

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

**FISCAL YEAR
OCTOBER 1, 2011 - SEPTEMBER 30, 2012**

ISSUED BY: FINANCE DEPARTMENT

MARILYN SUTTON

**CITY OF LIVINGSTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2012**

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Title Page	
Table of Contents	i-iv
Chief Finance Officer's Comprehensive Letter of Transmittal	v-x
List of Principal Officials	xi
Organizational Chart	xii
Certificate of Achievement for Excellence in Financial Reporting	xiii
FINANCIAL SECTION	
Independent Auditor's Report	2-3
Management's Discussion and Analysis (unaudited)	4-13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	15-16
Statement of Activities	17-18
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	19-20
Statement of Revenues, Expenditures, and Changes in Fund Balances	21-22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (GAAP Basis) and Actual	25-26

TABLE OF CONTENTS - Continued

	<u>PAGE</u>
Proprietary Funds:	
Statement of Net Assets	27-28
Statement of Revenues, Expenses and Changes in Fund Net Assets	29
Statement of Cash Flows	30-31
Notes to Basic Financial Statements	33-51
Required Supplementary Information:	
Texas Municipal Retirement System Analysis of Funding Progress	53
Other Supplementary Information:	
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual:	
Budgetary Comparison Schedule Debt Service Fund	55-56
Budgetary Comparison Schedule Capital Projects Fund	57-58
Individual Fund Financial Statements and Schedules:	
General Fund:	
Comparative Balance Sheet	61
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual	63-64
Schedule of Expenditures-Budget (GAAP Basis) and Actual	65-72
Debt Service Fund:	
Comparative Balance Sheet	74
Budgetary Comparison Schedule	75-76
Capital Projects Fund:	
Comparative Balance Sheet	78
Budgetary Comparison Schedule	79-80

TABLE OF CONTENTS - Continued

	<u>PAGE</u>
Proprietary Fund:	
Comparative Statement of Net Assets Electric, Water and Sewer Fund	83-84
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets Electric, Water, and Sewer Fund	85
Comparative Statement of Cash Flows Electric, Water, and Sewer Fund	86-87
Enterprise Fund:	
Schedule of Expenses by Department - Compared to Budget	89-92
STATISTICAL SECTION	
	<u>TABLE</u> <u>PAGE</u>
Financial Trends:	
Net Assets by Component - Last Ten Fiscal Years	A-1 95-96
Changes in Net Assets - Last Ten Fiscal Years	A-2 97-98
Fund Balances Governmental Funds - Last Ten Fiscal Years	A-3 99-100
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years	A-4 101-102
Revenue Capacity:	
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	B-1 105-106
Property Tax Rates and Tax Levies – Direct and Overlapping Governments - Last Ten Fiscal Years	B-2 107
Principal Revenue Payers - Current and Nine Years Ago	B-3 108
Property Tax Levies and Collections - Last Ten Fiscal Years	B-4 109-110
Taxable Sales by Category - Last Ten Fiscal Years	B-5 111-112
Electrical, Water and Sewer Revenues - Last Ten Fiscal Years	B-6 113-114
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	C-1 117-118
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita – Last Ten Fiscal Years	C-2 119-120

TABLE OF CONTENTS – Continued

STATISTICAL SECTION	<u>TABLE</u>	<u>PAGE</u>
Computation of Direct and Overlapping Debt	C-3	121
Computation of Legal Debt Margin	C-4	122
Demographic and Economic Information:		
Demographic and Economic Statistics – Last Ten Fiscal Years	D-1	125
Principal Employers – Current and Nine Years Ago	D-2	126
Operating Information:		
Full-Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years	E-1	129-130
Operating Indicators by Function/Program – Last Ten Fiscal Years	E-2	131-132
Capital Assets Statistics by Function/Program – Last Ten Fiscal Years	E-3	133-134
Miscellaneous Statistical Data – Unaudited	F-1 – F-6	137-142
City Officials	F-7	143



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 7, 2013

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, 2012 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.

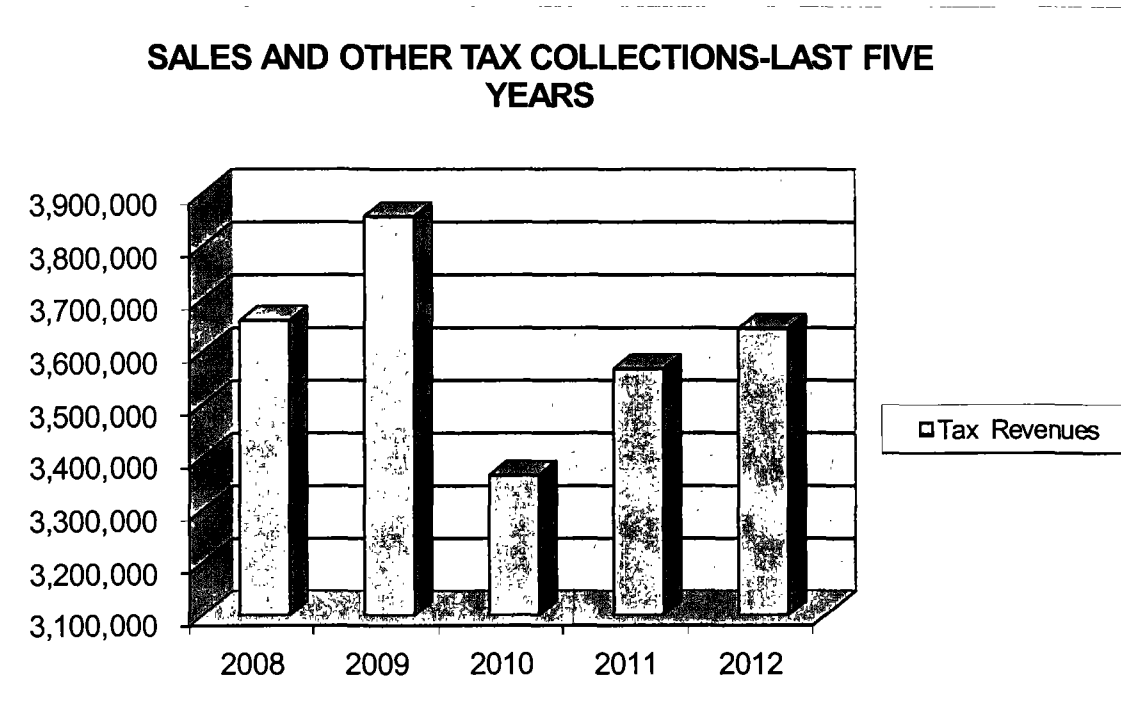
All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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 continued to experience a modest rebound in 2012 as is evidenced by the fact that sales tax revenue, a major indicator of the economic condition of the area, increased from \$3,186,000 to \$3,275,000, an increase of \$89,000 or 2.8%.

A graph of tax receipts follows:



In fiscal 2012, hotel occupancy tax increased by 1.8%, gross receipts and franchise fees decreased by 9.0%, sanitation service revenue increased by 1.6%, municipal court fines increased by 11.4%, and parks and recreation user fees decreased by 15%.

The Utility Fund experienced a decrease in revenue due to the extremely mild winter and summer weather which resulted in decreased electricity and water usage. Electric sales revenue decreased by 7.7%, or \$764,344 and water sales and sewer service revenue decreased by 4.2%, or \$148,007 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 232,814,000 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 31,451,000 gallons of water. Together, these two facilities represent 48% of water and sewer consumption. While electric and water usage revenues were down in 2012 due to the previously mentioned weather conditions, the City did experience an 11% increase in the number of utility customers. The City went from 3,244 customers in 2011 to 3,280 customers in 2012, the first increase in several years.

A total of 68 building permits were issued by the City for commercial and residential constructions projects in 2012 with a total construction value of \$11,348,946. New or renovated businesses and commercial developments underway in 2012 include: Polk County Community College/Commerce Center, Provident Memory Care Alzheimer's facility, Valero/Rite Track convenience store/gas station, Donut Xpress, Skate Station roller rink and party place, Polk County Dental Care, The Donut Factory, Pineywoods Midwife Service birthing center, McClendon's office building, Emergency Hospitals of Texas medical campus, Livingston Housing Authority office and recreation center project, renovation of the old LISD High School campus into an Intermediate School campus, interior build out of the 5th floor of the Memorial Medical Center, renovation of the interior and exterior of the existing Burger King, and a historical renovation elevator project at the Polk County Courthouse.

