

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

**FISCAL YEAR
OCTOBER 1, 2010 - SEPTEMBER 30, 2011
ISSUED BY: FINANCE DEPARTMENT
MARILYN SUTTON**

**CITY OF LIVINGSTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2011**

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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 9, 2012

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, 2011 is submitted herewith. This report is published to provide the City Council, City Staff, the citizens, the 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.

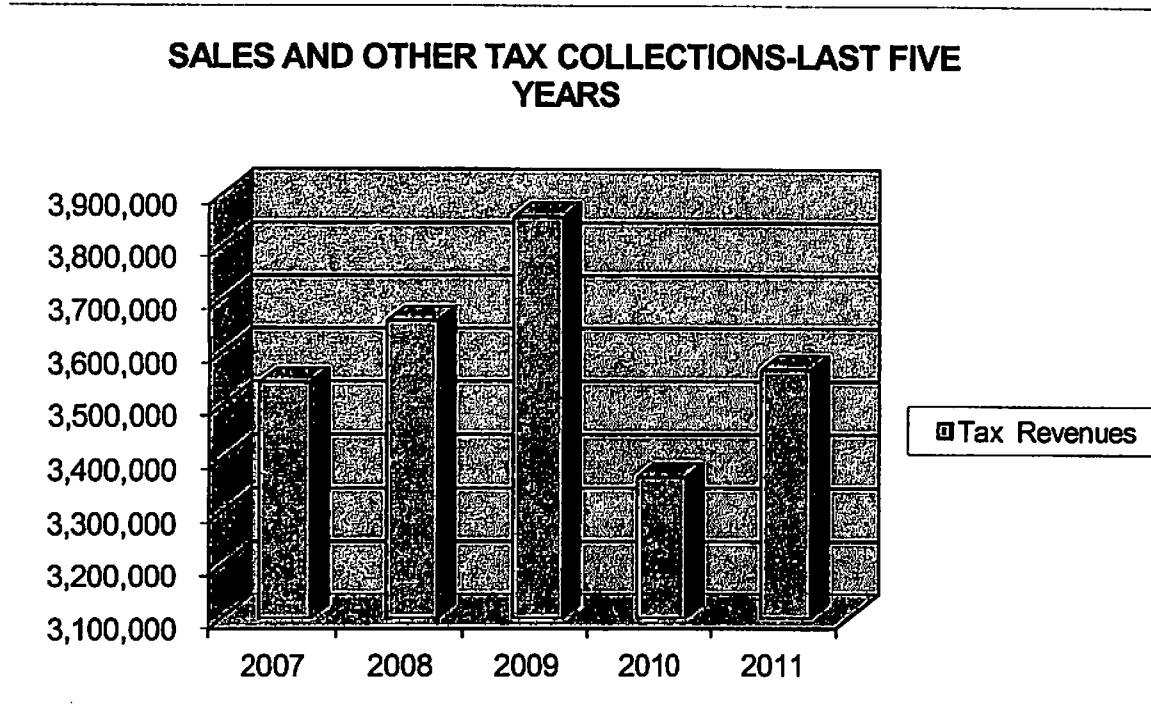
All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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 local economy experienced a modest rebound in 2011 as is evidenced by the fact that sales tax revenue, a major indicator of the economic condition of the area, increased from \$3,012,000 to \$3,186,000, an increase of \$174,000 or 5.8%.

A graph of tax receipts follows:



In fiscal 2011, hotel occupancy tax increased by 4.3%, gross receipts and franchise fees increased by 13.4%, sanitation service revenue increased by 10.5%, municipal court fines increased by 48%, and parks and recreation user fees increased by 24%.

The Utility Fund experienced an increase in revenue due to the extremely hot and dry year which resulted in increased electricity and water usage. Electric sales revenue increased by 5.8%, or \$549,542 and water sales and sewer service revenue increased by 16.2%, or \$487,208 for the fiscal year. The Texas Department of Criminal Justice Polunsky Unit, located on FM 350 South, continued as the City's leading water and wastewater user consuming 224,393,000 gallons of water with the IAH federal detention facility, located on FM 350 South, as the City's second largest water and wastewater user consuming 28,710,000 gallons of water.

New residential and commercial construction projects were undertaken in the City during 2011 with 81 building permits issued at a total construction value of \$15,736,665. New or renovated businesses and commercial developments in 2011 include: Bounds Auto Body Shop, Rite Track convenience store, Sports Clips, Cute Nails, Rent-A-Center, Polk County Abstract office, renovation of the old Livingston High School as an Intermediate campus, Polk County Dunbar Campus renovation project, interior remodel of the Wal-Mart Supercenter, and renovation of Provident Memory Care.

The Livingston Main Street program is now in its seventh year and continued to make progress in efforts to make downtown an attractive, vital area of commerce. This past fiscal year the Livingston Main Street program disbursed almost \$13,000 in locally-raised grant funds to building and business owners through facade, infrastructure and sign grants. Since 2005, Livingston Main Street has provided more than \$75,000 in locally-raised grant funds helping to stimulate more than \$12,000,000 of reinvestment in the Main Street District.

Future Economic Outlook

Three large construction projects by local governmental entities were completed during 2011. These projects included the construction of the new LISD High School campus on FM 350 South (\$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 (\$19,000,000). With the opening of these new facilities, the City has experienced an increase in utility revenues since the City provides water and sewer services to the new high school campus, and electric, water and sewer services to the new judicial center and the law enforcement/detention center.

Another major project which will significantly impact the community for many years to come is the Polk County Community College/Commerce Center to be located on the US 59 North bypass adjacent to Pedigo Park. The City will provide electric, water and sewer services to the new facility. Final design work has been completed and groundbreaking is expected to take place in 2012 with an anticipated opening in late 2013. Additionally, planning is proceeding for the expansion of the Camp Cho-Yeh Conference Center on South Washington (Old Highway 35) to include a new conference center, hotel, dining facility and recreational facilities with the city providing water and sewer service to the new facility.

As we begin 2012, the Retail Analysis Merchandising Plan for the Livingston area, which was funded through the Polk County Economic and Industrial Development Corporation, is complete and Catalyst Commercial, Inc. has started making contact with the key retailers identified in the study. This study has helped determine the retail trade potential for the area and will help ensure that future development in the area is consistent with existing market and economic factors.

Sales tax revenue has increased for the first four months of the 2011-2012 fiscal year by \$32,212, or 3.4%, from the first four months of 2010-2011 and other leading economic indicators continue to show signs of improvement so we are hopeful that the local economy will continue to experience gradual growth in the coming year.

Major Initiatives

2011 was a very busy year with the City completing numerous major infrastructure improvement projects to meet the continuing growth in the community:

- Construction of 19,000' of new 20" water transmission line on FM 350 South to supply the City's water. This project replaces the existing 12" water transmission line which had served the City since the early 1980's.
- Upgrade of the City's three water pumping stations by installing new larger pumps and controls for improved water delivery and increased water pressure throughout the City.
- Installation of a supervisory control and data acquisition (SCADA) system which enables the monitoring and control of pump operations and storage levels within the water distribution system for improved operating efficiency.
- Replacement of more than 5 miles of deteriorating and aging water lines in the northeast and southeast sections of the City.
- Application of two course surface treatments (seal coating) of more than 4 miles of unpaved streets in the northwest section of the City.
- Right-of-way clearing of brush and trees along more than 17 miles of electric distribution lines for increased electric system reliability.
- Rehabilitation and upgrades of sanitary sewer lift stations in various parts of the City.

- Rehabilitation of the swimming pool at Matthews Street Park with new plaster and tile. The pool was originally constructed in 1991 with partial funding from a Texas Parks and Wildlife grant.
- Beautification project at the pond at the intersection of US 59 and US 190 which included dredging and under brushing, improved drainage, and the installation of three new lighted fountains and lighted patriotic displays.
- Pedigo Park improvements - Renovation of the two Trade Days pavilions, construction of new spillway and expansion of the back pond, as well as clearing and under brushing of additional acreage adjacent to the pond.
- Construction of a new central fueling station and new fueling system at Livingston Fire Station #2 for all City and fire department vehicles and equipment consisting of two 4,000 gallon above ground storage tanks for diesel and two 4,000 gallon above ground storage tanks for gasoline.

In 2011, the City Council and administrative staff completed the process of developing a new 5-year strategic plan. This process involved input from a community survey from the City residents, a planning session with supervisory personnel, a City Council workshop to address future infrastructure needs, an assessment of facilities and equipment along with programming and service delivery needs and a determination of future personnel staffing needs for the community. From this process, the City Council developed a plan for financing the priority projects that have been determined which include:

- Construction of a 1,000,000 gallon elevated water storage tank on the west side of Livingston to accommodate the growth along US 190 West and FM 350 South.
- Renovation of the Wadsworth facility on Tyler Street which was purchased from First Baptist Church in late, 2008 as a new 17,500 square foot library with plans to include a large sitting area with WIFI access and a vending area, an expanded public use computer room, a separate young adult area and children's area along with books and current materials, a staff workroom and librarian's office on the first floor. The second floor will include a genealogy library, additional space for children's activities and the Friends of the Library organization, and community meeting rooms.
- Expansion by the Trinity River Authority of the City's water treatment plant on FM 350 South to increase production from 3 MGD to 5MGD to meet increased water supply needs in the community.
- Construction of an express feeder to connect the Livingston substation on the east side of the City with the Ogletree substation on the west side of the City for redundancy in electric operations within the City limits.
- Construction of Livingston Fire Station #4 on FM 350 South for improved rapid response to support the Lake Livingston dam, Livingston Municipal Airport, TDCJ Polunsky unit, the IAH detention facility as well as the new Livingston High School.

The City anticipates issuing Certificates of Obligation to fund the new elevated water storage tank and new library project in 2012.

The City strives to provide an efficient and cost-effective 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 within a 75-mile radius of Livingston.

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 2011 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, 2011, 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, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

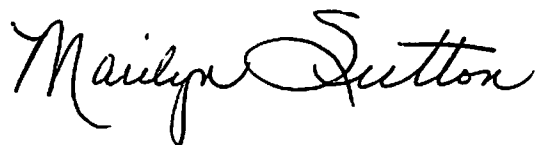
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Report must satisfy both generally accepted accounting 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-three consecutive years (fiscal years ended 1988-2010). We believe the 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,

A handwritten signature in cursive script that reads "Marilyn Sutton". The signature is fluid and elegant, with the first name and last name clearly distinguishable.

Marilyn Sutton
City Manager and Chief Financial Officer

CITY OF LIVINGSTON, TEXAS

September 30, 2011

PRINCIPAL OFFICIALS

City Council

Mayor

Clarke Evans

Mayor Pro-tem

E. Ray Hill

Alderman

Elgin Davis

Alderwoman

Judy Cochran

Alderman

Raymond Luna

Alderman

Billy S. Wiggins

Administration

City Manager

Marilyn Sutton

City Secretary

Elle Monteaux

City Attorney

Gaffney Phillips

Form of Government

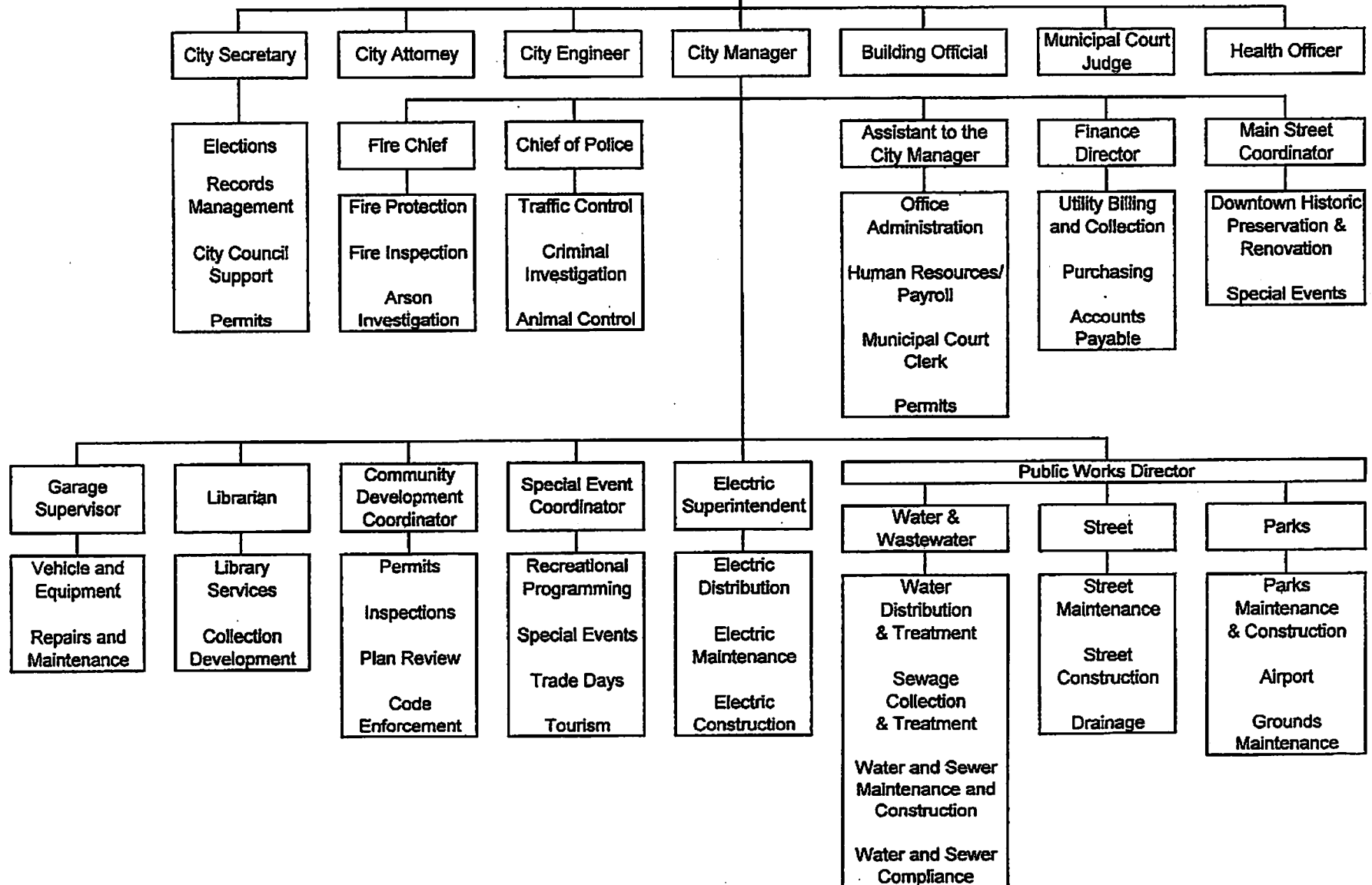
Council - Manager

General Law City

CITY OF LIVINGSTON, TEXAS ORGANIZATIONAL CHART

2011

Mayor and City Council



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, 2010

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.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, major fund, and remaining fund information, which collectively comprise the basic financial statements of the City of Livingston, Texas, as of and for the year ended September 30, 2011, as listed in the Table of Contents. These financial statements are the responsibility of the management of the City of Livingston, Texas. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major fund, and remaining fund information of the City of Livingston, Texas, at September 30, 2011, 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.

Accounting principles generally accepted in the United States require that management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Harper & Pearson Company, P.C.

