u>
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>4,292,703</u>
Business-type activities:						
Investment earnings	21,190	14,790	33,324	74,278	75,798	72,933
Transfers	<u>(455,955)</u>	<u>(247,191)</u>	<u>(259,141)</u>	<u>(365,963)</u>	<u>(533,535)</u>	<u>(487,243)</u>
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>\$ 3,878,393</u>
Changes in Net Assets						
Governmental activities	\$ (48,047)	\$ 357,523	\$ (151,029)	\$ 348,980	\$ 417,258	\$ 200,344
Business-type activities	<u>(401,016)</u>	<u>702,258</u>	<u>681,988</u>	<u>8,659</u>	<u>(143,668)</u>	<u>1,024,586</u>
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>\$ 1,224,930</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.

C. FEMA grant received in 2009 to assist with Hurricane Ike recovery.

2009

\$	625,366
	607,137
	413,973
	1,530,106
	935,608
	847,600
	284,255
	186,795
	316,960
	<hr/>
	5,747,800

	12,007,478
	<hr/>
	12,007,478
\$	<hr/>
\$	17,755,278

\$	368,308
	846,740
	222,025
	892
	298,880
	19,386
	653,212 C.
	471,764 C.
	<hr/>
	2,881,207

	12,369,934
	<hr/>
	12,369,934
\$	<hr/>
\$	15,251,141

\$	(2,866,593)
	362,456
	<hr/>
\$	(2,504,137)

\$	3,392,552
	172,631
	291,096
	12,753
	<hr/>
	(263,233)
	<hr/>
	3,605,799

	27,310
	<hr/>
	263,233
	<hr/>
	290,543
\$	<hr/>
\$	3,896,342

\$	739,206
	652,999
	<hr/>
\$	1,392,205

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

	<u>Fiscal Year</u>			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Fund				
Reserved	\$ 24,965	\$ 18,449	\$ 9,848	\$ 212
Unreserved	<u>215,150</u>	<u>409,807</u>	<u>461,852</u>	<u>740,600</u>
Total General Fund	<u>\$ 240,115</u>	<u>\$ 428,256</u>	<u>\$ 471,700</u>	<u>\$ 740,812</u>
All Other Governmental Funds				
Reserved				
Debt Service Fund	\$ 151,139	\$ 60,326	\$ 63,345	\$ 68,957
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,221,395</u> A.
Total all other governmental funds	<u>\$ 151,139</u>	<u>\$ 60,326</u>	<u>\$ 63,345</u>	<u>\$ 3,290,352</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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 13,243 <u>635,728</u>	\$ 5,096 <u>420,260</u>	\$ 2,598 <u>253,737</u>	\$ 2,598 <u>583,212</u>	\$ 78,525 <u>768,754</u>	\$ 64,705 <u>1,096,703</u>
<u>\$ 648,971</u>	<u>\$ 425,356</u>	<u>\$ 256,335</u>	<u>\$ 585,810</u>	<u>\$ 847,279</u>	<u>\$ 1,161,408</u>
\$ 71,335 <u>1,267,007</u>	\$ 74,795 <u>342,948</u>	\$ 64,428 <u>-</u>	\$ 32,042 <u>1,430,000</u>	B. \$ 56,185 <u>1,136,493</u>	\$ 58,323 <u>650,228</u>
<u>\$ 1,338,342</u>	<u>\$ 417,743</u>	<u>\$ 64,428</u>	<u>\$ 1,462,042</u>	<u>\$ 1,192,678</u>	<u>\$ 708,551</u>