The Livingston Main Street program is now in its eighth year and continues to make progress in efforts to make downtown an attractive, vital area of commerce. This past fiscal year the Livingston Main Street program disbursed almost \$12,000 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 \$87,000 in locally-raised grant funds helping to stimulate more than \$12,325,000 of reinvestment in the Main Street District.

This activity demonstrates the positive economic climate in the local community which is expected to continue into the new year with additional projects currently in the planning and development stages.

Future Economic Outlook

A major project which will significantly impact the community for many years to come is the Polk County Community College/Commerce Center currently under construction on the US 59 North bypass adjacent to Pedigo Park. The groundbreaking ceremony was held on March 6, 2012 with an anticipated opening in early fall, 2013. The City will provide electric, water and sewer services to the new facility.

As we begin 2013, the Retail Analysis Merchandising Plan for the Livingston area, which was funded through the Polk County Economic and Industrial Development Corporation, is being used by the economic development staff and Catalyst Commercial, Inc. to make contacts 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 2012-2013 fiscal year by more than \$100,000, or 10.0%, from the first four months of 2011-2012 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

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 our residents, a planning session with supervisory personnel and a City Council workshop to address future infrastructure needs, assess facilities and equipment, programming and service delivery needs and determine future personnel staffing needs for the community.

In 2012, the City moved forward with the issuance of \$6,000,000 in certificates of obligation bonds to finance various major capital improvement projects to meet the continuing growth in the community:

- Bids were opened December 19th, 2012 for the 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. The construction contract was awarded to Landmark Structures at a cost of \$2,262,000. Plans call for construction of the new tank to begin in March, 2013 with completion estimated to be May, 2014.
- Design plans have been completed and a contract has been awarded to Kingham Construction Company for the 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 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 a 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. Bids on the project are scheduled to be opened on February 7, 2013 with construction to begin in March at an estimated cost of \$2,300,000, with an estimated completion date of December, 2013.

- Design plans are complete for the Trinity River Authority's expansion of the City's water treatment plant on FM 350 South to increase production from 3 MGD to 5 MGD to meet increased water supply needs in the community. The project is expected to bid on May 7, 2013 at an estimated construction cost of \$10,207,000. Construction is expected to begin in July, 2013 with completion expected to be in February, 2015.
- Design plans have been completed by engineers with the Sam Rayburn Municipal Power Agency for the construction of an electric 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. The project is expected to bid in early 2013 at an estimated cost of \$700,000. Construction is expected to begin in mid 2013 with an expected completion date in late 2013.

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 2012 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, 2012, 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, 2011. 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-four consecutive years (fiscal years ended 1988-2011). 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 black ink, reading "Marilyn Sutton". The signature is written in a cursive, flowing style with a large initial "M".

Marilyn Sutton
City Manager and Chief Financial Officer

CITY OF LIVINGSTON, TEXAS

September 30, 2012

PRINCIPAL OFFICIALS

City Council

Mayor

Clarke Evans

Mayor Pro-tem

Judy Cochran

Alderman

Elgin Davis

Alderman

E. Ray Hill

Alderman

Raymond Luna

Alderman

Billy S. Wiggins

Administration

City Manager

Marilyn Sutton

City Secretary

Ellie Monteaux

City Attorney

Jim Wright

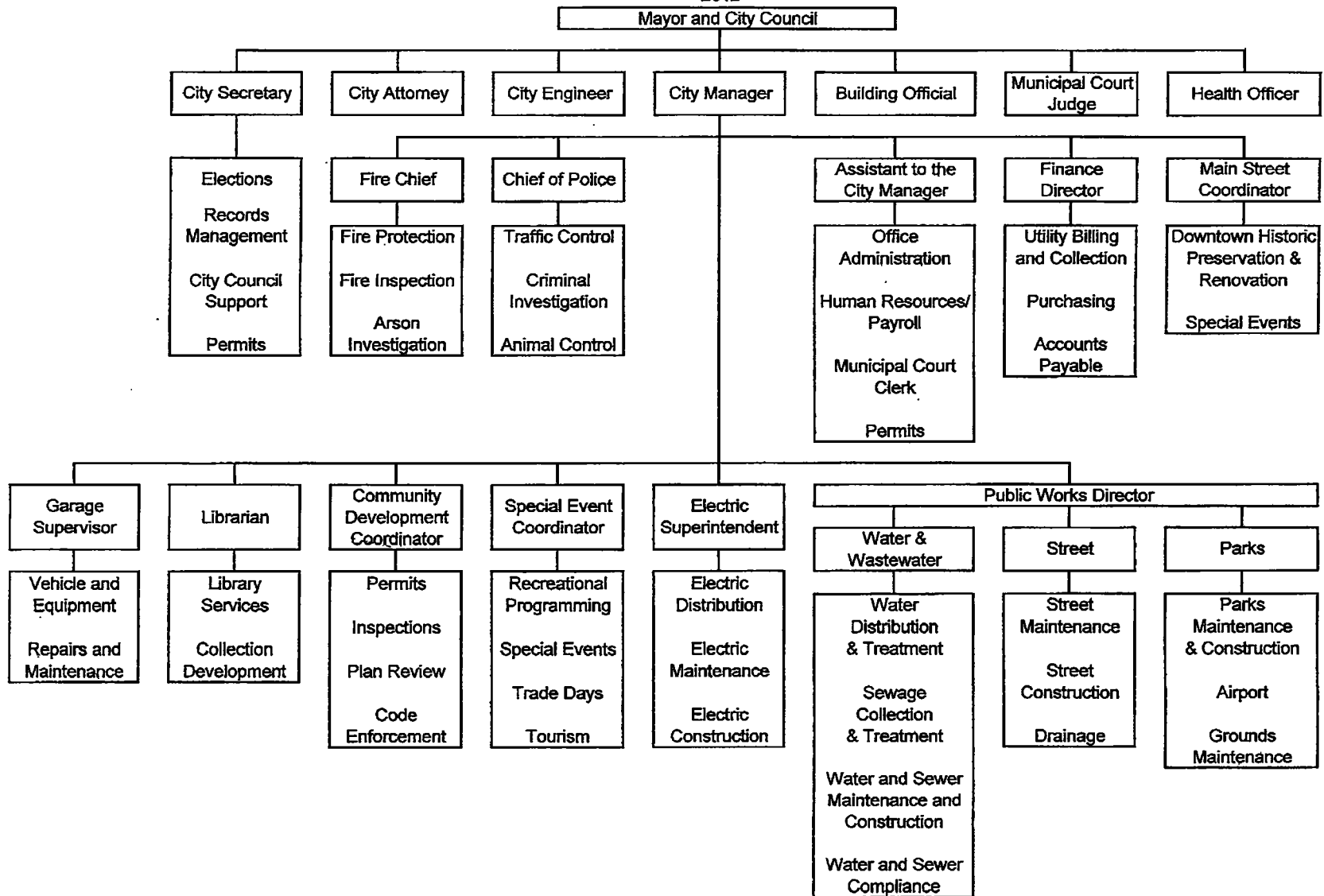
Form of Government

Council - Manager

General Law City

CITY OF LIVINGSTON, TEXAS ORGANIZATIONAL CHART

2012



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, 2011

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



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, major fund, and remaining fund information, which collectively comprise the basic financial statements of the City of Livingston, Texas, as of and for the year ended September 30, 2012, as listed in the Table of Contents. These financial statements are the responsibility of the management of the City of Livingston, Texas. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2012, and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated March XX, 2013, on our consideration of the City of Livingston, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 7, 2013

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

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, 2012. 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 \$234,000 or 4.7% as a result of the year's operations. The increase was due primarily to an increase in sales tax revenues of \$89,000 or 2.8% and an increase in building permits of \$75,000 or 300% due to new construction. Net assets of the City's business type activities increased by \$830,000 or 4.2% during 2012. This increase was primarily a result of grants received for sewer improvements and normal operating results from a mild winter and summer which reduced electric and water utilization.
- The City's total net assets increased by \$1,063,000 or 4.3% during the current fiscal year. The increase is the result of the increases described above.
- Total cost of the City's government programs increased \$196,000 or 3.3%. Expenses increased in virtually all departments. The largest contributor to the increase were the increased personnel costs in the police department.
- As of September 30, 2012, the City of Livingston's governmental funds reported combined ending fund balances of \$6,269,000 an increase of \$5,688,000 in comparison with the prior fiscal year. The increase is due primarily to the sale of \$6,000,000 in bonds for major construction projects.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$190,000 or approximately 3.3% of total general fund expenditures.
- The City's total bonded debt increased by \$5,320,000 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 \$25,631,000 as of September 30, 2012. Analyzing the net assets of governmental and business-type activities separately, the business type activities net assets are \$20,470,000. 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 (86.76%) 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.