Houston, Texas
March 9, 2012

CITY OF LIVINGSTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

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, 2011. 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 \$33,000 or .6% as a result of the year's operations. The increase was due primarily to an increase in sales tax revenues of \$174,000 or 5.8%. Net assets of the City's business type activities increased by \$1,722,000 or 9.6% during 2011. This increase was primarily as a result of increased electricity revenues, and water and sewer revenues due to increased utilization as a result of hot, dry weather experienced during the fiscal year.
- The City's total net assets increased by \$1,755,000 or 7.7% during the current fiscal year. The increase is the result of the growth in electricity, water, and sewer sales described above.
- Total cost of the City's government programs increased \$160,000 or 2.8%. Expenses increased in virtually all departments. The largest contributors to the increase were the increased personnel costs in the police department along with increased fuel costs for all departments as a result of higher oil prices.
- As of September 30, 2011, the City of Livingston's governmental funds reported combined ending fund balances of \$581,000 a decrease of \$611,000 in comparison with the prior fiscal year. The decrease is due primarily to the transfer of capital projects funds to the proprietary fund for water system improvements and the reduction in transfers from the proprietary fund to subsidize operations of the general fund.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$396,000 or approximately 7.1% of total general fund expenditures.
- The City's total bonded debt decreased by \$790,000 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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 are detailed in a reconciliation following the fund financial statements.

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

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

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees. The Texas Municipal Retirement System (TMRS) 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 42-44 of this report.

THE CITY AS A WHOLE - Government-Wide Financial Analysis

The City's combined net assets were \$24,568,000 as of September 30, 2011. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business type activities net assets are \$19,641,000. 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 (82.98%) reflects its investment in capital assets (e.g., land, water rights, 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.

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

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 944,905	\$ 1,516,402	\$ 5,497,810	\$ 4,175,811	\$ 6,442,715	\$ 5,692,213
Capital assets	<u>10,257,770</u>	<u>10,387,933</u>	<u>18,749,964</u>	<u>17,897,038</u>	<u>29,007,734</u>	<u>28,284,971</u>
Total assets	<u>11,202,675</u>	<u>11,904,335</u>	<u>24,247,774</u>	<u>22,072,849</u>	<u>35,450,449</u>	<u>33,977,184</u>
Long-term debt outstanding	6,000,000	6,790,000	2,715,000	2,785,000	8,715,000	9,575,000
Other liabilities	<u>275,064</u>	<u>219,655</u>	<u>1,892,189</u>	<u>1,368,893</u>	<u>2,167,253</u>	<u>1,588,548</u>
Total liabilities	<u>6,275,064</u>	<u>7,009,655</u>	<u>4,607,189</u>	<u>4,153,893</u>	<u>10,882,253</u>	<u>11,163,548</u>
Net assets:						
Invested in capital assets, net of related debt	4,351,471	3,816,433	16,034,964	15,112,038	20,386,435	18,928,471
Restricted	62,171	60,119	463,375	125,923	525,546	186,042
Unrestricted	<u>513,969</u>	<u>1,018,128</u>	<u>3,142,246</u>	<u>2,680,995</u>	<u>3,656,215</u>	<u>3,699,123</u>
Total net assets	<u>\$ 4,927,611</u>	<u>\$ 4,894,680</u>	<u>\$ 19,640,585</u>	<u>\$ 17,918,956</u>	<u>\$ 24,568,196</u>	<u>\$ 22,813,636</u>

An additional portion of the City's net assets (2%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$3,656,215 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2011, 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 \$701,660. This decrease related to depreciation of capital assets and transfers of capital projects funds to the proprietary fund. Long-term debt of governmental activities decreased by \$790,000 as the City paid down outstanding bonds. The long-term debt of the business type activities decreased by \$70,000 as the City began amortizing their contract rights with the Trinity River Authority that were used to expand the City's water system.

Analysis of the City's Operations Overall the City had an increase in net assets of \$1,754,560.

Governmental Activities

Governmental activities increased net assets by \$32,931. Net assets invested in capital assets, net of related debt increased by \$535,038 or 14.02% due to the repayment of outstanding bonds and additional investment in equipment, buildings, and infrastructure net of depreciation. Unrestricted net assets decreased by \$504,159 as a result of increased expenses for personnel and gas and oil, reduced receipt of government grants, reduced building permit revenues, and the associated increase in net assets invested in capital assets.

Total revenues for governmental activities increased from the previous year by \$118,085. The primary increase was in sales, franchise, and hotel/motel tax revenues of \$201,886 due to improving economic activity in the City along with increased service revenues for sanitation of \$120,925, net of a decrease in building permits of \$151,107 as a result of the depressed state of the construction industry, and a decrease in grant revenues of \$60,036 associated with Hurricane Ike recovery in previous years.

Business-Type Activities

Net assets from business-type activities increased by \$1,721,629 or 9.6% from \$17,918,956 in 2010 to \$19,640,585 in 2011. The increase was primarily due to increased electricity revenues, which increased by \$549,542 over 2010 and an increase in water revenues of \$425,019, both due to the dry, hot weather experienced throughout southeast Texas.

The following table provides a summary of the City's operations for year ended September 30, 2011 with comparative totals for year ended September 30, 2010.

Table 2
City of Livingston's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for						
Services	\$ 1,556,134	\$ 1,577,549	\$ 15,144,524	\$ 13,968,911	\$ 16,700,658	\$ 15,546,460
Capital Grants & Contributions	171,317	247,392	-	-	171,317	247,392
Operating Grants & Contributions	110,094	94,055	-	-	110,094	94,055
General Revenues:						
Property tax	-	-	-	-	-	-
Sales tax	3,185,997	3,012,227	-	-	3,185,997	3,012,227
Franchise tax	162,759	143,586	-	-	162,759	143,586
Hotel/Motel tax	219,019	210,076	-	-	219,019	210,076
Investment earnings	4,803	7,153	14,087	18,495	18,890	25,648
Miscellaneous	-	-	-	-	-	-
Total Revenues	5,410,123	5,292,038	15,158,611	13,987,406	20,568,734	19,279,444
Expenses:						
Administration	560,705	550,726	-	-	560,705	550,726
Sanitation	611,463	597,196	-	-	611,463	597,196
Fire	440,931	406,508	-	-	440,931	406,508
Police	1,701,952	1,618,530	-	-	1,701,952	1,618,530
Paving & Street	968,401	950,467	-	-	968,401	950,467
Parks & Recreation	917,386	893,254	-	-	917,386	893,254
Library	310,674	312,390	-	-	310,674	312,390
Garage	183,928	180,496	-	-	183,928	180,496
Interest on long- term debt	267,220	292,638	-	-	267,220	292,638
Electric, Water, and Sewer	-	-	12,851,514	12,362,086	12,851,514	12,362,086
Total Expenses	5,962,660	5,802,205	12,851,514	12,362,086	18,814,174	18,164,291
Excess (deficiency) before transfers	(552,537)	(510,167)	2,307,097	1,625,320	1,754,560	1,115,153
Transfers	585,468	136,989	(585,468)	(136,989)	-	-
Increase (decrease) in net assets	32,931	(373,178)	1,721,629	1,488,331	1,754,560	1,115,153
Net assets - October 1	4,894,680	5,267,858	17,918,956	16,430,625	22,813,636	21,698,483
Net assets - September 30	\$ 4,927,611	\$ 4,894,680	\$ 19,640,585	\$ 17,918,956	\$ 24,568,196	\$ 22,813,636

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 \$580,535. Approximately 68.1% of the total amount (\$395,568) constitutes unassigned fund balance. The remainder of the fund balance is restricted to indicate that because of restrictions of external parties (creditors and contributors) it is not available for new spending because it has been restricted to pay for debt service (\$62,171), library (\$29,094) and capital improvements (\$93,702).

The unassigned fund balance of the general fund decreased by \$467,483 from the prior year. The decrease was the result of increased personnel expenses and an increase in gas and oil due to higher than expected oil prices along with an increase in capital additions. The restricted fund balance of the general fund decreased by \$20,758 from the prior year. The decrease was due to the use of library memorial funds for the purchase of library books.

In the general fund, the City budgeted for no change in the fund balance on a GAAP basis. Due to a reduction in anticipated transfers from the proprietary fund of approximately \$444,000, the actual fund balance decreased by \$488,241. The debt service fund balance increased by \$2,052 which was more than the budgeted breakeven because of higher than budgeted interest income. The capital projects fund balance decreased by \$124,800 as a result of amounts transferred to the proprietary fund to assist with water system improvements.

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 \$3,142,246. Total net assets increased in 2011 by \$1,721,629. As previously described, the increase in the net assets was primarily the result of higher electricity sales and water system revenues.

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 \$429,522 or 8.7%. The increase in budgeted revenues was primarily for an increase in sales tax, franchise tax, hotel/motel taxes and sanitation service revenues along with the receipt of grant funds not anticipated in the original budget. The increase in sales, franchise, and hotel/motel taxes along the sanitation revenues was the result of improved economic activity. Budgeted expenditures were increased by \$203,950 or 3.8%. The increases in budgeted expenditures were primarily for increased streets, and garage improvement projects along with increased personnel costs in the police department along with higher oil and gas costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2011, the City had \$29,007,734 (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 and water service contract rights. The total increase in the City's investment in capital assets for the current fiscal year was 2.5% (1.3% decrease for governmental activities and a 4.8% 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
	2011	2010	2011	2010	2011	2010
Land	\$ 476,004	\$ 476,004	\$ 679,488	\$ 679,488	\$ 1,155,492	\$ 1,155,492
Water Rights	-	-	2,715,000	2,785,000	2,715,000	2,785,000
Buildings and improvements	2,225,251	2,214,187	309,043	312,903	2,534,294	2,527,090
Equipment and fixtures	902,004	856,629	348,913	412,683	1,250,917	1,269,312
Paving, sidewalks and streets	5,529,818	5,593,637	-	-	5,529,818	5,593,637
Parks development	960,987	1,067,966	-	-	960,987	1,067,966
Airport improvements	163,706	179,510	-	-	163,706	179,510
Utility systems	-	-	14,697,520	13,706,964	14,697,520	13,706,964
Total	\$ 10,257,770	\$ 10,387,933	\$ 18,749,964	\$ 17,897,038	\$ 29,007,734	\$ 28,284,971

This year's major additions included:

Police Vehicles	\$ 45,292
Various street improvements	397,126
Parks Building and land improvements	121,730
Garage fuel station	107,233
Utility System Improvements	<u>1,287,175</u>
Total	\$ 1,958,556

The City's fiscal year 2012 capital budget calls for it to spend another \$1,904,000 for capital projects, principally for street improvements (\$285,000), police patrol car (\$50,000), swimming pool renovation (\$70,000), electrical system improvements (\$275,000), bucket truck for the electrical department (\$175,000) water system upgrades and equipment (\$425,000) and sewer system improvements (\$425,000). Additional information on the City of Livingston's capital assets can be found in footnote 6 on pages 40-42 of this report.

Debt

At year-end, the City had \$6,000,000 in bonds outstanding as compared to \$6,790,000 at the end of the prior fiscal year, a decrease of 11.6% - as shown in Table 4.

Table 4
Outstanding Debt, at Year-end

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds (backed by the City)	\$ 2,395,000	\$ 2,735,000	\$ -	\$ -	\$ 2,395,000	\$ 2,735,000
Certificates of obligation (backed by the City)	<u>3,605,000</u>	<u>4,055,000</u>	<u>-</u>	<u>-</u>	<u>3,605,000</u>	<u>4,055,000</u>
Totals	<u>\$ 6,000,000</u>	<u>\$ 6,790,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,000,000</u>	<u>\$ 6,790,000</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 45-47 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when determining the projected revenues from various sources and expenditures for the fiscal year 2011 budget. As always, the main responsibility is to manage public funds wisely while planning for long-term growth in the community. Continuing uncertain economic trends in the local economy impacted the preparation of the 2011-2012 fiscal year budget causing the City officials to be conservative in forecasting revenues as well as expenditures.

Over the past 12 months, various local economic indicators including sales tax collections, hotel occupancy tax collections, building permits for new construction, and new utility connections have increased.

The General Funds' largest revenue source continues to be sales tax receipts since the City has not levied an ad valorem property tax since 1988. For the fiscal year ended September 30, 2011, sales tax revenue increased by 5.8%. In the first four months of the 2011-2012 fiscal year, the City has experienced a 3.4% increase in sales tax revenue, a trend which is expected to continue through the remainder of the fiscal year. Currently, sales tax revenue accounts for approximately 15.5% of the City's total annual operating revenue.

City of Livingston, Texas
Management's Discussion and Analysis (continued)
September 30, 2011

As for the City's business-type activities, fees for sanitation, electric, water and sewer services account for about 74% of the city's total annual operating revenue. Since the City continues to receive inquiries expressing varying degrees of interest from major national retailers regarding locations that are within the community, the City is hopeful that new commercial construction will increase in 2012 bringing with it new sales tax revenue, development fees, and utility service fees.

As the City moves forward into 2012, City officials will continually reevaluate and revise, if necessary, the initiatives based on the financial condition of the community.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 819,245	\$ 1,694,009	\$ 2,513,254
Certificates of deposit	-	1,500,000	1,500,000
Receivables:			
Returned checks receivable	2,802	23,212	26,014
Paving accounts receivable	33,552	-	33,552
Utility accounts receivable	-	1,817,214	1,817,214
Deferred issuance cost (net)	89,306	-	89,306
Restricted assets - cash	-	463,375	463,375
Capital assets (net of accumulated depreciation):			
Land	476,004	679,488	1,155,492
Buildings and improvements	2,225,251	309,043	2,534,294
Equipment and fixtures	902,004	348,913	1,250,917
Paving, sidewalks and streets	5,529,818	-	5,529,818
Parks development	960,987	-	960,987
Airport improvements	163,706	-	163,706
Electrical system	-	3,517,596	3,517,596
Water system	-	5,518,453	5,518,453
Sewer system	-	5,661,471	5,661,471
Water service contract rights	-	2,715,000	2,715,000
Total Assets	<u>\$ 11,202,675</u>	<u>\$ 24,247,774</u>	<u>\$ 35,450,449</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES</u>			
Accounts payable	\$ 275,064	\$ 1,479,461	\$ 1,754,525
Meter deposits	-	412,728	412,728
Noncurrent Liabilities:			
Due within one year	830,000	75,000	905,000
Due in more than one year	<u>5,170,000</u>	<u>2,640,000</u>	<u>7,810,000</u>
 Total Liabilities	 <u>6,275,064</u>	 <u>4,607,189</u>	 <u>10,882,253</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	4,351,471	16,034,964	20,386,435
Restricted for:			
System improvements	-	406,454	406,454
Debt service	62,171	56,921	119,092
Unrestricted	<u>513,969</u>	<u>3,142,246</u>	<u>3,656,215</u>
 Total Net Assets	 <u>\$ 4,927,611</u>	 <u>\$ 19,640,585</u>	 <u>\$ 24,568,196</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions
Governmental activities:				
Administrative	\$ 560,705	\$ 98,784	\$ -	\$ -
Sanitation	611,463	933,025	-	-
Fire	440,931	-	-	58,342
Police	1,701,952	251,926	-	40,185
Paving and street	968,401	20,749	171,317	-
Parks and recreation	917,386	234,341	-	-
Library	310,674	17,309	-	11,567
Garage	183,928	-	-	-
Interest on long-term debt	267,220	-	-	-
Total governmental activities	<u>5,962,660</u>	<u>1,556,134</u>	<u>171,317</u>	<u>110,094</u>
Business-type activities:				
Electric, water and sewer	<u>12,851,514</u>	<u>15,144,524</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>12,851,514</u>	<u>15,144,524</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 18,814,174</u>	<u>\$ 16,700,658</u>	<u>\$ 171,317</u>	<u>\$ 110,094</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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (461,921)	\$ -	\$ (461,921)
321,562	-	321,562
(382,589)	-	(382,589)
(1,409,841)	-	(1,409,841)
(776,335)	-	(776,335)
(683,045)	-	(683,045)
(281,798)	-	(281,798)
(183,928)	-	(183,928)
<u>(267,220)</u>	<u>-</u>	<u>(267,220)</u>
<u>(4,125,115)</u>	<u>-</u>	<u>(4,125,115)</u>
 <u>-</u>	 <u>2,293,010</u>	 <u>2,293,010</u>
 <u>-</u>	 <u>2,293,010</u>	 <u>2,293,010</u>
 <u>(4,125,115)</u>	 <u>2,293,010</u>	 <u>(1,832,105)</u>
 3,185,997	 -	 3,185,997
162,759	-	162,759
219,019	-	219,019
4,803	14,087	18,890
<u>585,468</u>	<u>(585,468)</u>	<u>-</u>
<u>4,158,046</u>	<u>(571,381)</u>	<u>3,586,665</u>
32,931	1,721,629	1,754,560
<u>4,894,680</u>	<u>17,918,956</u>	<u>22,813,636</u>
<u>\$ 4,927,611</u>	<u>\$ 19,640,585</u>	<u>\$ 24,568,196</u>