TABLE A-4

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

	<u>Fiscal Year</u>			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenues				
Taxes	\$ 2,254,103	\$ 2,225,216	\$ 2,439,934	\$ 2,441,633
Licenses and permits	65,372	61,645	39,422	70,903
Charges for service	797,694	813,228	911,272	978,312
Fines and forfeitures	130,154	156,830	152,717	167,862
Miscellaneous	198,953	423,424	179,894	268,702
Total Revenues	<u>3,446,276</u>	<u>3,680,343</u>	<u>3,723,239</u>	<u>3,927,412</u>
Expenditures				
Administrative	169,178	182,029	198,293	326,799
Sanitation	427,658	460,487	479,647	489,056
Fire	269,833	266,933	266,805	275,993
Police	859,674	890,487	940,587	1,023,348
Paving and street	308,068	265,880	307,094	336,300
Parks and recreation	569,784	566,161	555,474	636,034
Library	179,913	188,264	192,387	211,978
Garage	112,373	113,225	120,222	128,671
Capital outlay	607,208	985,499	505,679	1,939,513
Debt service				B.
Interest	304,029	292,623	282,348	379,556
Principal	165,000	175,000	190,000	240,000
Total Expenditures	<u>3,972,718</u>	<u>4,386,588</u>	<u>4,038,536</u>	<u>5,987,248</u>
Excess of revenues over (under) expenditures	(526,442)	(706,245)	(315,297)	(2,059,836)
Other Financing Sources (Uses)				
Proceeds from borrowing	-	-	-	5,000,000
Proceeds from refunding	-	-	-	1,600,000
Redemption of refunded bonds	-	-	-	(1,500,000)
Transfers in	1,067,965	1,171,131	834,107	937,577
Transfers out	(469,024)	(367,873)	(472,348)	(481,622)
Total other financing sources	<u>598,941</u>	<u>803,258</u>	<u>361,759</u>	<u>5,555,955</u>
Net change in fund balances	<u>\$ 72,499</u>	<u>\$ 97,013</u>	<u>\$ 46,462</u>	<u>\$ 3,496,119</u>
Debt service as a percentage of noncapital expenditures	16.2%	15.9%	15.4%	18.1%

- 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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 2,595,882	\$ 2,812,571	\$ 3,202,931	\$ 3,543,872	\$ 3,659,992	\$ 3,856,279
68,620	78,387	167,500	171,091	158,653	330,493
1,054,801	962,644	1,027,350	1,044,379	1,063,339	1,069,232
174,479	220,754	208,945	220,568	206,059	210,193
790,232	D. 444,987	558,205	435,547	383,885	1,271,421
<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>	<u>6,737,618</u>
244,181	362,385	430,460	589,450	464,778	544,952
508,272	525,099	551,984	595,356	614,780	606,952
254,431	272,362	292,497	333,880	366,276	378,591
1,034,373	1,100,899	1,156,337	1,239,397	1,356,402	1,436,239
371,020	332,286	421,287	446,480	344,420	388,011
609,285	610,971	621,815	654,682	744,706	667,173
211,390	217,896	225,276	257,071	261,206	250,779
128,544	131,848	150,570	154,049	261,800	175,996
2,682,760	1,447,119	1,280,136	633,113	512,315	1,158,730
400,800	381,833	362,868	363,425	350,383	316,960
530,000	540,000	560,000	570,000	690,000	720,000
<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>	<u>6,644,383</u>
(2,291,042)	(1,403,355)	(888,299)	(421,446)	(495,138)	93,235
-	-	-	1,500,000 E.	-	-
-	-	-	3,055,000 F.	-	-
-	-	-	(2,940,000) F.	-	-
1,154,768	1,196,580	1,274,601	1,040,595	1,560,371	1,236,959
(907,577)	(937,439)	(908,638)	(507,060)	(1,073,128)	(1,500,192)
<u>247,191</u>	<u>259,141</u>	<u>365,963</u>	<u>2,148,535</u>	<u>487,243</u>	<u>(263,233)</u>
<u>\$ (2,043,851)</u>	<u>\$ (1,144,214)</u>	<u>\$ (522,336)</u>	<u>\$ 1,727,089</u>	<u>\$ (7,895)</u>	<u>\$ (169,998)</u>
27.7%	25.9%	24.0%	21.9%	23.6%	23.3%

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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
	Assessed Value	Estimated Actual Value	
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
2008	358,777,630	358,777,630	57,815,193

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

TABLE B-1

Personal Estimated Actual Value	Total Property		Ratio of Total Assessed to Total Estimated Actual Value	Total Direct Rate Applied
	Assessed Value	Estimated Actual Value		
45,102,762	184,493,741	184,493,741	100%	0%
34,434,642	194,373,364	194,373,364	100%	0%
44,505,537	202,376,069	202,376,069	100%	0%
46,660,580	207,971,188	207,971,188	100%	0%
46,719,165	211,680,559	211,680,559	100%	0%
48,106,813	229,488,246	229,488,246	100%	0%
48,821,394	244,106,970	244,106,970	100%	0%
51,858,018	251,088,683	251,088,683	100%	0%
57,234,573	381,313,665	381,313,665	100%	0%
57,815,193	416,592,823	416,592,823	100%	0%