City of Livingston, Texas
Management's Discussion and Analysis (continued)
September 30, 2012

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

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 6,706,286	\$ 944,905	\$ 4,748,903	\$ 5,497,810	\$ 11,455,189	\$ 6,442,715
Capital assets	<u>10,057,572</u>	<u>10,257,770</u>	<u>20,085,479</u>	<u>18,749,964</u>	<u>30,143,051</u>	<u>29,007,734</u>
Total assets	<u>16,763,858</u>	<u>11,202,675</u>	<u>24,834,382</u>	<u>24,247,774</u>	<u>41,598,240</u>	<u>35,450,449</u>
Long-term debt outstanding	11,320,000	6,000,000	2,640,000	2,715,000	13,960,000	8,715,000
Other liabilities	<u>282,723</u>	<u>275,064</u>	<u>1,724,169</u>	<u>1,892,189</u>	<u>2,006,892</u>	<u>2,167,253</u>
Total liabilities	<u>11,602,723</u>	<u>6,275,064</u>	<u>4,364,169</u>	<u>4,607,189</u>	<u>15,966,892</u>	<u>10,882,253</u>
Net assets:						
Invested in capital assets, net of related debt	4,791,257	4,351,471	17,445,479	16,034,964	22,236,736	20,386,435
Restricted	11,028	62,171	103,495	463,375	114,523	525,546
Unrestricted	<u>358,850</u>	<u>513,969</u>	<u>2,921,239</u>	<u>3,142,246</u>	<u>3,280,089</u>	<u>3,656,215</u>
Total net assets	<u>\$ 5,161,135</u>	<u>\$ 4,927,611</u>	<u>\$ 20,470,213</u>	<u>\$ 19,640,585</u>	<u>\$ 25,631,348</u>	<u>\$ 24,568,196</u>

An additional portion of the City's net assets (.5%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$3,280,089 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2012, 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 increased by \$5,561,183. This increase related to the sale of \$6,000,000 in bonds to fund major capital improvements. Long-term debt of governmental activities also increased by \$5,320,000 as a result of the same bonds. The long-term debt of the business type activities decreased by \$75,000 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 \$1,063,152.

Governmental Activities

Governmental activities increased net assets by \$233,524. Net assets invested in capital assets, net of related debt increased by \$439,786 or 10.1% due to the repayment of outstanding bonds and additional investment in equipment, buildings, and infrastructure net of depreciation. Unrestricted net assets decreased by \$155,119 as a result of increased expenses for personnel, reduced receipt of government grants, and the associated increase in net assets invested in capital assets.

Total revenues for governmental activities increased from the previous year by \$67,812. The primary increase was in sales tax, of \$89,324 due to improving economic activity in the City along with increased building permits of \$75,055, net of a decrease in grant revenues of \$147,442 associated with various street projects.

Business-Type Activities

Net assets from business-type activities increased by \$829,628 or 4.2% from \$19,640,585 in 2011 to \$20,470,213 in 2012. The increase was primarily due to grants received for sewer improvements of approximately \$693,000 and normal operating results associated with mild summer and winter utility usage.

The following table provides a summary of the City's operations for year ended September 30, 2012 with comparative totals for year ended September 30, 2011.

Table 2
City of Livingston's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for						
Services	\$ 1,688,589	\$ 1,556,134	\$ 14,253,547	\$ 15,144,524	\$ 15,942,136	\$ 16,700,658
Capital Grants &						
Contributions	3,491	171,317	-	-	3,491	171,317
Operating Grants						
& Contributions	130,478	110,094	-	-	130,478	110,094
General Revenues:						
Property tax	-	-	-	-	-	-
Sales tax	3,275,321	3,185,997	-	-	3,275,321	3,185,997
Franchise tax	146,319	162,759	-	-	146,319	162,759
Hotel/Motel tax	222,936	219,019	-	-	222,936	219,019
Investment						
earnings	10,801	4,803	11,496	14,087	22,297	18,890
Miscellaneous	-	-	-	-	-	-
Total Revenues	<u>5,477,935</u>	<u>5,410,123</u>	<u>14,265,043</u>	<u>15,158,611</u>	<u>19,742,978</u>	<u>20,568,734</u>
Expenses:						
Administration	578,438	560,705	-	-	578,438	560,705
Sanitation	631,433	611,463	-	-	631,433	611,463
Fire	396,728	440,931	-	-	396,728	440,931
Police	1,846,576	1,701,952	-	-	1,846,576	1,701,952
Paving & Street	962,427	968,401	-	-	962,427	968,401
Parks &						
Recreation	973,354	917,386	-	-	973,354	917,386
Library	332,359	310,674	-	-	332,359	310,674
Garage	190,832	183,928	-	-	190,832	183,928
Interest on long-						
term debt	246,345	267,220	-	-	246,345	267,220
Electric, Water,						
and Sewer	-	-	12,521,334	12,851,514	12,521,334	12,851,514
Total Expenses	<u>6,158,492</u>	<u>5,962,660</u>	<u>12,521,334</u>	<u>12,851,514</u>	<u>18,679,826</u>	<u>18,814,174</u>
Excess (deficiency)						
before transfers	(680,557)	(552,537)	1,743,709	2,307,097	1,063,152	1,754,560
Transfers	<u>914,081</u>	<u>585,468</u>	<u>(914,081)</u>	<u>(585,468)</u>	<u>-</u>	<u>-</u>
Increase (decrease)						
in net assets	233,524	32,931	829,628	1,721,629	1,063,152	1,754,560
Net assets -						
October 1	<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>
Net assets -						
September 30	<u>\$ 5,161,135</u>	<u>\$ 4,927,611</u>	<u>\$ 20,470,213</u>	<u>\$ 19,640,585</u>	<u>\$ 25,631,348</u>	<u>\$ 24,568,196</u>

Financial Analysis of the Government's Funds

Governmental Funds

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

At the end of the current fiscal year, the City of Livingston's governmental funds reported combined ending fund balances of \$6,269,076. Approximately 3.0% of the total amount (\$190,139) 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 (\$11,028), library (\$14,224) and capital improvements (\$6,053,685).

The unassigned fund balance of the general fund decreased by \$205,429 from the prior year. The decrease was the result of increased personnel expenses and a decrease in grants received. The restricted fund balance of the general fund decreased by \$14,870 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 a loss of approximately \$940,000 on a GAAP basis. Due to an increase in transfers from the proprietary fund of approximately \$727,000, the actual fund balance decreased by \$220,299. The debt service fund balance decreased by \$51,143 which was less than the budgeted deficit of \$142,922 because of higher than budgeted transfers into the fund. The capital projects fund balance increased by \$5,959,983 as a result of the sale of the \$6,000,000 in bonds for capital 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 \$2,921,239. Total net assets increased in 2012 by \$829,628. As previously described, the increase in the net assets was primarily the result of grants received for sewer system improvements and normal operating results.