See accompanying notes to financial statements

**CITY OF LIVINGSTON, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2011**

	<u>General</u>	<u>Debt Service</u>
<u>ASSETS</u>		
Cash	\$ 663,372	\$ 62,171
Receivables:		
Returned checks receivable	2,802	-
Paving accounts receivable	<u>33,552</u>	<u>-</u>
Total Assets	<u>\$ 699,726</u>	<u>\$ 62,171</u>
<u>LIABILITIES</u>		
Accounts payable	<u>\$ 275,064</u>	<u>\$ -</u>
Total Liabilities	<u>275,064</u>	<u>-</u>
<u>FUND BALANCES</u>		
Restricted for:		
Capital Projects	-	-
Library Memorials	29,094	-
Debt Service	-	62,171
Unassigned	<u>395,568</u>	<u>-</u>
Total Fund Balances	<u>424,662</u>	<u>62,171</u>
Total Liabilities and Fund Balances	<u>\$ 699,726</u>	<u>\$ 62,171</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
\$ 93,702	\$ 819,245
-	2,802
-	<u>33,552</u>
<u>\$ 93,702</u>	<u>\$ 855,599</u>
\$ -	\$ 275,064
-	<u>275,064</u>
93,702	93,702
-	29,094
-	62,171
-	<u>395,568</u>
<u>93,702</u>	580,535
<u>\$ 93,702</u>	

10,257,770

89,306

(6,000,000)

\$ 4,927,611

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, 2011**

	<u>General</u>	<u>Debt Service</u>
<u>REVENUES</u>		
Taxes:		
Sales taxes	\$ 3,185,997	\$ -
Franchise taxes	162,759	-
Hotel/Motel taxes	219,019	-
Licenses and permits	69,898	-
Charges for service	1,185,540	-
Fines and forfeitures	235,733	-
Miscellaneous	366,961	2,062
Total Revenues	<u>5,425,907</u>	<u>2,062</u>
<u>EXPENDITURES</u>		
Current:		
Administrative	522,124	-
Sanitation	611,343	-
Fire	436,823	-
Police	1,675,264	-
Paving and street	853,960	-
Parks and recreation	881,086	-
Library	302,915	-
Garage	283,691	-
Debt service:		
Principal retirement	-	790,000
Interest	-	267,220
Total Expenditures	<u>5,567,206</u>	<u>1,057,220</u>
Excess (deficiency) of revenues over expenditures	<u>(141,299)</u>	<u>(1,055,158)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers in	710,268	1,057,210
Transfers out	(1,057,210)	-
Total other financing sources (uses)	<u>(346,942)</u>	<u>1,057,210</u>
Net change in fund balances	(488,241)	2,052
Fund Balances - beginning	<u>912,903</u>	<u>60,119</u>
Fund Balances - ending	<u>\$ 424,662</u>	<u>\$ 62,171</u>

See accompanying notes to financial statements

Capital Projects	Total Governmental Funds
\$ -	\$ 3,185,997
-	162,759
-	219,019
-	69,898
-	1,185,540
-	235,733
-	369,023
-	<u>5,427,969</u>
-	522,124
-	611,343
-	436,823
-	1,675,264
-	853,960
-	881,086
-	302,915
-	283,691
-	790,000
-	267,220
-	<u>6,624,426</u>
-	<u>(1,196,457)</u>
-	1,767,478
<u>(124,800)</u>	<u>(1,182,010)</u>
<u>(124,800)</u>	<u>585,468</u>
(124,800)	(610,989)
<u>218,502</u>	<u>1,191,524</u>
<u>\$ 93,702</u>	<u>\$ 580,535</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, 2011**

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

Net changes in fund balances - total governmental funds	\$ (610,989)
---	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(130,162)
---	-----------

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>774,082</u>
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Changes in net assets of governmental activities	<u>\$ 32,931</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, 2011**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>REVENUES</u>			
Taxes:			
Sales taxes	\$ 3,000,000	\$ 175,000	\$ 3,175,000
Franchise taxes	150,000	5,000	155,000
Hotel/Motel taxes	225,000	-	225,000
Licenses and permits	100,000	(40,000)	60,000
Charges for service	1,119,210	17,800	1,137,010
Fines and forfeitures	216,500	31,500	248,000
Miscellaneous	154,450	240,222	394,672
Total Revenues	<u>4,965,160</u>	<u>429,522</u>	<u>5,394,682</u>
<u>EXPENDITURES</u>			
Current:			
Administrative	525,975	12,525	538,500
Sanitation	620,000	(10,000)	610,000
Fire	414,450	16,500	430,950
Police	1,624,300	55,075	1,679,375
Paving and street	718,145	142,675	860,820
Parks and recreation	879,035	(18,410)	860,625
Library	329,030	(19,365)	309,665
Garage	280,450	24,950	305,400
Total Expenditures	<u>5,391,385</u>	<u>203,950</u>	<u>5,595,335</u>
Excess of revenues over expenditures	<u>(426,225)</u>	<u>225,572</u>	<u>(200,653)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	1,134,959	19,117	1,154,076
Transfers out	(953,423)	-	(953,423)
Total other financing sources and (uses)	<u>181,536</u>	<u>19,117</u>	<u>200,653</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ (244,689)</u>	<u>\$ 244,689</u>	<u>\$ -</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>
\$ 3,185,997	\$ 10,997
162,759	7,759
219,019	(5,981)
69,898	9,898
1,185,540	48,530
235,733	(12,267)
366,961	(27,711)
<u>5,425,907</u>	<u>31,225</u>
522,124	16,376
611,343	(1,343)
436,823	(5,873)
1,675,264	4,111
853,960	6,860
881,086	(20,461)
302,915	6,750
283,691	21,709
<u>5,567,206</u>	<u>28,129</u>
<u>(141,299)</u>	<u>59,354</u>
710,268	(443,808)
<u>(1,057,210)</u>	<u>(103,787)</u>
<u>(346,942)</u>	<u>(547,595)</u>
(488,241)	\$ <u>(488,241)</u>
<u>912,903</u>	
<u>\$ 424,662</u>	

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
STATEMENT OF NET ASSETS PROPRIETARY FUNDS
SEPTEMBER 30, 2011

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 1,694,009
Certificates of deposit	1,500,000
Restricted assets	
Cash in bank, water and sewer system improvements	406,454
Cash in bank, reserve fund	56,921
Receivables:	
Returned checks receivable	23,212
Utility accounts receivable	<u>1,817,214</u>
Total Current Assets	<u>5,497,810</u>
Noncurrent assets:	
Capital assets:	
Land	679,488
Building and improvements	469,045
Equipment and fixtures	1,993,321
Electrical system	4,879,178
Water system	7,421,016
Sewer system	7,973,715
Water service contract rights	<u>2,715,000</u>
	26,130,763
Less accumulated depreciation	<u>(7,380,799)</u>
Net capital assets	<u>18,749,964</u>
Total Assets	<u>\$ 24,247,774</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
STATEMENT OF NET ASSETS PROPRIETARY FUNDS
SEPTEMBER 30, 2011

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	\$ 1,479,461
Meter deposits	412,728
Contracts payable - Trinity River Authority	<u>75,000</u>
Total current liabilities	<u>1,967,189</u>
Noncurrent liabilities:	
Contracts payable - Trinity River Authority	<u>2,640,000</u>
Total noncurrent liabilities	<u>2,640,000</u>
Total liabilities	<u>4,607,189</u>
<u>NET ASSETS</u>	
Invested in capital assets (net of related debt)	16,034,964
Restricted for water and sewer system improvements	406,454
Restricted for Trinity River Authority contracts payable	56,921
Unrestricted	<u>3,142,246</u>
Total Net Assets	<u>\$ 19,640,585</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, 2011

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
<u>Operating revenues</u>	
Charges for sales and services:	
Electricity sales	\$ 9,947,597
Water sales	2,150,183
Sewer service charges	1,338,465
Penalties, utilities	141,557
Water tapping fees	14,700
Sewer tapping fees	3,600
Recoveries, electrical	989,289
Recoveries, water	114,722
Recoveries, sewer	326,844
Revenue, night lights	77,726
Service fees	39,841
Total Operating Revenues	<u>15,144,524</u>
<u>Operating expenses</u>	
Light and Power Department	9,823,910
Water Department	2,079,597
Sewer Department	532,715
Depreciation	415,292
Total Operating Expenses	<u>12,851,514</u>
Operating Income	2,293,010
Non-operating revenues:	
Interest income	<u>14,087</u>
Income Before Transfers	2,307,097
Transfers In	124,800
Transfers Out	<u>(710,268)</u>
Change in net assets	1,721,629
Total net assets - beginning	<u>17,918,956</u>
Total net assets - ending	<u>\$ 19,640,585</u>

See accompanying notes to financial statements

**CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 14,913,942
Cash payments to suppliers for goods and services	(10,726,664)
Cash payments to employees for services	<u>(1,186,404)</u>
Net cash provided by operating activities	<u>3,000,874</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	124,800
Transfers to other funds	<u>(710,268)</u>
Net cash used by noncapital financing activities	<u>(585,468)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,338,218)</u>
Net cash used for capital and related financing activities	<u>(1,338,218)</u>
Cash flows from investing activities:	
Interest on cash and investments	<u>14,087</u>
Net cash provided by investing activities	<u>14,087</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,091,275
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,066,109</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,157,384</u>

(Continued)

See accompanying notes to financial statements

**CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Electric Water and Sewer</u>
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 2,293,010
Adjustments to reconcile operating net income to net net cash provided by operating activities:	
Depreciation	415,292
Change in operating assets and liabilities:	
Returned checks receivable	(142)
Utility accounts receivable	(230,582)
Accounts payable	506,216
Meter deposits	17,080
Total adjustments	<u>707,864</u>
Net cash provided by operating activities	<u>\$ 3,000,874</u>
Reconciliation of total cash and cash investments:	
Unrestricted	\$ 1,694,009
Restricted	
Cash in bank, water and sewer system improvements	406,454
Cash in bank, reserve fund	56,921
Total cash and cash equivalents	<u>\$ 2,157,384</u>
	(Concluded)

See accompanying notes to financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF LIVINGSTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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, 2011.

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. Interfund services provided and used are not eliminated in the government-wide statement of activities.

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 restricted to signify the amounts that are 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, infrastructure assets, and certain intangible 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, 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, 2011 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 Restrictions of Fund Equity

The City, by bond indenture, has funds that can be used only for various capital projects or are required to be set aside to meet bond obligations. In addition, certain funds are restricted by donors to be used for library memorials. These amounts are presented as restricted fund equity in the governmental funds. It is the City's policy to utilize restricted fund balances first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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, 2011.

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:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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.

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 Capital Projects Fund, from the General Fund to the Debt Service Fund and from the Electric, Water and Sewer Fund to the General Fund.

Transfers In and Out

The following is a summary of interfund transfers for the year ended September 30, 2011:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 710,268	\$ 1,057,210
Debt Service Fund	1,057,210	-
Capital Projects Fund	-	124,800
Electric, Water and Sewer Fund	<u>124,800</u>	<u>710,268</u>
Total	<u>\$ 1,892,278</u>	<u>\$ 1,892,278</u>

Transfers were made from the Electric, Water and Sewer Fund to the General Fund to compensate for general revenue shortfalls. Transfers from the General Fund to the 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 for improvements to the water supply system.

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, 2011, 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>1,500,000</u>	0.358
Total Fair Value	\$ <u>1,500,000</u>	
Portfolio weighted average maturity		0.358

NOTE 3 DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investments to five years or less.

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, 2011 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, 2011.

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 2011, 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, 2011:

Governmental funds capital outlays	\$ 773,312
Governmental funds depreciation expense	<u>(903,474)</u>
Amount by which depreciation exceeded capital outlays	\$ <u>(130,162)</u>
Repayment of principal of long-term debt	790,000
Amortization of bond issue costs	<u>(15,918)</u>
Total repayment of bonds and issue costs	\$ <u>774,082</u>

NOTE 6 CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2011 was as follows:

	Balance October 1, 2010	Additions	Retirements/ Adjustments	Balance September 30, 2011
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 476,004	\$ -	\$ -	\$ 476,004
Capital assets being depreciated				
Building and Improvements	3,826,406	127,301	-	3,953,707
Equipment and Fixtures	4,507,641	246,479	24,696	4,729,424
Paving, Sidewalks and Streets	13,761,022	397,126	-	14,158,148
Parks Development	3,144,320	2,406	-	3,146,726
Airport Improvements	719,573	-	-	719,573
Total capital assets being depreciated	<u>25,958,962</u>	<u>773,312</u>	<u>24,696</u>	<u>26,707,578</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,612,219)	(116,237)	-	(1,728,456)
Equipment and Fixtures	(3,651,012)	(201,104)	24,696	(3,827,420)
Paving, Sidewalks and Streets	(8,167,385)	(460,945)	-	(8,628,330)
Parks Development	(2,076,354)	(109,385)	-	(2,185,739)
Airport Improvements	<u>(540,064)</u>	<u>(15,803)</u>	<u>-</u>	<u>(555,867)</u>
Total accumulated depreciation	<u>(16,047,034)</u>	<u>(903,474)</u>	<u>24,696</u>	<u>(16,925,812)</u>
Total capital assets being depreciated, net	<u>9,911,928</u>	<u>(130,162)</u>	<u>-</u>	<u>9,781,766</u>
Governmental activities capital assets, net	\$ <u>10,387,932</u>	\$ <u>(130,162)</u>	\$ <u>-</u>	\$ <u>10,257,770</u>

NOTE 6 CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

Capital assets not being depreciated

Land	\$ 679,488	\$ -	\$ -	\$ 679,488
Water Service Contract Rights	<u>2,785,000</u>	<u>-</u>	<u>(70,000)</u>	<u>2,715,000</u>
	<u>3,464,488</u>	<u>-</u>	<u>(70,000)</u>	<u>3,394,488</u>

Capital assets being depreciated

Building and Improvements	463,474	5,571	-	469,045
Equipment and Fixtures	1,976,224	45,473	28,377	1,993,320
Electrical System	4,689,258	189,920	-	4,879,178
Water System	6,946,465	474,551	-	7,421,016
Sewer System	<u>7,351,018</u>	<u>622,704</u>	<u>-</u>	<u>7,973,722</u>
Total capital assets being depreciated	<u>21,426,439</u>	<u>1,338,219</u>	<u>28,377</u>	<u>22,736,281</u>

Less accumulated depreciation for:

Building and Improvements	(150,571)	(9,431)	-	(160,002)
Equipment and Fixtures	(1,563,541)	(109,243)	28,377	(1,644,407)
Electrical System	(1,284,072)	(77,510)	-	(1,361,582)
Water System	(1,798,389)	(104,174)	-	(1,902,563)
Sewer System	<u>(2,197,316)</u>	<u>(114,935)</u>	<u>-</u>	<u>(2,312,251)</u>
Total accumulated depreciation	<u>(6,993,889)</u>	<u>(415,293)</u>	<u>28,377</u>	<u>(7,380,805)</u>
Total capital assets being depreciated, net	<u>14,432,550</u>	<u>922,926</u>	<u>-</u>	<u>15,355,476</u>
Business-type activities capital assets, net	<u>\$ 17,897,038</u>	<u>\$ 922,926</u>	<u>\$ (70,000)</u>	<u>\$ 18,749,964</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 2011, 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	\$ 45,743
Sanitation	120
Fire	31,544
Police	101,537
Paving and street	514,842
Parks and recreation	164,718
Library	34,715
Garage	10,255
Governmental Activities	<u>\$ 903,474</u>
Business-type activities	
Electric, Water and Street	<u>\$ 415,293</u>

The City did not have any significant active construction projects as of September 30, 2011.