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)**

County Fiscal Year	City General Fund	School District	County	Total
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
2008	.00	1.4135	0.6277	2.0412

County Fiscal Year	City General Fund	School District	County	Total
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
2008	-	16,305,268	15,157,004	31,462,272

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, 2008 ASSESSED VALUES				TEN LARGEST TAXPAYERS, 1999 ASSESSED VALUES			
<u>(*) Name</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percent of Total</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percent of Total</u>	
Memorial Health System of ET	\$ 21,828,432	1	5.24%	\$ -	-	0.00%	
Wal-Mart Stores	17,117,849	2	4.11%	7,440,536	1	4.42%	
Lowe's	12,009,367	3	2.88%	-	-	0.00%	
First National Bank	7,922,776	4	1.90%	1,380,267	7	0.82%	
First Brookside Capital Fund	5,415,145	5	1.30%	-	-	0.00%	
Livingston Shopping Center, LTD	5,382,054	6	1.29%	-	-	0.00%	
Livingston Ventures	4,904,864	7	1.18%	-	-	0.00%	
MCN Livingston LLC	4,315,646	8	1.04%	-	-	0.00%	
MBF Investments	3,971,347	9	0.95%	-	-	0.00%	
Livingston Innkeepers	3,912,330	10	0.94%	-	-	0.00%	
First State Bank	-		0.00%	1,653,184	6	0.98%	
McNiel Real Estate	-		0.00%	1,950,556	2	1.16%	
KPT Remic Loan, LLC	-		0.00%	1,854,380	3	1.10%	
Loye Moore	-		0.00%	1,762,891	4	1.05%	
Wal-Mart Stores	-		0.00%	1,685,953	5	1.00%	
Dan Rose Corp	-		0.00%	1,363,415	8	0.81%	
CL Cochran	-		0.00%	1,269,076	9	0.75%	
Jackson Farm & Elect Supply	-		0.00%	1,260,248	10	0.75%	
	<u>\$ 86,779,810</u>		<u>20.83%</u>	<u>\$ 21,620,506</u>		<u>12.84%</u>	

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

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections
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	-	-
2008-09	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	(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
N/A	-	-	N/A

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

	<u>Fiscal Year</u>			
	1999	2000	2001	2002
Agriculture, forestry, & fishing	\$ 132,265	\$ 186,082	\$ 120,040	\$ 104,087
Mining	881,964	2,445,805	3,017,072	1,670,892
Construction	304,801	1,427,549	2,178,456	3,176,878
Manufacturing	4,217,761	3,618,803	2,805,088	2,626,183
Transportation, communication, utility	4,161,561	3,940,131	3,915,504	3,944,208
Wholesale Trade	1,678,572	1,313,493	1,290,343	1,820,682
Retail Trade	107,579,312	112,245,922	107,735,964	110,586,688
Finance, insurance, real estate	208,516	331,846	321,496	309,122
Services	7,437,827	6,697,287	5,937,256	6,103,505
Public administration	-	-	-	-
Other	-	-	-	-
Total	\$ 126,602,579	\$ 132,206,918	\$ 127,321,219	\$ 130,342,245

Source: State Comptroller's Office

TABLE B-5

<u>Fiscal Year</u>					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 55,655	\$ 17,846	\$ -	\$ -	\$ -	\$ -
2,928,533	5,613,633	7,700,436	60,829	756,938	285,694
459,045	424,557	787,927	11,059,135	11,376,991	8,329,709
3,348,853	3,585,308	3,323,607	5,178,592	6,562,549	7,440,687
3,694,829	3,502,046	3,498,339	74,518	63,730	152,921
2,341,586	2,315,597	2,906,373	8,451,726	8,816,753	8,944,623
107,480,485	122,067,358	131,436,864	119,034,315	128,368,896	137,752,269
282,049	107,361	69,374	1,177,586	1,690,872	1,741,041
6,247,964	6,119,047	5,621,477	32,216,522	29,680,044	34,724,520
-	440,818	3,097,013	-	-	-
<u>\$ 126,838,999</u>	<u>\$ 144,193,571</u>	<u>\$ 158,441,410</u>	<u>\$ 177,253,223</u>	<u>\$ 187,316,773</u>	<u>\$ 199,371,464</u>