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 \$164,156 or 3.1%. The increase in budgeted revenues was primarily for an increase in building permits along with an increase in municipal court fines and the receipt of grant funds not anticipated in the original budget. The increase in building permits along with the municipal court fines was the result of improved economic activity. Budgeted expenditures were increased by \$175,000 or 3.1%. The increases in budgeted expenditures were primarily for increased police personnel costs, along with streets, and library improvement projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2012, the City had \$30,143,051 (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 3.9% (2.0% decrease for governmental activities and a 7.1% 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
	2012	2011	2012	2011	2012	2011
Land	\$ 476,004	\$ 476,004	\$ 679,488	\$ 679,488	\$ 1,155,492	\$ 1,155,492
Water Rights	-	-	2,640,000	2,715,000	2,640,000	2,715,000
Buildings and improvements	2,126,772	2,225,251	299,495	309,043	2,426,267	2,534,294
Equipment and fixtures	1,144,620	902,004	472,673	348,913	1,617,293	1,250,917
Paving, sidewalks and streets	5,230,091	5,529,818	-	-	5,230,091	5,529,818
Parks development	929,794	960,987	-	-	929,794	960,987
Airport improvements	150,291	163,706	-	-	150,291	163,706
Utility systems	-	-	15,993,823	14,697,520	15,993,823	14,697,520
Total	<u>\$ 10,057,572</u>	<u>\$ 10,257,770</u>	<u>\$ 20,085,479</u>	<u>\$ 18,749,964</u>	<u>\$ 30,143,051</u>	<u>\$ 29,007,734</u>

This year's major additions included:

Police Vehicles	\$ 38,386
Street sweeper	204,890
Various street improvements	151,813
Parks improvements	80,328
Bucket Truck	175,842
Utility System Improvements	<u>1,614,683</u>
Total	<u>\$ 2,265,942</u>

The City's fiscal year 2013 capital budget calls for it to spend another \$6,148,000 for capital projects, principally for library renovation (\$2,025,000), street improvements (\$125,000), police patrol cars (\$68,000), dump truck (\$46,000), parks facility improvements (\$98,000), elevated water storage tank project (\$2,180,000), electrical system improvements (\$82,500), water system upgrades and equipment (\$175,000), and sewer system equipment (\$150,000). 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 \$11,320,000 in bonds outstanding as compared to \$6,000,000 at the end of the prior fiscal year, an increase of 88.7% - as shown in Table 4.

Table 4
Outstanding Debt, at Year-end

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds (backed by the City)	\$ 5,115,000	\$ 2,395,000	\$ -	\$ -	\$ 5,115,000	\$ 2,395,000
Certificates of obligation (backed by the City)	<u>6,205,000</u>	<u>3,605,000</u>	<u>-</u>	<u>-</u>	<u>6,205,000</u>	<u>3,605,000</u>
Totals	<u>\$ 11,320,000</u>	<u>\$ 6,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,320,000</u>	<u>\$ 6,000,000</u>

The City issued debt in June 2012 in order to retire \$2,930,000 in old debt and in July 2012 issued \$6,000,000 in certificates of obligation to be used primarily for library renovation and water and sewer 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 2013 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 2012-2013 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 fees, development fees for new construction, new utility connections, and total bank deposits 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, 2012, sales tax revenue increased by 2.8%. In the first four months of the 2012-2013 fiscal year, the City has experienced a 10.0% 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 16.6% of the City's total annual operating revenue.

As for the City's business-type activities, fees for electric, water and sewer services account for about 72.2% 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 2013 bringing with it new sales tax revenue, development fees, and utility service fees.

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. As the City moves forward into 2013, the City Council and management staff will continually reevaluate and revise, if necessary, the initiatives based on the financial condition of the community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 6,515,855	\$ 1,507,034	\$ 8,022,889
Certificates of deposit	-	1,500,000	1,500,000
Receivables:			
Returned checks receivable	3,045	25,401	28,446
Paving accounts receivable	32,899	-	32,899
Utility accounts receivable	-	1,612,973	1,612,973
Deferred issuance cost (net)	154,487	-	154,487
Restricted assets - cash	-	103,495	103,495
Capital assets (net of accumulated depreciation):			
Land	476,004	679,488	1,155,492
Buildings and improvements	2,126,772	299,495	2,426,267
Equipment and fixtures	1,144,620	472,672	1,617,292
Paving, sidewalks and streets	5,230,091	-	5,230,091
Parks development	929,794	-	929,794
Airport improvements	150,291	-	150,291
Electrical system	-	3,606,377	3,606,377
Water system	-	6,261,051	6,261,051
Sewer system	-	6,126,396	6,126,396
Water service contract rights	-	2,640,000	2,640,000
 Total Assets	 <u>\$ 16,763,858</u>	 <u>\$ 24,834,382</u>	 <u>\$ 41,598,240</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES</u>			
Accounts payable	\$ 282,723	\$ 1,281,401	\$ 1,564,124
Meter deposits	-	442,768	442,768
Noncurrent Liabilities:			
Due within one year	960,000	75,000	1,035,000
Due in more than one year	<u>10,360,000</u>	<u>2,565,000</u>	<u>12,925,000</u>
Total Liabilities	<u>11,602,723</u>	<u>4,364,169</u>	<u>15,966,892</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	4,791,257	17,445,479	22,236,736
Restricted for:			
System improvements	-	61,086	61,086
Debt service	11,028	42,409	53,437
Unrestricted	<u>358,850</u>	<u>2,921,239</u>	<u>3,280,089</u>
Total Net Assets	<u>\$ 5,161,135</u>	<u>\$ 20,470,213</u>	<u>\$ 25,631,348</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions
Governmental activities:				
Administrative	\$ 578,438	\$ 193,065	\$ -	\$ -
Sanitation	631,433	947,880	-	-
Fire	396,728	-	-	41,802
Police	1,846,576	280,759	-	66,027
Paving and street	962,427	51,802	3,491	-
Parks and recreation	973,354	199,677	-	-
Library	332,359	15,406	-	22,649
Garage	190,832	-	-	-
Interest on long-term debt	246,345	-	-	-
Total governmental activities	<u>6,158,492</u>	<u>1,688,589</u>	<u>3,491</u>	<u>130,478</u>
Business-type activities:				
Electric, water and sewer	<u>12,521,334</u>	<u>14,253,547</u>	-	-
Total business-type activities	<u>12,521,334</u>	<u>14,253,547</u>	-	-
Total primary government	<u>\$ 18,679,826</u>	<u>\$ 15,942,136</u>	<u>\$ 3,491</u>	<u>\$ 130,478</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>
\$ (385,373)	\$ -	\$ (385,373)
316,447	-	316,447
(354,926)	-	(354,926)
(1,499,790)	-	(1,499,790)
(907,134)	-	(907,134)
(773,677)	-	(773,677)
(294,304)	-	(294,304)
(190,832)	-	(190,832)
(246,345)	-	(246,345)
<u>(4,335,934)</u>	<u>-</u>	<u>(4,335,934)</u>
<u>-</u>	<u>1,732,213</u>	<u>1,732,213</u>
<u>-</u>	<u>1,732,213</u>	<u>1,732,213</u>
<u>(4,335,934)</u>	<u>1,732,213</u>	<u>(2,603,721)</u>
3,275,321	-	3,275,321
146,319	-	146,319
222,936	-	222,936
10,801	11,496	22,297
<u>914,081</u>	<u>(914,081)</u>	<u>-</u>
<u>4,569,458</u>	<u>(902,585)</u>	<u>3,666,873</u>
233,524	829,628	1,063,152
<u>4,927,611</u>	<u>19,640,585</u>	<u>24,568,196</u>
<u>\$ 5,161,135</u>	<u>\$ 20,470,213</u>	<u>\$ 25,631,348</u>