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 state-wide 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 (3% annual), 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.

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 30-year "closed" period for amortization.

NOTE 7 PENSION PLAN: (CONTINUED)

In 2011 the funds making up the plan were restructured and the restructured funds were used in the 2010 valuation. Previously, under the TMRS internal account structure, assets were held in the Pension Trust Fund predominantly in three separate accounts called "funds". The City contributions and interest were held in the Municipality Accumulation Fund (MAF) and the member contributions and interest were held in the Employees Saving Fund (ESF). When a member retired, the funds in the member's ESF, plus the appropriate matching funds from the employer were immediately transferred into the Current Service Annuity Reserve Fund (CSARF). This accounting transfer of funds reduced the assets and liabilities of the City and shifted them to the TMRS. As a result, when the City's funded ratio was calculated, those assets and liabilities that transferred were not included in the calculation. With restructuring, the former MAF, ESF, and CSARF balances were combined into one fund. The effect of the restructuring was a reduction in contribution rates and an increase in funded ratios for the City as reflected in the required supplemental information.

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 years of 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, 2010 valuation is effective for rates beginning January 2011). For fiscal year 2011, the City's annual pension cost of \$516,030 was equal to the City's required and actual contributions.

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2010
Actuarial Value of Assets	\$14,325,162
Actuarial Accrued Liability	\$17,337,829
Percentage Funded	82.62%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$3,012,667
Annual Covered Payroll	\$3,110,254

NOTE 7 PENSION PLAN: (CONTINUED)

UAAL as a percentage of covered payroll 96.86%

The plan utilizes the 10-year smoothed market method with a 25% corridor for determining the actuarial value of assets. This keeps the actuarial value within a certain range of the market value of assets and smoothes the market fluctuations.

Net Pension Obligation (NPO) at the
Beginning of the Period \$ -

Annual Pension Cost:			
Annual Required Contribution (ARC)	\$	516,030	
Interest on NPO		-	
Adjustment to the ARC		-	516,030
Contributions Made			(516,030)
Increase in NPO			-

NPO at the end of the period \$ -

Six Year Trend Information

<u>Fiscal Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2006	369,679	100%	-
9/30/2007	364,665	100%	-
9/30/2008	382,053	100%	-
9/30/2009	464,952	100%	-
9/30/2010	481,383	100%	-
9/30/2011	516,030	100%	-

Additional supplementary three-year trend information may be found on page 53.

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 or by calling 800-924-8677. In addition, the report is available on the TMRS website at www.TMRS.com.

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 an other postemployment 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 2010 was .5% of covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy is to assure that adequate resources are available to meet death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contribution to the supplemental death benefit plan for the years ended September 30, 2011, 2010, and 2009 were \$15,551, \$14,968, and \$10,178, respectively, which equaled the required contributions each year. The valuation date for the plan is December 31, 2010 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. Assets of the plan are valued at fund value.

NOTE 9 LONG-TERM DEBT:

The following is a summary of bonds payable of the City for the year ended September 30, 2011:

	<u>Governmental-Type Activities</u>
\$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	\$ 2,455,000
\$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	1,150,000
\$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>2,395,000</u>
Total Bonds Payable	<u>\$ 6,000,000</u>

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

	<u>Balance October 1, 2010</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance September 30, 2011</u>	<u>Due Within One Year</u>
Governmental Type Activities					
General Obligation Bonds	\$ 2,735,000	\$ -	\$ 340,000	\$ 2,395,000	\$360,000
Certificates of Obligation	<u>4,055,000</u>	<u>-</u>	<u>450,000</u>	<u>3,605,000</u>	<u>470,000</u>
Total government	<u>\$ 6,790,000</u>	<u>\$ -</u>	<u>\$ 790,000</u>	<u>\$ 6,000,000</u>	<u>\$ 830,000</u>

General Obligation Bonds and Certificates of Obligation-

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

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

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

In 2007 the City issued general obligation refunding bonds to refund in advance 1997 certificates of obligation which 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, 2011, are as follows:

General Obligation Bonds

Year Ending Sept. 30,	Governmental Activities		
	Principal	Interest	Total
2012	360,000	95,800	455,800
2013	375,000	81,400	456,400
2014	390,000	66,400	456,400
2015	410,000	50,800	460,800
2016	420,000	34,400	454,400
2017	440,000	17,600	457,600
Total	<u>\$ 2,395,000</u>	<u>\$ 346,400</u>	<u>\$ 2,741,400</u>

Certificates of Obligation

Year Ending Sept. 30,	Governmental Activities		
	Principal	Interest	Total
2012	470,000	141,738	611,738
2013	485,000	124,788	609,788
2014	505,000	106,736	611,736
2015	525,000	87,135	612,135
2016	550,000	66,136	616,136
2017-2018	1,070,000	63,700	1,133,700
Total	<u>\$ 3,605,000</u>	<u>\$ 590,233</u>	<u>\$ 4,195,233</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. 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.

In September, 2010 the TRA issued \$2,715,000 in bonds to expand the capabilities of the system to meet the requirements of the City. The bonds are secured by the net revenues of the City's combined waterworks and sanitary sewer system.

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, 2011, the City paid approximately \$165,000 into the interest and sinking fund. The annual principal and interest payments applicable to the TRA's bonds through maturity are in the following amounts:

<u>Calendar Year</u>	<u>Amount Per Year</u>
2012	171,263
2013	169,763
2014	168,263
2015	171,763
2016	170,163
2017-2034	<u>3,413,547</u>
Total	<u>\$ 4,264,762</u>

Changes in Long-term Contracts Payable-

	<u>Balance October 1, 2010</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance September 30, 2011</u>	<u>Due Within One Year</u>
<u>Business Type Activities</u>					
Contracts payable	<u>\$ 2,785,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 2,715,000</u>	<u>\$ 75,000</u>
Total business	<u>\$ 2,785,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 2,715,000</u>	<u>\$ 75,000</u>

NOTE 12 ENERGY AND POWER CONTRACT:

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

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

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

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

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

The Agency was able to rebate to participating cities a portion of their power purchases in 2011. Reflected in the revenues for the Electric, Water and Sewer Fund is an approximate \$971,000 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 party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. All of the proceedings are being handled by the City's insurance carrier. No losses are accrued in relation to these proceedings.

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, 2011 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 \$171,000 in federal grants in 2011 principally related to street improvements. 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, with a renewal to extend the lease until September 6, 2015 approved in August, 2010. 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.

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
12/31/2008	(1)	\$ 7,960,183	\$11,751,010	\$ 3,790,827	67.74%	\$ 2,936,949	129.07%
12/31/2009	(1)	8,883,996	12,916,237	4,032,241	68.78%	2,993,527	134.70%
12/31/2010	(2)	14,325,162	17,337,829	3,012,667	82.62%	3,110,254	96.86%

* 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.

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure. (See Note 7)

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

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

**CITY OF LIVINGSTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts GAAP Basis		
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>
<u>REVENUES</u>			
Miscellaneous	\$ -	\$ -	\$ -
Total Revenues	-	-	-
<u>EXPENDITURES</u>			
Debt service:			
Principal retirement	790,000	-	790,000
Interest	267,220	-	267,220
Total Expenditures	<u>1,057,220</u>	-	<u>1,057,220</u>
Excess (deficiency) of revenues over expenditures	<u>(1,057,220)</u>	-	<u>(1,057,220)</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers in	<u>953,423</u>	-	<u>953,423</u>
Total other financing sources	<u>953,423</u>	-	<u>953,423</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ (103,797)</u>	<u>\$ -</u>	<u>\$ (103,797)</u>
Fund balances at beginning of year			
Fund balance at end of year			

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 2,062	\$ 2,062
<u>2,062</u>	<u>2,062</u>
790,000	-
267,220	-
<u>1,057,220</u>	<u>-</u>
(1,055,158)	<u>2,062</u>
1,057,210	103,787
<u>1,057,210</u>	<u>103,787</u>
2,052	\$ <u>105,849</u>
<u>60,119</u>	
<u>\$ 62,171</u>	

**CITY OF LIVINGSTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>OTHER FINANCING SOURCES</u>			
Transfers out	(124,800)	-	(124,800)
Total other financing sources	(124,800)	-	(124,800)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ (124,800)</u>	<u>\$ -</u>	<u>\$ (124,800)</u>
Fund balance at beginning of year			
Fund balance at end of year			

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>(124,800)</u>	<u>-</u>
<u>(124,800)</u>	<u>-</u>
 (124,800)	 \$ <u>-</u>
<u>218,502</u>	
<u>\$ 93,702</u>	

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2011 AND 2010**

ASSETS

	<u>2011</u>	<u>2010</u>
Cash	\$ 663,372	\$ 1,094,798
Receivables:		
Returned checks receivable	2,802	2,428
Paving accounts receivable	<u>33,552</u>	<u>35,332</u>
Total Assets	<u>\$ 699,726</u>	<u>\$ 1,132,558</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ <u>275,064</u>	\$ <u>219,655</u>
Total Liabilities	<u>275,064</u>	<u>219,655</u>

FUND BALANCES

Restricted for library memorials	29,094	49,852
Unassigned	<u>395,568</u>	<u>863,051</u>
Total Fund Balances	<u>424,662</u>	<u>912,903</u>
Total Liabilities and Fund Balances	<u>\$ 699,726</u>	<u>\$ 1,132,558</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, 2011
WITH COMPARATIVE ACTUAL TOTALS FOR 2010

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
REVENUES				
Taxes:				
Sales taxes	\$ 3,000,000	\$ 175,000	\$ 3,175,000	\$ 3,185,997
Franchise taxes	150,000	5,000	155,000	162,759
Hotel/Motel taxes	225,000	-	225,000	219,019
Licenses and permits	100,000	(40,000)	60,000	69,898
Charges for service	1,119,210	17,800	1,137,010	1,185,540
Fines and forfeitures	216,500	31,500	248,000	235,733
Miscellaneous	154,450	240,222	394,672	366,961
Total Revenues	<u>4,965,160</u>	<u>429,522</u>	<u>5,394,682</u>	<u>5,425,907</u>
EXPENDITURES				
Administrative	525,975	12,525	538,500	522,124
Sanitation	620,000	(10,000)	610,000	611,343
Fire	414,450	16,500	430,950	436,823
Police	1,624,300	55,075	1,679,375	1,675,264
Paving and street	718,145	142,675	860,820	853,960
Parks and recreation	879,035	(18,410)	860,625	881,086
Library	329,030	(19,365)	309,665	302,915
Garage	280,450	24,950	305,400	283,691
Total Expenditures	<u>5,391,385</u>	<u>203,950</u>	<u>5,595,335</u>	<u>5,567,206</u>
Excess of revenues over expenditures	<u>(426,225)</u>	<u>225,572</u>	<u>(200,653)</u>	<u>(141,299)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,134,959	19,117	1,154,076	710,268
Transfers out	<u>(953,423)</u>	-	<u>(953,423)</u>	<u>(1,057,210)</u>
Total other financing sources (uses)	<u>181,536</u>	<u>19,117</u>	<u>200,653</u>	<u>(346,942)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ (244,689)</u>	<u>\$ 244,689</u>	<u>\$ -</u>	<u>(488,241)</u>
Fund balances at beginning of year				<u>912,903</u>
Fund balances at end of year				\$ 424,662

Variance With Final Budget Positive (Negative)	2010 Actual
\$ 10,997	\$ 3,012,227
7,759	143,586
(5,981)	210,076
9,898	221,005
48,530	1,064,615
(12,267)	217,430
(27,711)	437,265
<u>31,225</u>	<u>5,306,204</u>
16,376	504,889
(1,343)	597,076
(5,873)	401,836
4,111	1,586,706
6,860	765,007
(20,461)	724,820
6,750	310,701
21,709	194,976
<u>28,129</u>	<u>5,086,011</u>
<u>59,354</u>	<u>220,193</u>
(443,808)	568,715
(103,787)	(1,037,413)
<u>(547,595)</u>	<u>(468,698)</u>
\$ <u>(488,241)</u>	(248,505)
	<u>1,161,408</u>
	\$ <u>912,903</u>

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011
WITH COMPARATIVE ACTUAL TOTALS FOR 2010**

	Budgeted Amounts GAAP Basis			Actual
	Original	Revisions	Final	
ADMINISTRATIVE DEPARTMENT				
Salaries	\$ 160,000	\$ -	\$ 160,000	\$ 159,221
Social Security	12,500	-	12,500	12,596
Retirement	71,775	225	72,000	72,443
Employee insurance	57,750	-	57,750	57,519
Insurance and bonds	9,050	2,100	11,150	9,701
Legal and professional	27,500	5,000	32,500	33,570
Auditing and accounting	8,000	700	8,700	8,700
Supplies	29,000	-	29,000	22,508
Repairs-building and grounds	10,000	-	10,000	9,857
Equipment repairs and maintenance	7,500	(4,500)	3,000	1,596
Gas and oil	3,000	1,000	4,000	3,563
Utility/telephone	11,500	-	11,500	10,583
Dues and subscriptions	15,500	-	15,500	15,072
Building demolitions	7,500	-	7,500	250
Transportation and contingency	75,000	(5,000)	70,000	65,780
Postage and miscellaneous	15,400	12,800	28,200	34,032
	520,975	12,325	533,300	516,991
Capital expenditures	5,000	200	5,200	5,133
Total Administrative	525,975	12,525	538,500	522,124
SANITATION DEPARTMENT				
Supplies	60,000	-	60,000	59,645
Refuse disposal/landfills	560,000	(10,000)	550,000	551,698
Total Sanitation	620,000	(10,000)	610,000	611,343