TABLE B-6

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

	<u>Fiscal Year</u>			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Electrical revenues	\$ 6,874,758	\$ 6,756,183	\$ 6,568,105	\$ 7,350,587
Water revenues	1,433,655	1,457,245	1,491,121	1,573,863
Sewer revenues	865,533	928,194	969,701	1,056,553
Total	<u>\$ 9,173,946</u>	<u>\$ 9,141,622</u>	<u>\$ 9,028,927</u>	<u>\$ 9,981,003</u>

Sources: Various City Departments

TABLE B-6

<u>Fiscal Year</u>					
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 7,584,035	\$ 7,873,279	\$ 8,039,723	\$ 8,016,265	\$ 8,918,291	\$ 9,387,165
1,637,733	1,650,187	1,550,614	1,629,707	1,765,155	1,749,976
<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>1,232,793</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>	<u>\$ 12,369,934</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.

TABLE C-

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

Fiscal Year	CERTIFICATES OF OBLIGATION		GENERAL OBLIGATION BONDS		TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME
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%
2008-09	4,485,000		3,050,000		7,535,000	4.36%

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

<u>PER CAPITA</u>	<u>PERSONAL INCOME DATA</u>
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
1,387	172,943,256

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

Fiscal Year	Population		Assessed Value (1)	Gross Bonded Debt (3)	Less: Debt Service Fund
1999-00	5,019	(2)	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	1,415,000	68,957
2003-04	5,433		211,680,559	1,230,000	71,335
2004-05	5,433		229,488,246	1,045,000	74,795
2005-06	5,433		244,106,970	850,000	64,428
2006-07	5,433		251,088,683	3,645,000	32,042
2007-08	5,433		381,313,665	3,350,000	56,185
2008-09	5,433		416,592,823	3,050,000	58,323

(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

CITY OF LIVINGSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
September 30, 2009

Governmental Unit	Outstanding Debt	Percentage Applicable to This Governmental Unit *	City of Livingston's Share of Debt
City of Livingston	\$ -	100%	\$ -
(1) Livingston Independent School District	69,135,000	20%	13,827,000
(2) County of Polk	36,322,121	13%	4,721,876
Total direct and overlapping debt			<u>\$ 18,548,876</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.

TABLE C-4

CITY OF LIVINGSTON, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
September 30, 2009

Assessed value, year 2008	<u>\$ 416,592,823</u>
Debt Limit - Ten Percent of assessed value	41,659,282
Amount of Debt Applicable to Debt Limit:	
General Obligation bonds	3,050,000
Other debt (certificates of obligation)	<u>4,485,000</u>
Total bonded debt	<u>7,535,000</u>
Less: Assets in debt service fund	58,323
Total amount of debt applicable to debt limit	<u>7,476,677</u>
Legal debt margin	<u>\$ 34,182,605</u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Legal Debt Margin as a Percentage of the Debt Limit
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%
2009	\$ 41,659,282	\$ 7,476,677	\$ 34,182,605	82.05%

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
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%
2008-09	5,433	172,943,256	31,832	10.30%

* 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.

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

(*) <u>Name</u>	<u>2009</u>			<u>2000</u>		
	<u>Employees</u>	<u>Rank</u>	Percent of Total <u>City Employment</u>	<u>Employees</u>	<u>Rank</u>	Percent of Total <u>City Employment</u>
Livingston ISD	639	1	8.19%	600	1	8.82%
Wal-Mart Super Center	495	2	6.35%	500	2	7.35%
Memorial Med. Center	476	3	6.10%	139	6	2.04%
County of Polk - Government	333	4	4.27%	300	3	4.41%
Lowe's Home Improvement	150	5	1.92%	-	-	0.00%
The Bradford at Brookside	132	6	1.69%	-	-	0.00%
Pine Ridge Nursing Center	123	7	1.58%	175	4	2.57%
First National Bank	92	8	1.18%	75	8	1.10%
First State Bank	90	9	1.15%	75	7	1.10%
Brookshire Bros.	85	10	1.09%	148	5	2.18%
City of Livingston	-		0.00%	75	9	1.10%
Eastex Telephone Coop	-		0.00%	60	10	0.88%
	<u>2,615</u>		<u>33.53%</u>	<u>2,147</u>		<u>31.57%</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.