See accompanying notes to financial statements

**CITY OF LIVINGSTON, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2012**

	<u>General</u>	<u>Debt Service</u>
<u>ASSETS</u>		
Cash	\$ 451,142	\$ 11,028
Receivables:		
Returned checks receivable	3,045	-
Paving accounts receivable	<u>32,899</u>	<u>-</u>
Total Assets	<u>\$ 487,086</u>	<u>\$ 11,028</u>
<u>LIABILITIES</u>		
Accounts payable	<u>\$ 282,723</u>	<u>\$ -</u>
Total Liabilities	<u>282,723</u>	<u>-</u>
<u>FUND BALANCES</u>		
Restricted for:		
Capital Projects	-	-
Library Memorials	14,224	-
Debt Service	-	11,028
Unassigned	<u>190,139</u>	<u>-</u>
Total Fund Balances	<u>204,363</u>	<u>11,028</u>
Total Liabilities and Fund Balances	<u>\$ 487,086</u>	<u>\$ 11,028</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
\$ 6,053,685	\$ 6,515,855
-	3,045
-	32,899
<u>\$ 6,053,685</u>	<u>\$ 6,551,799</u>
\$ -	\$ 282,723
-	282,723
6,053,685	6,053,685
-	14,224
-	11,028
-	190,139
<u>6,053,685</u>	6,269,076
<u>\$ 6,053,685</u>	

10,057,572

154,487

(11,320,000)

\$ 5,161,135

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, 2012**

	<u>General</u>	<u>Debt Service</u>
REVENUES		
Taxes:		
Sales taxes	\$ 3,275,321	\$ -
Franchise taxes	146,319	-
Hotel/Motel taxes	222,936	-
Licenses and permits	155,254	-
Charges for service	1,174,660	-
Fines and forfeitures	261,493	-
Miscellaneous	248,412	8,371
Total Revenues	<u>5,484,395</u>	<u>8,371</u>
EXPENDITURES		
Current:		
Administrative	641,322	-
Sanitation	631,313	-
Fire	400,846	-
Police	1,803,998	-
Paving and street	833,726	-
Parks and recreation	921,669	-
Library	349,016	-
Garage	210,071	-
Debt service:		
Principal retirement	-	850,000
Interest	-	246,345
Total Expenditures	<u>5,791,961</u>	<u>1,096,345</u>
Excess (deficiency) of revenues over expenditures	<u>(307,566)</u>	<u>(1,087,974)</u>
OTHER FINANCING SOURCES (USES)		
Bonds issued	-	-
Bonds issued from refunding debt	-	3,100,000
Redemption of refunded bonds	-	(2,930,000)
Transfers in	1,124,098	1,036,831
Transfers out	(1,036,831)	(170,000)
Total other financing sources (uses)	<u>87,267</u>	<u>1,036,831</u>
Net change in fund balances	(220,299)	(51,143)
Fund Balances - beginning	<u>424,662</u>	<u>62,171</u>
Fund Balances - ending	<u>\$ 204,363</u>	<u>\$ 11,028</u>

See accompanying notes to financial statements

Capital Projects	Total Governmental Funds
\$ -	\$ 3,275,321
-	146,319
-	222,936
-	155,254
-	1,174,660
-	261,493
-	256,783
-	<u>5,492,766</u>
-	641,322
-	631,313
-	400,846
-	1,803,998
-	833,726
-	921,669
-	349,016
-	210,071
-	850,000
-	246,345
-	<u>6,888,306</u>
-	<u>(1,395,540)</u>
6,000,000	6,000,000
-	3,100,000
-	(2,930,000)
-	2,160,929
(40,017)	<u>(1,246,848)</u>
<u>5,959,983</u>	<u>7,084,081</u>
5,959,983	5,688,541
<u>93,702</u>	<u>580,535</u>
<u>\$ 6,053,685</u>	<u>\$ 6,269,076</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, 2012**

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

Net changes in fund balances - total governmental funds	\$ 5,688,541
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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.	(200,198)
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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>(5,254,819)</u>
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Changes in net assets of governmental activities	<u>\$ 233,524</u>
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See accompanying notes to financial statements

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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, 2012**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>REVENUES</u>			
Taxes:			
Sales taxes	\$ 3,225,000	\$ -	\$ 3,225,000
Franchise taxes	160,000	-	160,000
Hotel/Motel taxes	225,000	-	225,000
Licenses and permits	60,000	92,149	152,149
Charges for service	1,147,210	(3,740)	1,143,470
Fines and forfeitures	245,500	35,000	280,500
Miscellaneous	177,900	40,747	218,647
Total Revenues	<u>5,240,610</u>	<u>164,156</u>	<u>5,404,766</u>
<u>EXPENDITURES</u>			
Current:			
Administrative	576,050	(29,395)	546,655
Sanitation	635,000	(4,000)	631,000
Fire	445,275	(18,950)	426,325
Police	1,726,715	78,960	1,805,675
Paving and street	753,385	105,985	859,370
Parks and recreation	921,310	(1,145)	920,165
Library	321,370	58,585	379,955
Garage	234,715	(15,040)	219,675
Total Expenditures	<u>5,613,820</u>	<u>175,000</u>	<u>5,788,820</u>
Excess of revenues over expenditures	<u>(373,210)</u>	<u>(10,844)</u>	<u>(384,054)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	424,175	(27,079)	397,096
Transfers out	(962,632)	9,209	(953,423)
Total other financing sources and (uses)	<u>(538,457)</u>	<u>(17,870)</u>	<u>(556,327)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ (911,667)</u>	<u>\$ (28,714)</u>	<u>\$ (940,381)</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>
\$ 3,275,321	\$ 50,321
146,319	(13,681)
222,936	(2,064)
155,254	3,105
1,174,660	31,190
261,493	(19,007)
248,412	29,765
<u>5,484,395</u>	<u>79,629</u>
641,322	(94,667)
631,313	(313)
400,846	25,479
1,803,998	1,677
833,726	25,644
921,669	(1,504)
349,016	30,939
210,071	9,604
<u>5,791,961</u>	<u>(3,141)</u>
<u>(307,566)</u>	<u>76,488</u>
1,124,098	727,002
<u>(1,036,831)</u>	<u>(83,408)</u>
<u>87,267</u>	<u>643,594</u>
(220,299)	\$ <u>720,082</u>
<u>424,662</u>	
<u>\$ 204,363</u>	

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
STATEMENT OF NET ASSETS PROPRIETARY FUNDS
SEPTEMBER 30, 2012

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 1,507,034
Certificates of deposit	1,500,000
Restricted assets	
Cash in bank, water and sewer system improvements	61,086
Cash in bank, reserve fund	42,409
Receivables:	
Returned checks receivable	25,401
Utility accounts receivable	<u>1,612,973</u>
Total Current Assets	<u>4,748,903</u>
Noncurrent assets:	
Capital assets:	
Land	679,488
Building and improvements	469,045
Equipment and fixtures	2,120,321
Electrical system	5,044,575
Water system	8,281,356
Sewer system	8,562,668
Water service contract rights	<u>2,640,000</u>
	27,797,453
Less accumulated depreciation	<u>(7,711,974)</u>
Net capital assets	<u>20,085,479</u>
Total Assets	<u>\$ 24,834,382</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
STATEMENT OF NET ASSETS PROPRIETARY FUNDS
SEPTEMBER 30, 2012

Business-Type Activities - Enterprise Fund

LIABILITIES

Current liabilities:

Accounts payable	\$ 1,281,401
Meter deposits	442,768
Contracts payable - Trinity River Authority	<u>75,000</u>
Total current liabilities	<u>1,799,169</u>

Noncurrent liabilities:

Contracts payable - Trinity River Authority	<u>2,565,000</u>
Total noncurrent liabilities	<u>2,565,000</u>

Total liabilities	<u>4,364,169</u>
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NET ASSETS

Invested in capital assets (net of related debt)	17,445,479
Restricted for water and sewer system improvements	61,086
Restricted for Trinity River Authority contracts payable	42,409
Unrestricted	<u>2,921,239</u>

Total Net Assets	<u>\$ 20,470,213</u>
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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, 2012

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
<u>Operating revenues</u>	
Charges for sales and services:	
Electricity sales	\$ 9,183,253
Water sales	2,013,968
Sewer service charges	1,326,673
Penalties, utilities	137,709
Water tapping fees	5,600
Sewer tapping fees	2,400
Recoveries, electrical	678,684
Recoveries, water	87,543
Recoveries, sewer	693,997
Revenue, night lights	78,970
Service fees	44,750
Total Operating Revenues	<u>14,253,547</u>
<u>Operating expenses</u>	
Light and Power Department	9,504,653
Water Department	2,002,993
Sewer Department	577,820
Depreciation	435,868
Total Operating Expenses	<u>12,521,334</u>
Operating Income	1,732,213
Non-operating revenues:	
Interest income	<u>11,496</u>
Income Before Transfers	1,743,709
Transfers Out	<u>(914,081)</u>
Change in net assets	829,628
Total net assets - beginning	<u>19,640,585</u>
Total net assets - ending	<u>\$ 20,470,213</u>