Variance With Final Budget Positive (Negative)	2010 Actual
\$ 779	\$ 167,775
(96)	13,286
(443)	44,668
231	58,568
1,449	11,315
(1,070)	33,829
-	8,767
6,492	28,901
143	22,004
1,404	1,489
437	2,597
917	11,512
428	15,491
7,250	-
4,220	60,842
<u>(5,832)</u>	<u>21,194</u>
16,309	502,238
<u>67</u>	<u>2,651</u>
<u>16,376</u>	<u>504,889</u>
355	54,256
<u>(1,698)</u>	<u>542,820</u>
<u>(1,343)</u>	<u>597,076</u>

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011
WITH COMPARATIVE ACTUAL TOTALS FOR 2010**

	Budgeted Amounts GAAP Basis			Actual
	Original	Revisions	Final	
FIRE DEPARTMENT				
Salaries	152,000	(1,000)	151,000	150,314
Salaries, administration	27,500	-	27,500	28,093
Social Security	10,500	(700)	9,800	9,825
Retirement	17,750	(1,250)	16,500	15,541
Employee insurance	19,000	(1,000)	18,000	16,420
Insurance and bonds	26,000	2,200	28,200	27,085
Recruitment costs	450	(250)	200	-
Supplies	25,000	2,000	27,000	30,383
Repairs-building and grounds	3,500	(1,000)	2,500	107
Equipment repairs and maintenance	30,000	-	30,000	35,869
Gas and oil	18,000	20,500	38,500	43,040
Utility/telephone	12,500	(2,000)	10,500	9,865
Dues and subscriptions	1,250	1,250	2,500	2,379
Transportation and contingency	13,000	(1,000)	12,000	15,022
Maintenance contribution	24,000	(1,250)	22,750	22,579
Postage and miscellaneous	3,000	-	3,000	2,865
	<u>383,450</u>	<u>16,500</u>	<u>399,950</u>	<u>409,387</u>
Capital expenditures	<u>31,000</u>	<u>-</u>	<u>31,000</u>	<u>27,436</u>
Total Fire	<u>414,450</u>	<u>16,500</u>	<u>430,950</u>	<u>436,823</u>
POLICE DEPARTMENT				
Salaries	915,000	30,000	945,000	949,209
Salaries, administration	27,500	-	27,500	28,092
Social Security	72,500	4,000	76,500	76,137
Retirement	151,000	(2,000)	149,000	150,738
Employee insurance	143,250	(1,750)	141,500	141,474
Uniforms	4,000	(1,000)	3,000	2,809
Insurance and bonds	52,000	-	52,000	50,152
Supplies	21,000	500	21,500	17,620
Repairs-building and grounds	10,000	2,000	12,000	12,322
Equipment repairs and maintenance	27,500	4,500	32,000	36,896
Gas and oil	57,600	22,400	80,000	73,695
Utility/telephone	12,500	350	12,850	13,202
Dues and subscriptions	450	(225)	225	182
Transportation and contingency	27,000	1,000	28,000	23,888
Postage and miscellaneous	23,000	300	23,300	23,898
	<u>1,544,300</u>	<u>60,075</u>	<u>1,604,375</u>	<u>1,600,314</u>
Capital expenditures	<u>80,000</u>	<u>(5,000)</u>	<u>75,000</u>	<u>74,950</u>
Total Police	<u>1,624,300</u>	<u>55,075</u>	<u>1,679,375</u>	<u>1,675,264</u>

Variance With Final Budget Positive (Negative)	2010 Actual
686	148,257
(593)	27,972
(25)	10,155
959	18,389
1,580	18,224
1,115	27,401
200	-
(3,383)	26,298
2,393	1,948
(5,869)	34,855
(4,540)	12,194
635	9,701
121	2,109
(3,022)	12,429
171	21,737
135	2,116
(9,437)	373,785
3,564	28,051
(5,873)	401,836
(4,209)	906,410
(592)	27,972
363	75,094
(1,738)	138,023
26	133,998
191	2,927
1,848	55,775
3,880	21,485
(322)	10,589
(4,896)	40,031
6,305	54,469
(352)	11,026
43	157
4,112	26,036
(598)	20,380
4,061	1,524,372
50	62,334
4,111	1,586,706

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011
WITH COMPARATIVE ACTUAL TOTALS FOR 2010**

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
PAVING AND STREET DEPARTMENT				
Salaries	206,500	(6,500)	200,000	192,955
Salaries, administration	27,500	-	27,500	28,092
Social Security	18,000	(600)	17,400	16,883
Retirement	34,075	(875)	33,200	30,621
Employee insurance	40,100	(3,100)	37,000	36,901
Uniforms	3,300	-	3,300	3,134
Insurance and bonds	26,000	(500)	25,500	25,694
Supplies	16,300	1,200	17,500	19,962
Repairs-building and grounds	1,500	(1,000)	500	325
Equipment repairs and maintenance	25,000	10,000	35,000	32,397
Gas and oil	27,000	28,500	55,500	57,979
Transit system	4,620	-	4,620	4,620
Transportation and contingency	3,250	550	3,800	3,997
	433,145	27,675	460,820	453,560
Capital expenditures	285,000	115,000	400,000	400,400
Total Paving and Street	718,145	142,675	860,820	853,960
PARKS AND RECREATION DEPARTMENT				
Salaries	287,500	10,500	298,000	299,592
Salaries, administration	55,000	-	55,000	56,185
Social Security	26,200	575	26,775	27,162
Retirement	40,685	465	41,150	41,104
Employee insurance	50,550	300	50,850	53,319
Uniforms	5,000	(250)	4,750	4,900
Insurance and bonds	19,850	1,350	21,200	20,995
Advertising, hotel tax	80,000	-	80,000	72,565
Supplies	41,450	550	42,000	53,445
Repairs-building and grounds	38,500	(13,500)	25,000	24,186
Equipment repairs and maintenance	20,500	(4,950)	15,550	11,024
Gas and oil	48,600	14,900	63,500	65,553
Utility/telephone	25,250	(6,650)	18,600	16,010
Dues and subscriptions	450	(100)	350	328
Transportation and contingency	4,500	(500)	4,000	2,562
Programming costs	5,000	(1,000)	4,000	3,023
Postage and miscellaneous	3,000	(100)	2,900	715
	752,035	1,590	753,625	752,668
Capital expenditures	127,000	(20,000)	107,000	128,418
Total Parks and Recreation	879,035	(18,410)	860,625	881,086

Variance With Final Budget Positive (Negative)	2010 Actual
7,045	203,570
(592)	27,972
517	17,713
2,579	33,512
99	37,011
166	2,992
(194)	28,330
(2,462)	11,742
175	125
2,603	32,119
(2,479)	25,794
-	4,620
(197)	2,513
7,260	428,013
(400)	336,994
6,860	765,007
(1,592)	270,096
(1,185)	55,945
(387)	24,942
46	38,408
(2,469)	45,578
(150)	4,474
205	21,612
7,435	87,133
(11,445)	45,592
814	35,215
4,526	13,457
(2,053)	46,986
2,590	16,031
22	100
1,438	3,435
977	3,792
2,185	2,609
957	715,405
(21,418)	9,415
(20,461)	724,820

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011
WITH COMPARATIVE ACTUAL TOTALS FOR 2010**

	Budgeted Amounts GAAP Basis			Actual
	Original	Revisions	Final	
LIBRARY DEPARTMENT				
Salaries	147,000	(5,000)	142,000	141,981
Salaries, administration	27,500	-	27,500	28,092
Social Security	13,500	(500)	13,000	12,984
Retirement	24,255	(755)	23,500	22,960
Employee Insurance	31,750	(2,750)	29,000	29,621
Insurance and bonds	6,775	540	7,315	7,320
Supplies	13,000	(2,000)	11,000	10,147
Repairs-building and grounds	7,000	(500)	6,500	4,958
Equipment repairs and maintenance	3,000	-	3,000	2,882
Utility/telephone	8,000	2,000	10,000	7,808
Dues and subscriptions	2,900	(200)	2,700	2,911
Transportation and contingency	1,500	50	1,550	1,683
Postage and printing	2,850	(250)	2,600	2,611
	289,030	(9,365)	279,665	275,958
Memorial capital	15,000	-	15,000	23,244
Capital expenditures	25,000	(10,000)	15,000	3,713
Total Library	329,030	(19,365)	309,665	302,915
GARAGE DEPARTMENT				
Salaries	85,000	(3,000)	82,000	80,091
Salaries, administration	27,500	-	27,500	28,092
Social Security	8,625	(225)	8,400	8,249
Retirement	14,025	225	14,250	12,669
Employee Insurance	12,650	1,100	13,750	12,680
Uniforms	1,100	400	1,500	1,447
Insurance and bonds	8,200	500	8,700	8,707
Supplies	7,500	(500)	7,000	5,525
Repairs-building and grounds	2,150	350	2,500	2,472
Equipment repairs and maintenance	4,350	(50)	4,300	3,922
Gas and oil	4,200	1,600	5,800	5,428
Utility/telephone	5,150	(450)	4,700	4,391
	180,450	(50)	180,400	173,673
Capital expenditures	100,000	25,000	125,000	110,018
Total Garage	280,450	24,950	305,400	283,691
TOTAL GENERAL EXPENDITURES	\$ 5,391,385	\$ 203,950	\$ 5,595,335	\$ 5,567,206

Variance With Final Budget Positive (Negative)	2010 Actual
19	139,737
(592)	27,972
16	12,830
540	23,950
(621)	27,336
(5)	7,253
853	10,615
1,542	12,404
118	2,466
2,192	6,119
(211)	2,648
(133)	1,505
(11)	2,566
<u>3,707</u>	<u>277,401</u>
(8,244)	19,650
<u>11,287</u>	<u>13,650</u>
<u>6,750</u>	<u>310,701</u>
1,909	79,783
(592)	27,972
151	8,243
1,581	14,584
1,070	10,629
53	1,015
(7)	9,056
1,475	5,532
28	37
378	4,481
372	3,994
<u>309</u>	<u>4,662</u>
6,727	169,988
<u>14,982</u>	<u>24,988</u>
<u>21,709</u>	<u>194,976</u>
<u>\$ 28,129</u>	<u>\$ 5,086,011</u>

DEBT SERVICE FUND

**CITY OF LIVINGSTON, TEXAS
DEBT SERVICE FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2011 AND 2010**

ASSETS

	<u>2011</u>	<u>2010</u>
Cash	\$ <u>62,171</u>	\$ <u>60,119</u>
Total Assets	\$ <u>62,171</u>	\$ <u>60,119</u>

FUND BALANCES

Restricted for debt service	\$ <u>62,171</u>	\$ <u>60,119</u>
Total Fund Balance	\$ <u>62,171</u>	\$ <u>60,119</u>

**CITY OF LIVINGSTON, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011
WITH COMPARATIVE ACTUAL TOTALS FOR 2010**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>REVENUES</u>			
Miscellaneous	\$ -	\$ -	\$ -
Total Revenues	-	-	-
<u>EXPENDITURES</u>			
Debt service:			
Principal retirement	790,000	-	790,000
Interest	267,220	-	267,220
Total Expenditures	1,057,220	-	1,057,220
Excess (deficiency) of revenues over expenditures	(1,057,220)	-	(1,057,220)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	953,423	-	953,423
Total other financing sources	953,423	-	953,423
Excess of revenues and other financing sources over expenditures and other uses	\$ (103,797)	\$ -	\$ (103,797)
Fund balances at beginning of year			
Fund balance at end of year			

Actual	Variance with Final Budget Positive (Negative)	2010
<u>\$ 2,062</u>	<u>\$ 2,062</u>	<u>\$ 1,781</u>
<u>2,062</u>	<u>2,062</u>	<u>1,781</u>
790,000	-	745,000
<u>267,220</u>	<u>-</u>	<u>292,398</u>
<u>1,057,220</u>	<u>-</u>	<u>1,037,398</u>
<u>(1,055,158)</u>	<u>2,062</u>	<u>(1,035,617)</u>
<u>1,057,210</u>	<u>(103,787)</u>	<u>1,037,413</u>
<u>1,057,210</u>	<u>103,787</u>	<u>1,037,413</u>
2,052	105,849	1,796
<u>60,119</u>	<u>-</u>	<u>58,323</u>
<u>\$ 62,171</u>	<u>\$ 105,849</u>	<u>\$ 60,119</u>

CAPITAL PROJECTS FUND

CITY OF LIVINGSTON, TEXAS
CAPITAL PROJECTS FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Cash	\$ 93,702	\$ 68,502
Certificates of deposit	<u>-</u>	<u>150,000</u>
Total Assets	<u>\$ 93,702</u>	<u>\$ 218,502</u>

FUND BALANCES

Fund Balances:		
Restricted for:		
Capital projects	\$ <u>93,702</u>	\$ <u>218,502</u>
Total Fund Balances	<u>\$ 93,702</u>	<u>\$ 218,502</u>

**CITY OF LIVINGSTON, TEXAS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011
WITH COMPARATIVE ACTUAL TOTALS FOR 2010**

	Budgeted Amounts GAAP Basis		
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers out	\$ (124,800)	\$ -	\$ (124,800)
Total other financing sources	<u>(124,800)</u>	<u>-</u>	<u>(124,800)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ (124,800)	\$ -	\$ (124,800)
Fund balances at beginning of year			
Fund balances at end of year			

<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>	<u>2010</u>
\$ (124,800)	\$ -	\$ (431,726)
<u>(124,800)</u>	<u>-</u>	<u>(431,726)</u>
(124,800)	-	(431,726)
<u>218,502</u>	<u>-</u>	<u>650,228</u>
\$ <u>93,702</u>	\$ <u>-</u>	\$ <u>218,502</u>

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PROPRIETARY FUND

**CITY OF LIVINGSTON, TEXAS
COMPARATIVE STATEMENT OF NET ASSETS
ELECTRIC, WATER AND SEWER FUND
SEPTEMBER 30, 2011 AND 2010**

ASSETS	2011	2010
Current assets:		
Cash	\$ 1,694,009	\$ 940,186
Certificates of deposit	1,500,000	1,500,000
Restricted assets		
Cash in bank, water and sewer system improvements	406,454	109,484
Cash in bank, reserve fund	56,921	16,439
Receivables:		
Returned checks receivable	23,212	23,070
Utility accounts receivable	<u>1,817,214</u>	<u>1,586,632</u>
Total Current Assets	<u>5,497,810</u>	<u>4,175,811</u>
Noncurrent assets:		
Capital assets:		
Land	679,488	679,488
Building and improvements	469,045	463,474
Equipment and fixtures	1,993,321	1,976,224
Electrical system	4,879,178	4,689,258
Water system	7,421,016	6,946,465
Sewer system	7,973,715	7,351,018
Water service contract rights	<u>2,715,000</u>	<u>2,785,000</u>
	26,130,763	24,890,927
Less accumulated depreciation	<u>(7,380,799)</u>	<u>(6,993,889)</u>
Net capital assets	<u>18,749,964</u>	<u>17,897,038</u>
Total Assets	<u>\$ 24,247,774</u>	<u>\$ 22,072,849</u>