TABLE E-1

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

		Full-time Equivalent Employees as of September 30,				
FUNCTION/PROGRAM		2000	2001	2002	2003	2004
Administrative		8	8	8	8	9
Fire	A	1	1	1	1	1
Police Officers		19	18	17	17	18
Other staff		3	4	5	4	4
Paving and street		6	6	6	7	7
Parks and recreation		9	9	7	7	7
Library		4	4	4	4	4
Garage		2	2	2	2	2
Electric, Water & Sewer		<u>17</u>	<u>17</u>	<u>18</u>	<u>18</u>	<u>18</u>
Total		69	69	68	68	70

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 for 2006 and subsequent years.

TABLE E

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
9	10 B	11 B	12 B	10 B
1	2	2	2	2
18 5	18 5	18 5	17 6	18 6
6	7	7	5	5
9	9	10	8	11
4	5	5	4	5
2	2	2	2	2
<u>18</u>	<u>19</u>	<u>16</u>	<u>18</u>	<u>18</u>
72	77	76	74	77

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

<u>FUNCTION/PROGRAM</u>	Fiscal Year			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Police				
Violations (Traffic & Criminal)	3,726	2,959	2,993	2,788
Fire				
Fire Calls	504	615	609	510
Library				
Volumes of Books	22,402	22,812	22,846	23,863
Electric				
Average daily kilowatt hours sold	205,024	199,352	198,484	202,958
Total customers	3,176	3,170	3,232	3,221
Water				
Average daily consumption	1,238,649	1,497,025	1,342,285	1,284,118
Total connections	3,085	3,076	3,056	3,123

Sources: Various City Departments

TABLE E-2

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
2,241	2,761	2,493	3,047	2,823	3,309
488	592	592	728	863	797
23,383	24,425	22,212	22,426	20,770	22,409
219,935 3,238	224,874 3,278	226,791 3,281	227,240 3,325	224,443 3,329	224,914 3,331
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	1,480,375 2,722

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

<u>FUNCTION/PROGRAM</u>	Fiscal Year			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Police				
Patrol Units	9	9	9	9
Fire				
Stations and substation	2	2	2	2
Vehicles including fire trucks	9	9	9	8
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	679	686	691	693
Night lights	640	420	435	438
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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
9	9	9	9	7	8
2 8	2 9	2 9	3 9	3 17	3 17
49.20 12.50 697 453	49.20 12.50 703 466	49.20 12.50 711 481	49.20 12.50 711 481	53.24 12.50 721 468	55.74 12.50 721 468
373.50	373.50	373.50	373.50	373.50	373.50
33.95 2,150,000	33.95 2,150,000	33.95 2,150,000	33.95 2,150,000	34.40 2,150,000	35.98 2,150,000
78.12	78.12	78.12	78.12	78.88	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

2000	5,352	2005	5,456
2001	5,440	2006	5,456
2002	5,440	2007	5,465
2003	5,440	2008	5,465
2004	5,441	2009	5,537

TRANSPORTATION FACILITIES

<u>Streets</u> 55.74 Miles paved street 12.77 Unpaved streets 10.50 Miles undeveloped streets 12.50 Miles sidewalk	<u>Railways</u> Union Pacific RR Company
<u>Highways</u> U.S. 59 and U.S. 190 Intersect in Downtown Area. Also serve as principal city streets	<u>Municipal Airport</u> Runway - 3,700' paved Windsocks, tiedowns, telephone Privately owned hangars Airport lighted

WATER AND SANITATION FACILITIES

<u>Water Mains</u> 12" 7.86 miles 8" 6.87 miles 6" 21.25 miles	<u>Water Storage</u> Elevated - 800,000 gallons Ground - 1,350,000 gallons
<u>Water Pumpage</u> Present requirements 1,800,000 gallons per day	<u>Sewer Lines</u> Sanitation - 78.88 miles of line Storm - Adequate for proper drainage