See accompanying notes to financial statements

**CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Electric Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 14,457,788
Cash payments to suppliers for goods and services	(11,065,997)
Cash payments to employees for services	<u>(1,189,678)</u>
Net cash provided by operating activities	<u>2,202,113</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	<u>(914,081)</u>
Net cash used by noncapital financing activities	<u>(914,081)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,846,383)</u>
Net cash used for capital and related financing activities	<u>(1,846,383)</u>
Cash flows from investing activities:	
Interest on cash and investments	<u>11,496</u>
Net cash provided by investing activities	<u>11,496</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(546,855)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,157,384</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,610,529</u>

(Continued)

**CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 1,732,213
Adjustments to reconcile operating net income to net net cash provided by operating activities:	
Depreciation	435,868
Change in operating assets and liabilities:	
Returned checks receivable	(2,189)
Utility accounts receivable	204,241
Accounts payable	(198,060)
Meter deposits	<u>30,040</u>
Total adjustments	<u>469,900</u>
Net cash provided by operating activities	<u>\$ 2,202,113</u>
Reconciliation of total cash and cash investments:	
Unrestricted	\$ 1,507,034
Restricted	
Cash in bank, water and sewer system improvements	61,086
Cash in bank, reserve fund	<u>42,409</u>
Total cash and cash equivalents	<u>\$ 1,610,529</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, 2012

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, 2012.

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 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. Prior to 2003, the depreciation related to these assets had historically not been reported in the financial statements. The City's infrastructure records allowed for a complete implementation of retroactive reporting of infrastructure 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, 2012 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 fund balances 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, 2012.

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 General Fund from the Capital Projects Fund and Debt Service 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, 2012:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,124,098	\$ 1,036,831
Debt Service Fund	1,036,831	170,000
Capital Projects Fund	-	40,017
Electric, Water and Sewer Fund	-	914,081
Total	<u>\$ 2,160,929</u>	<u>\$ 2,160,929</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 and Debt Service Fund to the General Fund were used for street improvements and bond issue costs.

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, 2012, 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>	0.173
Total Fair Value	\$ <u>1,500,000</u>	
Portfolio weighted average maturity		0.173

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, 2012 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, 2012.

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 2012, 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, 2012:

Governmental funds capital outlays	\$ 718,971
Governmental funds depreciation expense	<u>(919,169)</u>
Amount by which depreciation exceeded capital outlays	<u>\$ (200,198)</u>
 Bonds issued	 \$ (9,100,000)
Repayment of principal of long-term debt	3,780,000
Bond issue costs	100,610
Amortization of bond issue costs	<u>(35,429)</u>
Total bonds issued, repayment of bonds and issue costs	<u>\$ (5,254,819)</u>

NOTE 6 CAPITAL ASSETS:

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

	Balance October 1, 2011	Additions	Retirements/ Adjustments	Balance September 30, 2012
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 476,004	\$ -	\$ -	\$ 476,004
Capital assets being depreciated				
Building and Improvements	3,953,707	20,895	-	3,974,602
Equipment and Fixtures	4,729,424	465,935	189,929	5,005,430
Paving, Sidewalks and Streets	14,158,148	151,813	-	14,309,961
Parks Development	3,146,726	80,328	-	3,227,054
Airport Improvements	<u>719,573</u>	<u>-</u>	<u>-</u>	<u>719,573</u>
Total capital assets being depreciated	<u>26,707,578</u>	<u>718,971</u>	<u>189,929</u>	<u>27,236,620</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,728,456)	(119,374)	-	(1,847,830)
Equipment and Fixtures	(3,827,420)	(223,319)	189,929	(3,860,810)
Paving, Sidewalks and Streets	(8,628,330)	(451,540)	-	(9,079,870)
Parks Development	(2,185,739)	(111,521)	-	(2,297,260)
Airport Improvements	<u>(555,867)</u>	<u>(13,415)</u>	<u>-</u>	<u>(569,282)</u>
Total accumulated depreciation	<u>(16,925,812)</u>	<u>(919,169)</u>	<u>189,929</u>	<u>(17,655,052)</u>
Total capital assets being depreciated, net	<u>9,781,766</u>	<u>(200,198)</u>	<u>-</u>	<u>9,581,568</u>
Governmental activities capital assets, net	<u>\$ 10,257,770</u>	<u>\$ (200,198)</u>	<u>\$ -</u>	<u>\$ 10,057,572</u>

NOTE 6 CAPITAL ASSETS: (CONTINUED)

	Balance October 1, 2011	Additions	Retirements/ Adjustments	Balance September 30, 2012
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 679,488	\$ -	\$ -	\$ 679,488
Water Service Contract Rights	<u>2,715,000</u>	<u>-</u>	<u>(75,000)</u>	<u>2,640,000</u>
	<u>3,394,488</u>	<u>-</u>	<u>(75,000)</u>	<u>3,319,488</u>
Capital assets being depreciated				
Building and Improvements	469,045	-	-	469,045
Equipment and Fixtures	1,993,320	231,699	104,698	2,120,321
Electrical System	4,879,178	165,397	-	5,044,575
Water System	7,421,016	860,341	-	8,281,357
Sewer System	<u>7,973,722</u>	<u>588,946</u>	<u>-</u>	<u>8,562,668</u>
Total capital assets being depreciated	<u>22,736,281</u>	<u>1,846,383</u>	<u>104,698</u>	<u>24,477,966</u>
Less accumulated depreciation for:				
Building and Improvements	(160,002)	(9,548)	-	(169,550)
Equipment and Fixtures	(1,644,407)	(107,940)	104,698	(1,647,649)
Electrical System	(1,361,582)	(76,616)	-	(1,438,198)
Water System	(1,902,563)	(117,743)	-	(2,020,306)
Sewer System	<u>(2,312,251)</u>	<u>(124,021)</u>	<u>-</u>	<u>(2,436,272)</u>
Total accumulated depreciation	<u>(7,380,805)</u>	<u>(435,868)</u>	<u>104,698</u>	<u>(7,711,975)</u>
Total capital assets being depreciated, net	<u>15,355,476</u>	<u>1,410,515</u>	<u>-</u>	<u>16,765,991</u>
Business-type activities capital assets, net	<u>\$ 18,749,964</u>	<u>\$ 1,410,515</u>	<u>\$ (75,000)</u>	<u>\$ 20,085,479</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 2012, 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	\$ 45,627
Sanitation	120
Fire	28,817
Police	111,944
Paving and street	514,529
Parks and recreation	163,261
Library	36,320
Garage	18,551
Governmental Activities	<u>\$ 919,169</u>
Business-type activities	
Electric, Water and Street	<u>\$ 435,868</u>

The City's active construction projects as of September 30, 2012 included \$2,300,000 for water system improvements and \$2,300,000 for library renovation and improvements.

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 7.0% 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, 2011 valuation is effective for rates beginning January 2012). For fiscal year 2012, the City's annual pension cost of \$552,987 was equal to the City's required and actual contributions.