	2011	2010
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,479,461	\$ 973,245
Meter deposits	412,728	395,648
Contracts payable-Trinity River Authority	<u>75,000</u>	<u>70,000</u>
Total current liabilities	<u>1,967,189</u>	<u>1,438,893</u>
Noncurrent liabilities:		
Contracts payable-Trinity River Authority	<u>2,640,000</u>	<u>2,715,000</u>
Total noncurrent liabilities	<u>2,640,000</u>	<u>2,715,000</u>
Total liabilities	<u>4,607,189</u>	<u>4,153,893</u>
NET ASSETS		
Invested in capital assets (net of related debt)	16,034,964	15,112,038
Restricted for water and sewer system improvements	406,454	109,484
Restricted for Trinity River Authority contracts payable	56,921	16,439
Unrestricted	<u>3,142,246</u>	<u>2,680,995</u>
Total net assets	<u>\$ 19,640,585</u>	<u>\$ 17,918,956</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, 2011 AND 2010

Business-Type Activities - Enterprise Fund

	<u>2011</u>	<u>2010</u>
<u>Operating revenues:</u>		
Charges for sales and services:		
Electricity sales	\$ 9,947,597	\$ 9,398,055
Water sales	2,150,183	1,725,164
Sewer service charges	1,338,465	1,276,276
Penalties, utilities	141,557	144,319
Water tapping fees	14,700	5,625
Sewer tapping fees	3,600	3,200
Recoveries, electrical	989,289	701,086
Recoveries, water	114,722	596,134
Recoveries, sewer	326,844	-
Revenue, night lights	77,726	76,498
Service fees	39,841	42,554
Total Operating Revenues	<u>15,144,524</u>	<u>13,968,911</u>
<u>Operating expenses:</u>		
Light and Power Department	9,823,910	9,535,619
Water Department	2,079,597	1,921,994
Sewer Department	532,715	509,656
Depreciation	415,292	394,817
Total Operating Expenses	<u>12,851,514</u>	<u>12,362,086</u>
Operating Income	2,293,010	1,606,825
<u>Non-operating revenues:</u>		
Interest income	<u>14,087</u>	<u>18,495</u>
Income Before Transfers	2,307,097	1,625,320
Transfers In	124,800	431,726
Transfers Out	<u>(710,268)</u>	<u>(568,715)</u>
Change in net assets	1,721,629	1,488,331
Total net assets - beginning	<u>17,918,956</u>	<u>16,430,625</u>
Total net assets - ending	<u>\$ 19,640,585</u>	<u>\$ 17,918,956</u>

**CITY OF LIVINGSTON, TEXAS
COMPARATIVE STATEMENT OF CASH FLOWS
ELECTRIC, WATER, AND SEWER FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

Business-Type Activities - Enterprise Fund

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from customers	\$ 14,913,942	\$ 13,693,774
Cash payments to suppliers for goods and services	(10,726,664)	(10,683,054)
Cash payments to employees for services	<u>(1,186,404)</u>	<u>(1,188,289)</u>
Net cash provided by operating activities	<u>3,000,874</u>	<u>1,822,431</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	124,800	431,726
Transfers to other funds	<u>(710,268)</u>	<u>(568,715)</u>
Net cash used for noncapital financing activities	<u>(585,468)</u>	<u>(136,989)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(1,338,218)</u>	<u>(1,207,277)</u>
Net cash used for capital and related financing activities	<u>(1,338,218)</u>	<u>(1,207,277)</u>
Cash flows from investing activities:		
Interest on cash and investments	<u>14,087</u>	<u>18,495</u>
Net cash provided by investing activities	<u>14,087</u>	<u>18,495</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,091,275	496,660
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,066,109</u>	<u>569,449</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,157,384</u>	<u>\$ 1,066,109</u>

(Continued)

**CITY OF LIVINGSTON, TEXAS
COMPARATIVE STATEMENT OF CASH FLOWS
ELECTRIC, WATER, AND SEWER FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

Business-Type Activities - Enterprise Fund

	<u>2011</u>	<u>2010</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 2,293,010	\$ 1,606,825
Adjustments to reconcile operating net income to net cash provided by operating activities:		
Depreciation	415,292	394,817
Change in operating assets and liabilities:		
Returned checks receivable	(142)	390
Utility accounts receivable	(230,582)	(275,137)
Accounts payable	506,216	83,336
Meter deposits	17,080	12,200
Total adjustments	<u>707,864</u>	<u>215,606</u>
Net cash provided by operating activities	<u>\$ 3,000,874</u>	<u>\$ 1,822,431</u>
Reconciliation of total cash and cash investments		
Unrestricted	\$ 1,694,009	\$ 940,186
Restricted		
Cash in bank, water and sewer system improvements	406,454	109,484
Cash in bank, reserve fund	<u>56,921</u>	<u>16,439</u>
Total cash and cash equivalents	<u>\$ 2,157,384</u>	<u>\$ 1,066,109</u>

(Concluded)

ENTERPRISE FUND

CITY OF LIVINGSTON, TEXAS
ENTERPRISE FUND
SCHEDULE OF EXPENSES BY DEPARTMENT - COMPARED TO BUDGET
FOR THE YEAR ENDED SEPTEMBER 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011			
	Original Budget	Revisions	Final	Actual
LIGHT AND POWER DEPARTMENT				
Salaries	\$ 590,000	\$ (30,000)	\$ 560,000	\$ 549,179
Salaries, administration	27,500	-	27,500	28,092
Social Security	47,250	(750)	46,500	44,134
Retirement	97,350	(12,350)	85,000	86,512
Employee insurance	78,000	(6,000)	72,000	70,090
Uniform rental	5,800	2,200	8,000	7,174
Insurance and bonds	20,000	500	20,500	20,521
Legal and professional	3,000	(800)	2,200	1,630
Engineering	4,000	(2,500)	1,500	-
Supplies	27,500	2,500	30,000	34,987
Repairs-building and grounds and equipment	20,000	-	20,000	16,593
Gas and oil	24,000	21,000	45,000	46,490
Utility/telephone	7,000	-	7,000	6,320
Dues and subscriptions	7,700	(700)	7,000	7,143
Power purchase	8,700,000	-	8,700,000	8,856,984
Transportation and contingency	7,500	(2,000)	5,500	14,910
Utility billing	12,500	-	12,500	10,173
Postage and miscellaneous	13,000	500	13,500	14,278
Auditing and accounting	8,000	700	8,700	8,700
Total Light and Power	<u>9,700,100</u>	<u>(27,700)</u>	<u>9,672,400</u>	<u>9,823,910</u>
WATER DEPARTMENT				
Salaries	375,000	-	375,000	374,312
Salaries - administration	27,500	-	27,500	28,092
Social Security	31,000	-	31,000	31,078
Retirement	61,875	-	61,875	59,571
Employee insurance	59,000	1,500	60,500	57,636
Uniform rental	4,400	800	5,200	4,700
Insurance and bonds	19,000	10,700	29,700	24,466
Legal and professional	1,500	700	2,200	2,326
Supplies	41,000	24,450	65,450	66,119
Repairs-building and grounds	5,000	4,000	9,000	7,630
Repairs-equipment	25,000	15,000	40,000	45,636
Gas and oil	13,800	4,200	18,000	16,954
Engineering	15,000	(2,500)	12,500	12,739
Dues and subscriptions	12,000	-	12,000	11,996
Water-TRA	58,400	-	58,400	58,400
Operations and maintenance-TRA	1,021,100	37,680	1,058,780	1,058,780
Transportation and contingency	21,500	500	22,000	20,597
Utility billing	12,500	-	12,500	10,173
Postage and printing	13,500	150	13,650	14,270
TRA-debt service	200,000	(34,578)	165,422	165,422
Auditing and accounting	8,000	700	8,700	8,700
Total Water	<u>2,026,075</u>	<u>63,302</u>	<u>2,089,377</u>	<u>2,079,597</u>

<u>Variance</u>	<u>2010 Actual</u>
\$ 10,821	\$ 535,981
(592)	27,972
2,366	43,142
(1,512)	83,835
1,910	69,416
826	6,260
(21)	22,707
570	2,110
1,500	4,320
(4,987)	25,332
3,407	19,326
(1,490)	20,866
680	6,534
(143)	7,688
(156,984)	8,620,388
(9,410)	7,389
2,327	10,142
(778)	13,444
-	8,767
<u>(151,510)</u>	<u>9,535,619</u>
688	396,016
(592)	27,972
(78)	32,729
2,304	64,179
2,864	58,823
500	4,979
5,234	25,479
(126)	1,250
(669)	65,709
1,370	9,226
(5,636)	25,321
1,046	12,591
(239)	9,887
4	11,981
-	58,400
-	994,452
1,403	18,533
2,327	10,017
(620)	13,460
-	72,223
-	8,767
<u>9,780</u>	<u>1,921,994</u>

**CITY OF LIVINGSTON, TEXAS
ENTERPRISE FUND
SCHEDULE OF EXPENSES BY DEPARTMENT - COMPARED TO BUDGET
FOR THE YEAR ENDED SEPTEMBER 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	2011			
	Original Budget	Revisions	Final	Actual
SEWER DEPARTMENT				
Salaries	176,500	2,000	178,500	178,636
Salaries, administration	27,500	-	27,500	28,093
Social Security	15,650	350	16,000	16,088
Retirement	29,125	(1,125)	28,000	28,662
Employee insurance	25,250	-	25,250	25,220
Uniform rental	1,125	75	1,200	1,523
Insurance and bonds	6,400	13,100	19,500	19,492
Lab fees-engineering	34,500	(4,500)	30,000	25,323
Supplies	25,000	3,500	28,500	28,321
Chemicals	25,000	(2,000)	23,000	22,513
Legal/professional	450	1,550	2,000	4,953
Repairs-equipment	30,000	5,000	35,000	27,741
Repairs-building and grounds	2,500	(500)	2,000	3,036
Gas and oil	19,500	15,500	35,000	35,765
Dues and subscriptions	12,000	-	12,000	12,018
Transportation and contingency	68,500	(4,100)	64,400	54,238
Utilities and telephone	16,500	5,500	22,000	21,093
Total Sewer	<u>515,500</u>	<u>34,350</u>	<u>549,850</u>	<u>532,715</u>
TOTAL ENTERPRISE FUND				
DEPARTMENT EXPENDITURES	<u>\$ 12,241,675</u>	<u>\$ 69,952</u>	<u>\$12,311,627</u>	<u>\$ 12,436,222</u>

<u>Variance</u>	<u>2010 Actual</u>
(136)	172,374
(593)	27,972
(88)	15,628
(662)	26,316
30	24,326
(323)	1,212
8	14,460
4,677	20,264
179	26,304
487	23,886
(2,953)	295
7,259	44,959
(1,036)	1,595
(765)	19,657
(18)	12,028
10,162	58,454
907	19,926
<u>17,135</u>	<u>509,656</u>
 <u>\$ (124,595)</u>	 <u>\$ 11,967,269</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 Nine 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-1

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 3,545,562	\$ 3,549,442	\$ 3,625,188	\$ 3,805,846	\$ 3,816,433	\$ 4,351,471
64,428	32,042	56,185	58,323	60,119	62,171
<u>301,060</u>	<u>746,824</u>	<u>847,279</u>	<u>1,403,689</u>	<u>1,018,128</u>	<u>513,969</u>
<u>\$ 3,911,050</u>	<u>\$ 4,328,308</u>	<u>\$ 4,528,652</u>	<u>\$ 5,267,858</u>	<u>\$ 4,894,680</u>	<u>\$ 4,927,611</u>
\$ 12,212,140	\$ 12,661,355	\$ 13,795,660	\$ 14,299,578	\$ 15,112,038	\$ 16,034,964
138,706	176,772	122,980	120,096	125,923	463,375
<u>2,545,862</u>	<u>1,914,913</u>	<u>1,858,986</u>	<u>2,010,951</u>	<u>2,680,995</u>	<u>3,142,246</u>
<u>\$ 14,896,708</u>	<u>\$ 14,753,040</u>	<u>\$ 15,777,626</u>	<u>\$ 16,430,625</u>	<u>\$ 17,918,956</u>	<u>\$ 19,640,585</u>
\$ 15,757,702	\$ 16,210,797	\$ 17,420,848	\$ 18,105,424	\$ 18,928,471	\$ 20,386,435
203,134	208,814	179,165	178,419	186,042	525,546
<u>2,846,922</u>	<u>2,661,737</u>	<u>2,706,265</u>	<u>3,414,640</u>	<u>3,699,123</u>	<u>3,656,215</u>
<u>\$ 18,807,758</u>	<u>\$ 19,081,348</u>	<u>\$ 20,306,278</u>	<u>\$ 21,698,483</u>	<u>\$ 22,813,636</u>	<u>\$ 24,568,196</u>

TABLE A-2

CITY OF LIVINGSTON, TEXAS
CHANGES IN NET ASSETS
Last Nine 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	362,858	363,425	350,383
Total governmental activities expense	4,431,971	4,569,210	4,936,659	5,181,914	5,531,908	5,758,778
Business-type activities:						
Electric, water and sewer	9,947,254	9,378,300	9,747,275	10,407,751	10,553,606	10,490,362
Total business-type activities expenses	9,947,254	9,378,300	9,747,275	10,407,751	10,553,606	10,490,362
Total primary government expenses	14,379,225	13,947,510	14,683,934	15,589,665	16,085,514	16,249,140
Program Revenues						
Governmental activities:						
Charges for services						
Administration	70,903	68,619	78,386	167,499	171,091	158,653
Sanitation	678,791	708,348	716,199	735,376	835,662	837,658
Police	240,419	189,847	238,120	236,332	224,131	222,411
Paving and street	1,501	1,916	25,756	83,227	8,931	1,921
Parks and recreation	321,888	427,800	401,882	269,001	290,508	291,150
Library	16,958	15,729	17,339	16,518	18,085	23,652
Operating grants and contributions	67,133	168,623	115,024	392,402	228,664	130,974
Capital grants and contributions	-	404,018	64,077	12,891	-	-
Total governmental activities program revenues	1,397,593	1,984,900	1,656,783	1,913,246	1,777,072	1,666,419
Business-type activities:						
Charges for services						
Electric, water and sewer	9,981,003	10,312,959	10,655,080	10,708,095	10,867,675	11,929,258
Total business-type activities program revenues	9,981,003	10,312,959	10,655,080	10,708,095	10,867,675	11,929,258
Total primary government program revenues	11,378,596	12,297,859	12,311,863	12,621,341	12,644,747	13,595,677
Net (Expense) Revenues						
Governmental activities	(3,034,378)	(2,584,310)	(3,279,876)	(3,268,668)	(3,754,836)	(4,092,359)
Business-type activities	33,749	934,659	907,805	300,344	314,069	1,438,896
Total primary government program net expense	(3,000,629)	(1,649,651)	(2,372,071)	(2,968,324)	(3,440,767)	(2,653,463)
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	455,955	247,191	259,141	365,963	533,535	487,243
Total governmental activities	2,986,331	2,941,833	3,128,847	3,617,648	4,172,094	4,292,703
Business-type activities:						
Investment earnings	21,190	14,790	33,324	74,278	75,798	72,933
Transfers	(455,955)	(247,191)	(259,141)	(365,963)	(533,535)	(487,243)
Total business-type activities	(434,765)	(232,401)	(225,817)	(291,685)	(457,737)	(414,310)
Total primary government	2,551,566	2,709,432	2,903,030	3,325,963	3,714,357	3,878,393
Changes in Net Assets						
Governmental activities	\$ (48,047)	\$ 357,523	\$ (151,029)	\$ 348,980	\$ 417,258	\$ 200,344
Business-type activities	(401,016)	702,258	681,988	8,659	(143,668)	1,024,586
Total primary government	\$ (449,063)	\$ 1,059,781	\$ 530,959	\$ 357,639	\$ 273,590	\$ 1,224,930

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.