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITEDPERSONNEL

<u>Department</u>	<u>Number of Employees</u>	<u>Employees Statistics</u>	
		<u>Years of Service</u>	<u>Number of Employees</u>
Administrative	10	31+	4
Electric	7	20-30	10
Water	8	15-19	7
Sewer	3	10-14	9
Police	24	6-9	14
Street	5	1-5	29
Parks and Recreational	6	Less than (one) 1 year	4
Library	5		
Garage	2		<u>77</u>
Community Devel.	2		
Fire	2		
Mainstreet	2		
Trade Days	1		
Total	<u>77</u>		

PERSONNEL POLICY PROVISIONS

Cost of Living Salary Adjustment	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.
Merit System (all employees)	Retirement Benefits ratio match 2:1
Paid vacation (80 hours after one year) (120 hours after 10 years) (160 hours after 20 years)	Social Security
Paid sick leave (80 hours) with 240 hours accrual	Volunteer Program (MVP)
Paid Holidays (Nine)	Sick Leave Pool
Bereavement Leave (24 hours)	Holiday Compensation
Earned personal leave days (Two)	Law Enforcement Certificate Pay
Award program-Annual banquet, safety, service, attendance, and volunteer awards.	Paid uniforms for all service personnel
Education tuition reimbursement	Healthy initiative program
Family Leave (FMLA)	Water/Wastewater Certificate pay
Workers Compensation Program	

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED

<u>POLICE PROTECTION</u>	
<u>Personnel</u>	
One (1) Chief	One (1) Municipal Court Judge
One (1) Lieutenant	One (1) Secretary/Comm. Spv
Four (4) Sergeants	One (1) Corporation Clerk
One (1) Detective	One (1) Records Clerk
Eight (8) Officers	One (1) Associate Municipal
One (1) Reserve Officer	Court Judge
Four (4) Telecommunication Operators	
One (1) Relief Telecommunication Operator	
One (1) Animal Control Officer	
Two (2) School Officers	
	<u>Equipment</u>
	Eight (8) Patrol Units
	Six (6) Radars
	Radio Communication System
	Computer System
	<u>Traffic and Criminal Violations</u>
	\$153,656 fines collected
	3,309 violations

FIRE PROTECTION

<u>Personnel</u>	<u>Housing</u>
One (1) Fire Chief	
Thirty-seven (37) volunteer firemen	1992 Station 1 - 8 Truck bays, 2 offices
Three (3) radio dispatchers - full time and standby	1 classroom, and 1 workroom
One (1) secretary	
<u>Equipment</u>	
Five (5) pumbers (1-1000 GPM; 3-1250 GPM; 1-750 GPM)	1996 Station 2 - 5 Truck bays
One (1) aerial ladder truck (1750 GPM)	
Two (2) tankers (3000 gal. capacity)	2007 Station 3 - 2 Truck bays
One (1) Haz-Mat truck	
Two (2) rescue boats and equipment	Fire Training Field - Used for live
One (1) Command Post-32' self-contained	fire training and other rescue classes
Radio communication system including 50 mobile units, dispatch module and 6 remotes	
"Jaws" of life (4 sets with 1 set of air bags)	
Water rescue equipment	
Trench rescue equipment	
Rope rescue equipment	
Two (2) Thermal imagers	
Two (2) utility vehicle	
Two (2) Grass/brush fire trucks	50 gallons Micro Blaze
One (1) Heavy Rescue	40 self-contained air packs
1-6 Bottle cascade system-light tower	6 generators
1-8 Bottle cascade system	8 entry saws
300 gallons AFFF Foam	Hazardous material equipment
200 gallons Forestry Foam	3 Ventilation saws
One (1) John Deere Gator	2 Metal cutoff saws
	3 450 GPM Float Pumps
	<u>Total Fire Calls</u>
	2008-2009 - 797 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) Versalink Media	Television Cable	Customers - 408
(1) Livingston Telephone Co.	Telephone System	Access Lines - 4,430
(1) Telcom Supply	Television Cable	Customers - 1,079
City of Livingston	Electric & Water Systems	Electric Customers 3,331 Water Customers 2,722
(1) Information provided by individual corporate offices		

CITY ELECTRIC DEPARTMENT STATISTICS (LAST TEN YEARS)

Year	Number of Customers	KWH Consumed		Total
		Residential	Commercial	
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

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
2008-09	\$ 3,392,552

WATER DEPARTMENT STATISTICS (LAST TEN YEARS)

Year	Gallons Consumed *	Gallons Pumped
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
2009	540,337,000	704,626,000

* Water consumption at municipally-owned facilities not included.