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2011
Actuarial Value of Assets	\$15,424,587
Actuarial Accrued Liability	\$18,297,115
Percentage Funded	84.3%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$2,872,528
Annual Covered Payroll	\$3,190,057

NOTE 7 PENSION PLAN: (CONTINUED)

UAAL as a percentage of covered payroll 90.05%

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)	\$ 552,987	
Interest on NPO	-	
Adjustment to the ARC	-	552,987

Contributions Made	(552,987)
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>
9/30/2007	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%	-
9/30/2012	552,987	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 2011 was .6% 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, 2012, 2011, and 2010 were \$19,140, \$15,551, and \$14,968, respectively, which equaled the required contributions each year. The valuation date for the plan is December 31, 2011 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, 2012:

	<u>Governmental-Type Activities</u>
\$3,100,000 General Obligation Refunding Bonds, 2012 Series due in annual installments of \$435,000 to \$570,000 through 2018, interest at 1.50% to be paid from taxes and subordinated pledge of the net revenues of Proprietary Fund	\$ 3,080,000
\$6,000,000 Certificates of Obligation, Series 2012, library and water system improvements, due in annual installments of \$50,000 to \$395,000 through 2037, interest at 2.00% to 4.00% to be paid from taxes and subordinated pledge of the net revenues of Proprietary Fund	6,000,000
\$1,500,000 Certificates of Obligation, Series 2007, library construction and utility system improvements, due in annual installments of \$100,000 to \$105,000 through 2014, interest at 3.75% to 4.0% to be paid from taxes and subordinated pledge of the net revenues of Proprietary Fund	205,000
\$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>2,035,000</u>
Total Bonds Payable	<u>\$ 11,320,000</u>

NOTE 9 LONG-TERM DEBT: (CONTINUED)

Changes in Outstanding Debt-

	Balance October 1, 2011	Issues or Additions	Payments or Expenditures	Balance September 30, 2012	Due Within One Year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 2,395,000	\$ 3,100,000	\$ 380,000	\$ 5,115,000	\$810,000
Certificates of Obligation	<u>3,605,000</u>	<u>6,000,000</u>	<u>3,400,000</u>	<u>6,205,000</u>	<u>150,000</u>
Total government	<u>\$ 6,000,000</u>	<u>\$ 9,100,000</u>	<u>\$ 3,780,000</u>	<u>\$ 11,320,000</u>	<u>\$ 960,000</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 2012 and 2007 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 related to this refunding.

In 2012 the City issued general obligation refunding bonds to refund in advance the 2002 and a portion of the 2007 certificates of obligation which resulted in a reduction in total debt service requirements of \$146,336. The refunded bonds were retired at the time of the refunding, and there is no outstanding in-substance defeased debt related to this refunding. The economic gain on the refunded bonds was \$74,226.

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, 2012, are as follows:

General Obligation Bonds

Year Ending Sept. 30,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 810,000	\$ 127,600	\$ 937,600
2014	835,000	106,075	941,075
2015	970,000	83,800	1,053,800
2016	990,000	59,000	1,049,000
2017	1,020,000	33,650	1,053,650
2018	490,000	7,350	497,350
Total	<u>\$ 5,115,000</u>	<u>\$ 417,475</u>	<u>\$ 5,532,475</u>

Certificates of Obligation

Year Ending Sept. 30,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 150,000	\$ 239,200	\$ 389,200
2014	155,000	200,550	355,550
2015	50,000	194,700	244,700
2016	50,000	193,050	243,050
2017	50,000	191,400	241,400
2018-2037	5,750,000	2,251,920	8,001,920
Total	<u>\$ 6,205,000</u>	<u>\$ 3,270,820</u>	<u>\$ 9,475,820</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, 2012, the City paid approximately \$172,000 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>
2013	169,763
2014	168,263
2015	171,763
2016	170,163
2017	172,763
2018-2034	<u>3,240,784</u>
Total	<u>\$ 4,093,499</u>

Changes in Long-term Contracts Payable-

	<u>Balance October 1, 2011</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance September 30, 2012</u>	<u>Due Within One Year</u>
<u>Business Type Activities</u>					
Contracts payable	<u>\$ 2,715,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 2,640,000</u>	<u>\$ 75,000</u>
Total business	<u>\$ 2,715,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 2,640,000</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.

The Agency was able to rebate to participating cities a portion of their power purchases in 2012. Reflected in the revenues for the Electric, Water and Sewer Fund is an approximate \$677,000 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, 2012 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 \$765,000 in federal grants in 2012 principally related to sewer improvements. These amounts are included in miscellaneous income for the general fund and recoveries in the electric, water and sewer 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
12/31/2009	(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%
12/31/2011	(2)	15,424,587	18,297,115	2,872,528	84.30%	3,190,057	90.05%

* 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, 2012**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
REVENUES			
Miscellaneous	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Debt service:			
Principal retirement	830,000	20,000	850,000
Interest	237,538	8,807	246,345
Total Expenditures	1,067,538	28,807	1,096,345
Excess (deficiency) of revenues over expenditures	(1,067,538)	(28,807)	(1,096,345)
OTHER FINANCING SOURCES (USES)			
Bonds issued from refunding debt	-	3,100,000	3,100,000
Redemption of refunded bonds	-	(2,930,000)	(2,930,000)
Transfers to other funds	-	(170,000)	(170,000)
Transfers in	953,423	-	953,423
Total other financing sources	953,423	-	953,423
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ (114,115)	\$ (28,807)	\$ (142,922)
Fund balances at beginning of year			
Fund balance at end of year			

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 8,371	\$ 8,371
<u>8,371</u>	<u>8,371</u>
850,000	-
246,345	-
<u>1,096,345</u>	<u>-</u>
<u>(1,087,974)</u>	<u>8,371</u>
3,100,000	-
(2,930,000)	-
(170,000)	-
<u>1,036,831</u>	<u>83,408</u>
<u>1,036,831</u>	<u>83,408</u>
(51,143)	<u>\$ 91,779</u>
<u>62,171</u>	
<u>\$ 11,028</u>	

**CITY OF LIVINGSTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts GAAP Basis		
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>
<u>OTHER FINANCING SOURCES</u>			
Bonds Issued	\$ -	\$ 6,000,000	\$ 6,000,000
Total other financing sources	-	6,000,000	6,000,000
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	6,000,000	6,000,000
<u>OTHER FINANCING SOURCES</u>			
Transfers out	-	(40,017)	(40,017)
Total other financing sources	-	(40,017)	(40,017)
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 5,959,983</u>	<u>\$ 5,959,983</u>
Fund balance at beginning of year			
Fund balance at end of year			

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 6,000,000	\$ -
<u>6,000,000</u>	<u>-</u>
 6,000,000	 -
 (40,017)	 -
<u>(40,017)</u>	<u>-</u>
 5,959,983	 \$ -
 <u>93,702</u>	
 <u>\$ 6,053,685</u>	

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2012 AND 2011**

ASSETS

	<u>2012</u>	<u>2011</u>
Cash	\$ 451,142	\$ 663,372
Receivables:		
Returned checks receivable	3,045	2,802
Paving accounts receivable	<u>32,899</u>	<u>33,552</u>
Total Assets	<u>\$ 487,086</u>	<u>\$ 699,726</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ <u>282,723</u>	\$ <u>275,064</u>
Total Liabilities	<u>282,723</u>	<u>275,064</u>

FUND BALANCES

Restricted for library memorials	14,224	29,094
Unassigned	<u>190,139</u>	<u>395,568</u>
Total Fund Balances	<u>204,363</u>	<u>424,662</u>
Total Liabilities and Fund Balances	<u>\$ 487,086</u>	<u>\$ 699,726</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, 2012
WITH COMPARATIVE ACTUAL TOTALS FOR 2011

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
REVENUES				
Taxes:				
Sales taxes	\$ 3,225,000	\$ -	\$ 3,225,000	\$ 3,275,321
Franchise taxes	160,000	-	160,000	146,319
Hotel/Motel taxes	225,000	-	225,000	222,936
Licenses and permits	60,000	92,149	152,149	155,254
Charges for service	1,147,210	(3,740)	1,143,470	1,174,660
Fines and forfeitures	245,500	35,000	280,500	261,493
Miscellaneous	177,900	40,747	218,647	248,412
Total Revenues	<u>5,240,610</u>	<u>164,156</u>	<u>5,404,766</u>	<u>5,484,395</u>
EXPENDITURES				
Administrative	576,050	(29,395)	546,655	641,322
Sanitation	635,000	(4,000)	631,000	631,313
Fire	445,275	(18,950)	426,325	400,846
Police	1,726,715	78,960	1,805,675	1,803,998
Paving and street	753,385	105,985	859,370	833,726
Parks and recreation	921,310	(1,145)	920,165	921,669
Library	321,370	58,585	379,955	349,016
Garage	234,715	(15,040)	219,675	210,071
Total Expenditures	<u>5,613,820</u>	<u>175,000</u>	<u>5,788,820</u>	<u>5,791,961</u>
Excess of revenues over expenditures	<u>(373,210)</u>	<u>(10,844)</u>	<u>(384,054)</u>	<u>(307,566)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	424,175	(27,079)	397,096	1,124,098
Transfers out	(962,632)	9,209	(953,423)	(1,036,831)
Total other financing sources (uses)	<u>(538,457)</u>	<u>(17,870)</u>	<u>(556,327)</u>	<u>87,267</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ (911,667)</u>	<u>\$ (28,714)</u>	<u>\$ (940,381)</u>	<u>(220,299)</u>
Fund balances at beginning of year				<u>424,662</u>
Fund balances at end of year				<u>\$ 204,363</u>