D. Texas Community Block Grant received in 2010 for street improvements.

TABLE A-2

2009	2010	2011
\$ 625,366	\$ 550,726	\$ 560,705
607,137	597,196	611,463
413,973	406,508	440,931
1,530,106	1,618,530	1,701,952
935,608	950,467	968,401
847,600	893,254	917,386
284,255	312,390	310,674
186,795	180,496	183,928
<u>316,960</u>	<u>292,638</u>	<u>267,220</u>
<u>5,747,800</u>	<u>5,802,205</u>	<u>5,962,660</u>
<u>12,007,478</u>	<u>12,362,086</u>	<u>12,851,514</u>
<u>12,007,478</u>	<u>12,362,086</u>	<u>12,851,514</u>
<u>17,755,278</u>	<u>18,164,291</u>	<u>18,814,174</u>
368,308	247,380	98,784
846,740	846,516	933,025
222,025	228,426	251,926
892	10,197	20,749
298,860	226,859	234,341
19,386	18,171	17,309
653,212	94,055	110,094
<u>471,764</u>	<u>247,392</u>	<u>171,317</u>
<u>2,881,207</u>	<u>1,918,996</u>	<u>1,837,545</u>
<u>12,369,934</u>	<u>13,968,911</u>	<u>15,144,524</u>
<u>12,369,934</u>	<u>13,968,911</u>	<u>15,144,524</u>
<u>15,251,141</u>	<u>15,887,907</u>	<u>16,982,069</u>
(2,866,593)	(3,883,209)	(4,125,115)
<u>362,456</u>	<u>1,606,825</u>	<u>2,293,010</u>
<u>(2,504,137)</u>	<u>(2,276,384)</u>	<u>(1,832,105)</u>
3,392,552	3,012,227	3,185,997
172,631	143,586	162,759
291,096	210,076	219,019
12,753	7,153	4,803
-	-	-
<u>(263,233)</u>	<u>136,989</u>	<u>585,468</u>
<u>3,605,799</u>	<u>3,510,031</u>	<u>4,158,046</u>
27,310	18,495	14,087
<u>263,233</u>	<u>(136,989)</u>	<u>(585,468)</u>
<u>290,543</u>	<u>(118,494)</u>	<u>(571,381)</u>
<u>3,896,342</u>	<u>3,391,537</u>	<u>3,586,665</u>
\$ 739,206	\$ (373,178)	\$ 32,931
<u>652,999</u>	<u>1,488,331</u>	<u>1,721,629</u>
<u>\$ 1,392,205</u>	<u>\$ 1,115,153</u>	<u>\$ 1,754,560</u>

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

	Fiscal Year			
	2002	2003	2004	2005
General Fund				
Restricted	\$ 9,848	\$ 212	\$ 13,243	\$ 5,096
Unassigned	<u>461,852</u>	<u>740,600</u>	<u>635,728</u>	<u>420,260</u>
Total General Fund	<u>\$ 471,700</u>	<u>\$ 740,812</u>	<u>\$ 648,971</u>	<u>\$ 425,356</u>
All Other Governmental Funds				
Restricted				
Debt Service Fund	\$ 63,345	\$ 68,957	\$ 71,335	\$ 74,795
Capital Projects Fund	<u>-</u>	<u>3,221,395</u>	A. <u>1,267,007</u>	<u>342,948</u>
Total all other governmental funds	<u>\$ 63,345</u>	<u>\$ 3,290,352</u>	<u>\$ 1,338,342</u>	<u>\$ 417,743</u>

A. Bond proceeds for resurfacing of City streets.

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

TABLE A-3

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 2,598	\$ 2,598	\$ 78,525	\$ 64,705	\$ 49,852	\$ 29,094
<u>253,737</u>	<u>583,212</u>	<u>768,754</u>	<u>1,096,703</u>	<u>863,051</u>	<u>395,568</u>
<u>\$ 256,335</u>	<u>\$ 585,810</u>	<u>\$ 847,279</u>	<u>\$ 1,161,408</u>	<u>\$ 912,903</u>	<u>\$ 424,662</u>
\$ 64,425	\$ 32,042	\$ 56,185	\$ 58,323	\$ 60,119	\$ 62,171
<u>-</u>	<u>1,430,000</u> B.	<u>1,136,493</u>	<u>650,228</u>	<u>218,502</u>	<u>93,702</u>
<u>\$ 64,425</u>	<u>\$ 1,462,042</u>	<u>\$ 1,192,678</u>	<u>\$ 708,551</u>	<u>\$ 278,621</u>	<u>\$ 155,873</u>

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

	Fiscal Year			
	2002	2003	2004	2005
Revenues				
Taxes	\$ 2,439,934	\$ 2,441,633	\$ 2,595,882	\$ 2,812,571
Licenses and permits	39,422	70,903	68,620	78,387
Charges for service	911,272	978,312	1,054,801	962,644
Fines and forfeitures	152,717	167,862	174,479	220,754
Miscellaneous	179,894	268,702	790,232	444,987
			C	
Total Revenues	3,723,239	3,927,412	4,684,014	4,519,343
Expenditures				
Administrative	198,293	326,799	244,181	362,385
Sanitation	479,647	489,056	508,272	525,099
Fire	266,805	275,993	254,431	272,362
Police	940,587	1,023,348	1,034,373	1,100,899
Paving and street	307,094	336,300	371,020	332,286
Parks and recreation	555,474	636,034	609,285	610,971
Library	192,387	211,978	211,390	217,896
Garage	120,222	128,671	128,544	131,848
Capital outlay	505,679	1,939,513	A 2,682,760	1,447,119
Debt service				
Interest	282,348	379,556	400,800	381,833
Principal	190,000	240,000	530,000	540,000
Total Expenditures	4,038,536	5,987,248	6,975,056	5,922,698
Excess of revenues over (under) expenditures	(315,297)	(2,059,836)	(2,291,042)	(1,403,355)
Other Financing Sources (Uses)				
Proceeds from borrowing	-	5,000,000	A -	-
Proceeds from refunding	-	1,600,000	B -	-
Redemption of refunded bonds	-	(1,500,000)	B -	-
Transfers in	834,107	937,577	1,154,768	1,196,580
Transfers out	(472,348)	(481,622)	(907,577)	(937,439)
Total other financing sources	361,759	5,555,955	247,191	259,141
Net change in fund balances	\$ 46,462	\$ 3,496,119	\$ (2,043,851)	\$ (1,144,214)
Debt service as a percentage of noncapital expenditures	15.4%	18.1%	27.7%	25.9%

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

TABLE A-4

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 3,202,931	\$ 3,543,872	\$ 3,659,992	\$ 3,856,279	\$ 3,365,889	\$ 3,567,775
167,500	171,091	158,653	330,493	221,005	69,898
1,027,350	1,044,379	1,063,339	1,069,232	1,064,615	1,185,540
208,945	220,568	206,059	210,193	217,430	235,733
558,205	435,547	383,885	1,271,421	439,046	369,023
<u>5,164,931</u>	<u>5,415,457</u>	<u>5,471,928</u>	<u>6,737,618</u>	<u>5,307,985</u>	<u>5,427,969</u>
430,460	589,450	464,778	544,952	502,238	516,991
551,984	595,356	614,780	606,952	597,076	611,343
292,497	333,880	366,276	378,591	373,785	409,387
1,156,337	1,239,397	1,356,402	1,436,239	1,524,372	1,600,314
421,287	446,480	344,420	388,011	428,013	453,560
621,815	654,682	744,706	667,173	715,406	752,668
225,276	257,071	261,206	250,779	277,401	275,958
150,570	154,049	261,800	175,996	169,988	173,673
1,280,136	633,113	512,315	1,158,730	497,732	773,312
362,868	363,425	350,383	316,960	292,398	267,220
<u>560,000</u>	<u>570,000</u>	<u>690,000</u>	<u>720,000</u>	<u>745,000</u>	<u>790,000</u>
<u>6,053,230</u>	<u>5,836,903</u>	<u>5,967,066</u>	<u>6,644,383</u>	<u>6,123,409</u>	<u>6,624,426</u>
(888,299)	(421,446)	(495,138)	93,235	(815,424)	(1,196,457)
-	1,500,000 D	-	-	-	-
-	3,055,000 E	-	-	-	-
-	(2,940,000) E	-	-	-	-
1,274,601	1,040,595	1,560,371	1,236,959	1,606,128	1,767,478
<u>(908,638)</u>	<u>(507,060)</u>	<u>(1,073,128)</u>	<u>(1,500,192)</u>	<u>(1,469,139)</u>	<u>(1,182,010)</u>
<u>365,963</u>	<u>2,148,535</u>	<u>487,243</u>	<u>(263,233)</u>	<u>136,989</u>	<u>585,468</u>
<u>\$ (522,336)</u>	<u>\$ 1,727,089</u>	<u>\$ (7,895)</u>	<u>\$ (169,998)</u>	<u>\$ (678,435)</u>	<u>\$ (610,989)</u>
24.0%	21.9%	23.6%	23.3%	22.6%	22.1%

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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

<u>Tax Year</u>	<u>Real Property (1)</u>		<u>Personal (1)</u>
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>
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
2009	398,529,925	398,529,925	58,932,227
2010	405,892,051	405,892,051	56,409,734

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

TABLE B-1

Personal (1)	Total Property		Ratio of Total	Total
Estimated	Assessed	Estimated	Assessed to	Direct Rate
Actual Value	Value	Actual Value	Total	Applied
Actual Value	Value	Actual Value	Estimated	Applied
Actual Value	Value	Actual Value	Actual Value	Applied
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%
58,932,227	457,462,152	457,462,152	100%	0%
56,409,734	462,301,785	462,301,785	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)

<u>County Fiscal Year</u>	<u>City General Fund</u>	<u>School District</u>	<u>County</u>	<u>Total</u>
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
2009	.00	1.4135	0.6277	2.0412
2010	.00	1.4135	0.6277	2.0412

<u>County Fiscal Year</u>	<u>City General Fund</u>	<u>School District</u>	<u>County</u>	<u>Total</u>
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
2009	-	17,162,308	15,869,969	33,032,277
2010	-	17,207,227	15,867,389	33,074,616

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 REVENUE PAYERS
Current Year and Nine Years Ago**

**TEN LARGEST ELECTRIC CUSTOMERS
FISCAL 2011 KILOWATT HOURS**

(*) Name	Kilowatt Hours	Rank	Percent of Total
Livingston Independent School Dist.	7,250,619	1	8.16%
Polk County	3,249,837	2	3.66%
Brookshire Brothers	2,372,390	3	2.67%
HEB Grocery	2,161,715	4	2.43%
Lowe's	2,026,144	5	2.28%
Factory Stores of America	1,396,464	6	1.57%
The Bradford	1,182,299	7	1.33%
McDonalds	946,872	8	1.07%
Pine Ridge Healthcare Center	895,888	9	1.01%
First State Bank	769,995	10	0.87%
First National Bank	-		0.00%
Race Trac	-		0.00%
	<u>22,252,223</u>		<u>25.05%</u>

**TEN LARGEST ELECTRIC CUSTOMERS
FISCAL 2002 KILOWATT HOURS**

Kilowatt Hours	Rank	Percent of Total
7,753,355	1	10.11%
2,174,106	3	2.84%
2,506,984	2	3.27%
1,650,017	4	2.15%
-	-	0.00%
1,510,814	5	1.97%
-	-	0.00%
690,209	7	0.90%
730,462	6	0.95%
653,171	9	0.85%
690,107	8	0.90%
572,001	10	0.75%
<u>18,931,226</u>		<u>24.69%</u>

**TEN LARGEST WATER CUSTOMERS
FISCAL 2011 GALLONS USED**

(*) Name	Gallons Used	Rank	Percent of Total
Texas Department of Criminal Just.	224,393,000	1	38.16%
IAH Detention Facility	28,710,000	2	4.88%
Memorial Medical Center	14,446,000	3	2.46%
Livingston Independent School Dist.	12,761,000	4	2.17%
Camp Cho Yeh	9,021,000	5	1.53%
Pine Hill Apts.	7,783,000	6	1.32%
Polk County	6,542,000	7	1.11%
The Bradford	3,638,000	8	0.62%
Wal-Mart	3,434,000	9	0.58%
Pine Ridge Healthcare Center	2,356,000	10	0.40%
Livingston Housing Authority	-		0.00%
Mill Ridge Golf Club	-		0.00%
	<u>313,084,000</u>		<u>53.24%</u>

**TEN LARGEST WATER CUSTOMERS
FISCAL 2002 GALLONS USED**

Gallons Used	Rank	Percent of Total
196,779,000	1	41.61%
-	-	0.00%
9,527,000	3	2.01%
12,204,000	2	2.58%
4,676,000	7	0.99%
5,253,000	5	1.11%
4,736,000	6	1.00%
-	-	0.00%
2,449,000	10	0.52%
4,248,000	8	0.90%
5,713,000	4	1.21%
3,327,000	9	0.70%
<u>248,912,000</u>		<u>52.64%</u>

(*) Information provided by City of Livingston

Note: The City does not receive any revenue from property taxes at this time. The primary revenue source is sales of electricity and water and sewer services. The City is prohibited by law from disclosing the principal revenue payers of sales tax revenue. Consequently, the City has not provided that information.