* EDUCATIONAL FACILITIESPublic 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 Administrative Personnel

Superintendent - One (1)
 Asst. Superintendent - Three (3)
 Principals - Seven (7)
 Asst. Principals - Eight (8)
 Counselors - Seventeen (17)
 Directors of Special Prog./Curriculum - Nine (9)
 Other - 31
Private

Public School Miscellaneous Data

Teachers - 279 Certified
 60 Aides Para Professional
 224 Auxiliary
 Average Daily Attendance - 3,782 Inclusive

Private Kindergarten and/or
 Nursery Schools - Six (6)

* Information provided by Livingston Independent School District Business Office.

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITEDCULTURAL AND RECREATIONAL ACTIVITIESBarney 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; 2009 - 22,409

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	26,270
* Number voting in last general election	20,323
Number of registered voters in City	3,208
** Number voting in last Municipal election (2008)	910
Percentage of voters voting:	
Last general election (County)	56.0%
** Last Municipal election (Municipal) (2008)	28.3%

* 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, 2009

Name	Title	Amount of Surety Bond
Clarke Evans	Mayor	\$ 25,000
E. Ray Hill	Alderman	25,000
Judy Cochran	Alderwoman	25,000
Billy S. Wiggins	Mayor Pro-tem	25,000
Raymond Luna	Alderman	25,000
Elgin Davis	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.

CITY OF LIVINGSTON, TEXAS
SINGLE AUDIT REPORTS ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2009

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

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

We have audited the 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, (the City) as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

Compliance and Other Matters

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

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

Harper & Pearson Company, P.C.

Houston, Texas
March 15, 2010



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

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

Compliance

We have audited the compliance of the City of Livingston, Texas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned

functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the 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, 2009, and have issued our report thereon dated March 15, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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.

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

Harper & Pearson Company, P.C.

Houston, Texas
March 15, 2010

CITY OF LIVINGSTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal</u>	<u>Identifying Number</u>	<u>Federal Expenditures</u>
Federal Awards:			
U.S. Department of Homeland Security:			
Pass-through Texas Department of Public Safety's Division of Emergency Management:			
Disaster Grants - Public Assistance	97.036	PA-06-TX-1791	\$ 956,152
Pass-through Deep East Texas Council of Governments:			
State Homeland Security Program (SHSP)	97.073	2008GETB0034	20,774
Law Enforcement and Terrorism Prevention Program (LETPP)	97.074	08SR99008-01	<u>15,002</u>
Total U.S. Department of Homeland Security			<u>991,928</u>
Department of Housing and Urban Development:			
Pass-through Office of Rural Community Affairs:			
Texas Community Development Block Grant Disaster Recovery Program	14.228	DRS060049	<u>60,612</u>
Total Department of Housing and Urban Development			<u>60,612</u>
Total expenditures of federal awards			\$ <u>1,052,540</u>

CITY OF LIVINSTON, TEXAS
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2009

NOTE A BASIS OF PRESENTATION

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

CITY OF LIVINSTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2009

Section I - Summary of Auditors' Results

Financial Statement

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Significant deficiencies related to the audit of the schedule of expenditures of federal awards reported? _____ Yes No

Noncompliance material to schedule of expenditures of federal awards noted? _____ Yes No

Federal Awards

Significant deficiencies related to the audit of the major federal award programs reported? _____ Yes No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes No

Identification of major programs:

CFDA Number

97.036

Name of Federal Program

Disaster Grants – Public Assistance
(Presidentially Declared Disasters) Program

Dollar threshold used to distinguish between Type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes No

Section II - Financial Statement Findings

N/A – Program Specific Audit

Section III - Federal Award Findings and Questioned Costs

None