**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
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	-	-
2009-10	N/A	N/A	N/A	-	-
2010-11	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	-	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
N/A	-	-	N/A
N/A	-	-	N/A

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

	Fiscal Year			
	2001	2002	2003	2004
Agriculture, forestry, & fishing	\$ 120,040	\$ 104,087	\$ 55,655	\$ 17,846
Mining	3,017,072	1,670,892	2,928,533	5,613,633
Construction	2,178,456	3,176,878	459,045	424,557
Manufacturing	2,805,088	2,626,183	3,348,853	3,585,308
Transportation, communication, utility	3,915,504	3,944,208	3,694,829	3,502,046
Wholesale Trade	1,290,343	1,820,682	2,341,586	2,315,597
Retail Trade	107,735,964	110,586,688	107,480,485	122,067,358
Finance, insurance, real estate	321,496	309,122	282,049	107,361
Services	5,937,256	6,103,505	6,247,964	6,119,047
Other	-	-	-	440,818
Total	<u>\$ 127,321,219</u>	<u>\$130,342,245</u>	<u>\$126,838,999</u>	<u>\$144,193,571</u>

Source: State Comptroller's Office

TABLE B-5

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,700,436	60,829	756,938	285,694	139,367	-
787,927	11,059,135	11,376,991	8,329,709	2,566,018	5,362,638
3,323,607	5,178,592	6,562,549	7,440,687	4,670,834	4,047,613
3,498,339	74,518	63,730	152,921	293,334	285,717
2,906,373	8,451,726	8,816,753	8,944,623	7,407,560	6,784,579
131,436,864	119,034,315	128,368,896	137,752,269	136,583,087	132,247,339
69,374	1,177,586	1,690,872	1,741,041	1,666,834	1,120,298
5,621,477	32,216,522	29,680,044	34,724,520	34,823,277	34,106,509
3,097,013	-	-	-	-	-
<u>\$158,441,410</u>	<u>\$177,253,223</u>	<u>\$187,316,773</u>	<u>\$199,371,464</u>	<u>\$188,150,311</u>	<u>\$183,954,693</u>

TABLE B-6

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

	Fiscal Year			
	2002	2003	2004	2005
Electrical revenues	\$ 6,568,105	\$ 7,350,587	\$ 7,584,035	\$ 7,873,279
Water revenues	1,491,121	1,573,863	1,637,733	1,650,187
Sewer revenues	<u>969,701</u>	<u>1,056,553</u>	<u>1,091,190</u>	<u>1,131,614</u>
Total	<u>\$ 9,028,927</u>	<u>\$ 9,981,003</u>	<u>\$ 10,312,958</u>	<u>\$ 10,655,080</u>

Sources: Various City Departments

TABLE B-6

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 8,039,723	\$ 8,016,265	\$ 8,918,291	\$ 9,387,165	\$ 10,362,512	\$ 11,196,010
1,550,614	1,629,707	1,765,155	1,749,976	2,326,923	2,279,605
<u>1,117,758</u>	<u>1,153,855</u>	<u>1,245,812</u>	<u>1,232,793</u>	<u>1,279,476</u>	<u>1,668,909</u>
<u>\$ 10,708,095</u>	<u>\$ 10,799,827</u>	<u>\$ 11,929,258</u>	<u>\$ 12,369,934</u>	<u>\$ 13,968,911</u>	<u>\$ 15,144,524</u>

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DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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

<u>Fiscal Year</u>	<u>CERTIFICATES OF OBLIGATION</u>	<u>GENERAL OBLIGATION BONDS</u>	<u>WATER SERVICE CONTRACTS PAYABLE</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
2001-02	4,670,000	-	1,295,000	5,965,000
2002-03	8,115,000 (1)	1,415,000	520,000	10,050,000
2003-04	7,770,000	1,230,000	460,000	9,460,000
2004-05	7,415,000	1,045,000	400,000	8,860,000
2005-06	7,050,000	850,000	340,000	8,240,000
2006-07	5,300,000 (2)	3,645,000 (2)	275,000	9,220,000
2007-08	4,905,000	3,350,000	210,000	8,465,000
2008-09	4,485,000	3,050,000	140,000	7,675,000
2009-10	4,055,000	2,735,000	2,785,000 (4)	9,575,000
2010-11	3,605,000	2,395,000	2,715,000	8,715,000

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.

(3) U.S. Census 2000.

(4) The Trinity River Authority issued \$2,715,000 in water system improvement bonds to be repaid by the City proprietary fund.

(5) U.S. Census 2010.

TABLE C-1

<u>PERCENTAGE OF PERSONAL INCOME</u>	<u>PER CAPITA</u>	<u>Net Bonded Debt Per Capita</u>	<u>Population</u>
4.52%	1,098	-	5,433 (3)
7.37%	1,850	248	5,433
6.92%	1,741	213	5,433
6.48%	1,631	179	5,433
5.61%	1,517	145	5,433
6.19%	1,697	665	5,433
5.11%	1,558	606	5,433
4.44%	1,413	551	5,433
5.14%	1,762	492	5,433
4.33%	1,634	437	5,335 (5)

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

<u>Fiscal Year</u>	<u>Population</u>		<u>Assessed Value (1)</u>	<u>Gross Bonded Debt (3)</u>	<u>Less: Debt Service Fund</u>
2001-02	5,433	(2)	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
2009-10	5,433		457,462,152	2,735,000	60,119
2010-11	5,335	(4)	462,301,785	2,395,000	62,171

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

(2) U.S. Census 2000

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

(4) U.S. Census 2010

TABLE C-2

Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
-	-	-
1,346,043	-	248
1,158,665	-	213
970,205	-	179
785,572	-	145
3,612,958	-	665
3,293,815	-	606
2,991,677	-	551
2,674,881	-	492
2,332,829	-	437

TABLE C-3

**CITY OF LIVINGSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
September 30, 2011**

<u>Governmental Unit</u>	<u>Outstanding Debt</u>	<u>Percentage Applicable to This Governmental Unit *</u>	<u>City of Livingston's Share of Debt</u>
City of Livingston	\$ 6,000,000	100%	\$ 6,000,000
(1) Livingston Independent School District	68,380,000	20%	13,676,000
(2) County of Polk	32,860,392	13%	<u>4,271,851</u>
Total direct and overlapping debt			<u>\$ 23,947,851</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, 2011**

Assessed value, year 2010	<u>\$ 462,301,785</u>
Debt Limit - Ten Percent of assessed value	46,230,179
Amount of Debt Applicable to Debt Limit:	
General Obligation bonds	2,395,000
Other debt (certificate of obligation and contracts payable)	<u>6,320,000</u>
Total debt	<u>8,715,000</u>
Less: Assets in debt service fund	62,171
Total amount of debt applicable to debt limit	<u>8,652,829</u>
Legal debt margin	<u>\$ 37,577,350</u>

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Legal Debt Margin as a Percentage of the Debt Limit</u>
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%
2010	\$ 45,746,215	\$ 9,514,881	\$ 36,231,334	79.20%
2011	\$ 46,230,179	\$ 8,652,829	\$ 37,577,350	81.28%

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
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%
2009-10	5,433	186,243,240	34,280	9.60%
2010-11	5,335	201,161,510	37,706	10.50%

* Sources: Population provided by the 2000 and 2010 census. Personal Income provided by Bureau of Economic Analysis. Unemployment rate (for the years available) provided Bureau of Labor Statistics and Texas Labor Market Information as published by the Texas Workforce Commission.

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

(*) <u>Name</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
Livingston ISD	614	1	7.87%	600	1	8.82%
Wal-Mart Super Center	480	2	6.15%	500	2	7.35%
Memorial Med. Center	431	3	5.53%	139	6	2.04%
County of Polk - Government	333	4	4.27%	300	3	4.41%
I A H Detention Facility	242	5	3.10%	-	-	0.00%
Sam Houston Electric Coop	159	6	2.04%	-	-	0.00%
The Bradford at Brookside	159	7	2.04%	-	-	0.00%
Lowe's Home Improvement	125	8	1.60%	-	-	0.00%
Pine Ridge Nursing Center	120	9	1.54%	175	4	2.57%
First National Bank	90	10	1.15%	75	8	1.10%
Brookshire Bros.	-		0.00%	148	5	2.18%
First State Bank	-		0.00%	75	7	1.10%
City of Livingston	-		0.00%	75	9	1.10%
Eastex Telephone Coop	-		0.00%	60	10	0.88%
	<u>2,753</u>		<u>35.29%</u>	<u>2,147</u>		<u>31.57%</u>

(*) Information provided by the City of Livingston, Texas.

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OPERATING INFORMATION

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

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

Full-time Equivalent Employees as of September 30,					
<u>FUNCTION/PROGRAM</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Administrative	8	8	9	9	10 B
Fire A	1	1	1	1	2
Police					
Officers	17	17	18	18	18
Other staff	5	4	4	5	5
Paving and street	6	7	7	6	7
Parks and recreation	7	7	7	9	9
Library	4	4	4	4	5
Garage	2	2	2	2	2
Electric, Water & Sewer	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>19</u>
Total	<u>68</u>	<u>68</u>	<u>70</u>	<u>72</u>	<u>77</u>

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-1

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
11 B	12 B	10 B	10 B	12 B
2	2	2	2	2
18	17	18	18	18
5	6	6	6	8
7	5	5	6	5
10	8	11	11	8
5	4	5	5	5
2	2	2	2	2
<u>16</u>	<u>18</u>	<u>18</u>	<u>19</u>	<u>17</u>
<u>76</u>	<u>74</u>	<u>77</u>	<u>79</u>	<u>77</u>

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

FUNCTION/PROGRAM	Fiscal Year			
	2002	2003	2004	2005
Police				
Violations (Traffic & Criminal)	2,993	2,788	2,241	2,761
Fire				
Fire Calls	609	510	488	592
Library				
Volumes of Books	22,846	23,863	23,383	24,425
Electric				
Average daily kilowatt hours sold	198,484	202,958	219,935	224,874
Total customers	3,232	3,221	3,238	3,278
Water				
Average daily consumption	1,342,285	1,284,118	1,314,511	1,415,414
Total connections	3,056	3,123	3,143	3,186

Sources: Various City Departments

TABLE E-2

2006	2007	2008	2009	2010	2011
2,493	3,047	2,823	3,309	3,317	4,494
592	728	863	797	717	850
22,212	22,426	20,770	22,409	22,287	23,544
226,791 3,281	227,240 3,325	224,443 3,329	230,289 3,331	238,439 3,296	243,342 3,286
1,347,551 3,213	1,347,079 3,224	1,445,855 3,214	1,480,375 3,270	1,567,956 3,265	1,611,014 3,251

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

FUNCTION/PROGRAM	Fiscal Year			
	2002	2003	2004	2005
Police				
Patrol Units	9	9	9	9
Fire				
Stations and substation	2	2	2	2
Vehicles including fire trucks	9	8	8	9
Paving and Street				
Miles of Paved Streets	49.20	49.20	49.20	49.20
Miles of Paved Sidewalks	12.50	12.50	12.50	12.50
Street lights	691	693	697	703
Night lights	435	438	453	466
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

2006	2007	2008	2009	2010	2011
9	9	7	8	10	10
2	3	3	3	3	3
9	9	17	17	17	17
49.20	49.20	53.24	55.74	58.06	58.06
12.50	12.50	12.50	12.50	12.50	12.50
711	711	721	721	723	818
481	481	468	468	424	435
373.50	373.50	373.50	373.50	373.50	373.50
33.95	33.95	34.40	35.98	40.43	45.25
2,150,000	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000
78.12	78.12	78.88	78.88	80.00	80.00

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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
2010 U.S. Census - 5,335

INCORPORATED AREA IN ACRES LAST TEN YEARS

2002	5,440	2007	5,465
2003	5,440	2008	5,465
2004	5,441	2009	5,537
2005	5,456	2010	5,554
2006	5,456	2011	5,572

TRANSPORTATION FACILITIES

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

WATER AND SANITATION FACILITIES

Water Mains	Water Storage
12" 9.40 miles	Elevated - 800,000 gallons
8" 10.7 miles	Ground - 1,350,000 gallons
6" 21.65 miles	
20" 3.50 miles	Sewer Lines
Water Pumpage	Sanitation - 80.00 miles of line
Present requirements 1,800,000	Storm - Adequate for proper
gallons per day	drainage

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED

PERSONNEL

<u>Department</u>	<u>Number of Employees</u>	<u>Employees Statistics</u>	
		<u>Years of Service</u>	<u>Number of Employees</u>
Administrative	10	31+	4
Electric	7	20-30	11
Water	7	15-19	3
Sewer	3	10-14	17
Police	25	6-9	11
Street	5	1-5	24
Parks and Recreational	6	Less than (one) 1 year	2
Library	5		
Garage	2		<u>77</u>
Community Devel.	2		
Fire	2		
Mainstreet	1		
Trade Days	2		
Total	<u>77</u>		

PERSONNEL POLICY PROVISIONS

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

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

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED

POLICE PROTECTION**Personnel**

One (1) Chief
 One (1) Lieutenant
 Four (4) Sergeants
 Two (2) Detectives
 Eight (8) Officers
 Two (2) Reserve Officers
 Four (4) Telecommunication Operators
 One (1) Relief Telecommunication Operator
 One (1) Animal Control Officer
 Two (2) School Officers

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

Equipment

Ten (10) Patrol Units
 Eight (8) Radars
 Radio Communication System
 Computer System

Traffic and Criminal Violations

\$191,073 fines collected
 4,494 violations

FIRE PROTECTION**Personnel**

One (1) Fire Chief
 Thirty-five (35) volunteer firemen
 Three (3) radio dispatchers - full time and standby
 One (1) secretary

Equipment

Five (5) pumpers (1-1000 GPM; 3-1250 GPM; 1-750 GPM)
 One (1) aerial ladder truck (1750 GPM)
 Two (2) tankers (3000 gal. capacity)
 One (1) Haz-Mat truck
 Two (2) rescue boats and equipment
 One (1) Command Post-32' self-contained
 Radio communication system including 50 mobile units,
 dispatch module and 6 remotes
 "Jaws" of life (4 sets with 1 set of air bags)
 Water rescue equipment
 Trench rescue equipment
 Rope rescue equipment
 Three (3) Thermal imagers
 Two (2) utility vehicle
 Two (2) Grass/brush fire trucks
 One (1) Heavy Rescue
 1-6 Bottle cascade system-light tower
 1-8 Bottle cascade system
 300 gallons AFFF Foam
 200 gallons Forestry Foam
 One (1) John Deere Gator
 One (1) Skid Unit

Housing

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

1996 Station 2 - 5 Truck bays

2007 Station 3 - 2 Truck bays

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

Total Fire Calls

2010-2011 - 850 fire calls

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

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
U.S. Census - 2010	5,335

ENTERPRISES AS OF SEPTEMBER 30, 2011

(1) Centerpoint Energy	Gas Utility	Active Customers 1,776 Inactive Customers N/A
(1) Versalink Media	Television Cable	Customers - 354
(1) Livingston Telephone Co.	Telephone System	Access Lines - 3,830
(1) Telcom Supply	Television Cable	Customers - 970
City of Livingston	Electric & Water Systems	Electric Customers 3,286 Water Customers 2,706
(1) Information provided by individual corporate offices		

CITY ELECTRIC DEPARTMENT STATISTICS (LAST TEN YEARS)

Fiscal Year	Number of Customers	KWH Consumed		Total
		Residential	Commercial	
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
2009	3,331	30,428,769	53,626,613	84,055,382
2010	3,296	32,130,530	54,899,882	87,030,412
2011	3,286	31,409,976	57,409,721	88,819,697

CITY OF LIVINGSTON, TEXAS

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

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
2009-10	\$ 3,012,227
2010-11	\$ 3,185,997

WATER DEPARTMENT STATISTICS (LAST TEN YEARS)

<u>Year</u>	<u>Gallons Consumed *</u>	<u>Gallons Pumped</u>
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
2010	572,304,000	698,683,000
2011	588,020,000	778,293,000

* Water consumption at municipally-owned facilities not included.

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

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

Public School Miscellaneous Data

Teachers - 271 Certified
67 Aides Para Professional
204 Auxiliary
Average Daily Attendance - 3,872 Inclusive

Public School Administrative Personnel

Superintendent - One (1)
Asst. Superintendent - Two (2)
Principals - Six (6)
Asst. Principals - Eight (8)
Counselors - Fourteen (14)
Directors of Special Prog./Curriculum -
Ten (10)
Other - 31
Private
Private Kindergarten and/or
Nursery Schools - Ten (10)

* Information provided by Livingston Independent School District Business Office.

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED

CULTURAL 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; 2011 - 23,544

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, concession
stand, restrooms, maintenance shop,
and two (2) ponds.

ELECTION INFORMATION

* Number of registered voters in County	35,625
* Number voting in last general election (2010)	12,666
Number of registered voters in City	3,119
** Number voting in last Municipal election (2008)	910
Percentage of voters voting:	
Last general election (County) (2010)	36.0%
** 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, 2011**

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Clarke Evans	Mayor	\$ 25,000
E. Ray Hill	Mayor Pro-tem	25,000
Judy Cochran	Aldерwoman	25,000
Billy S. Wiggins	Alderman	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.