Variance With Final Budget Positive (Negative)	2011 Actual
\$ 50,321	\$ 3,185,997
(13,681)	162,759
(2,064)	219,019
3,105	69,898
31,190	1,185,540
(19,007)	235,733
29,765	366,961
<u>79,629</u>	<u>5,425,907</u>
(94,667)	522,124
(313)	611,343
25,479	436,823
1,677	1,675,264
25,644	853,960
(1,504)	881,086
30,939	302,915
9,604	283,691
<u>(3,141)</u>	<u>5,567,206</u>
<u>76,488</u>	<u>(141,299)</u>
727,002	710,268
<u>(83,408)</u>	<u>(1,057,210)</u>
<u>643,594</u>	<u>(346,942)</u>
<u>\$ 720,082</u>	(488,241)
	<u>912,903</u>
	<u>\$ 424,662</u>

CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL TOTALS FOR 2011

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
ADMINISTRATIVE DEPARTMENT				
Salaries	\$ 165,000	\$ 1,500	\$ 166,500	165,304
Social Security	12,700	455	13,155	13,070
Retirement	74,500	1,500	76,000	74,337
Employee insurance	65,000	(3,250)	61,750	60,996
Insurance and bonds	11,150	(2,850)	8,300	8,241
Legal and professional	25,000	(5,000)	20,000	119,425
Auditing and accounting	10,000	(2,000)	8,000	7,967
Supplies	30,000	(3,000)	27,000	28,572
Repairs-building and grounds	15,000	(2,500)	12,500	8,081
Equipment repairs and maintenance	5,000	(2,500)	2,500	2,774
Gas and oil	4,200	(700)	3,500	3,518
Utility/telephone	11,500	(500)	11,000	10,042
Dues and subscriptions	15,500	(250)	15,250	15,573
Building demolitions	7,500	(300)	7,200	7,200
Transportation and contingency	70,000	3,000	73,000	62,394
Postage and miscellaneous	24,000	(4,000)	20,000	25,344
	546,050	(20,395)	525,655	612,838
Capital expenditures	30,000	(9,000)	21,000	28,484
Total Administrative	576,050	(29,395)	546,655	641,322
SANITATION DEPARTMENT				
Supplies	60,000	1,000	61,000	60,805
Refuse disposal/landfills	575,000	(5,000)	570,000	570,508
Total Sanitation	635,000	(4,000)	631,000	631,313

Variance With Final Budget Positive (Negative)	2011 Actual
\$ 1,196	159,221
85	12,596
1,663	72,443
754	57,519
59	9,701
(99,425)	33,570
33	8,700
(1,572)	22,508
4,419	9,857
(274)	1,596
(18)	3,563
958	10,583
(323)	15,072
-	250
10,606	65,780
<u>(5,344)</u>	<u>34,032</u>
(87,183)	516,991
<u>(7,484)</u>	<u>5,133</u>
<u>(94,667)</u>	<u>522,124</u>
195	59,645
<u>(508)</u>	<u>551,698</u>
<u>(313)</u>	<u>611,343</u>

CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL TOTALS FOR 2011

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
FIRE DEPARTMENT				
Salaries	145,000	(10,000)	135,000	133,645
Salaries, administration	29,500	-	29,500	28,099
Social Security	9,500	-	9,500	9,121
Retirement	13,525	1,975	15,500	15,377
Employee insurance	21,500	-	21,500	21,378
Insurance and bonds	28,200	2,450	30,650	27,599
Recruitment costs	1,200	(1,200)	-	-
Supplies	27,000	(2,000)	25,000	29,808
Repairs-building and grounds	3,500	-	3,500	474
Equipment repairs and maintenance	30,000	5,000	35,000	30,666
Gas and oil	40,500	(13,500)	27,000	24,661
Utility/telephone	11,000	(1,000)	10,000	8,178
Dues and subscriptions	2,500	(75)	2,425	1,527
Transportation and contingency	13,000	2,000	15,000	11,476
Maintenance contribution	23,850	(1,100)	22,750	22,581
Postage and miscellaneous	3,500	(1,500)	2,000	3,321
	403,275	(18,950)	384,325	367,911
Capital expenditures	42,000	-	42,000	32,935
Total Fire	445,275	(18,950)	426,325	400,846
POLICE DEPARTMENT				
Salaries	980,000	50,000	1,030,000	1,012,207
Salaries, administration	29,500	-	29,500	28,099
Social Security	77,225	6,975	84,200	81,011
Retirement	152,000	15,500	167,500	168,712
Employee insurance	167,000	(2,000)	165,000	163,653
Uniforms	3,150	-	3,150	2,569
Insurance and bonds	52,000	-	52,000	52,218
Supplies	21,500	-	21,500	21,140
Repairs-building and grounds	15,000	2,500	17,500	22,655
Equipment repairs and maintenance	30,000	10,000	40,000	45,372
Gas and oil	84,000	(11,000)	73,000	69,633
Utility/telephone	13,000	-	13,000	11,302
Dues and subscriptions	225	-	225	25
Transportation and contingency	28,000	2,000	30,000	29,057
Postage and miscellaneous	24,115	2,485	26,600	26,955
	1,676,715	76,460	1,753,175	1,734,608
Capital expenditures	50,000	2,500	52,500	69,390
Total Police	1,726,715	78,960	1,805,675	1,803,998

Variance With Final Budget Positive (Negative)	2011 Actual
1,355	150,314
1,401	28,093
379	9,825
123	15,541
122	16,420
3,051	27,085
-	-
(4,808)	30,383
3,026	107
4,334	35,869
2,339	43,040
1,822	9,865
898	2,379
3,524	15,022
169	22,579
<u>(1,321)</u>	<u>2,865</u>
16,414	409,387
<u>9,065</u>	<u>27,436</u>
<u>25,479</u>	<u>436,823</u>
17,793	949,209
1,401	28,092
3,189	76,137
(1,212)	150,738
1,347	141,474
581	2,809
(218)	50,152
360	17,620
(5,155)	12,322
(5,372)	36,896
3,367	73,695
1,698	13,202
200	182
943	23,888
<u>(355)</u>	<u>23,898</u>
18,567	1,600,314
<u>(16,890)</u>	<u>74,950</u>
<u>1,677</u>	<u>1,675,264</u>

CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL TOTALS FOR 2011

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
PAVING AND STREET DEPARTMENT				
Salaries	208,000	(3,000)	205,000	199,520
Salaries, administration	29,500	-	29,500	28,099
Social Security	18,175	(175)	18,000	17,415
Retirement	27,800	5,200	33,000	33,302
Employee insurance	38,250	1,000	39,250	39,299
Uniforms	3,465	585	4,050	3,230
Insurance and bonds	25,500	(500)	25,000	23,512
Supplies	15,500	7,500	23,000	24,534
Repairs-building and grounds	1,500	(500)	1,000	1,479
Equipment repairs and maintenance	35,000	(12,500)	22,500	27,832
Gas and oil	58,275	(8,275)	50,000	45,371
Transit system	4,620	-	4,620	-
Transportation and contingency	2,800	1,650	4,450	4,306
	468,385	(9,015)	459,370	447,899
Capital expenditures	285,000	115,000	400,000	385,827
Total Paving and Street	753,385	105,985	859,370	833,726
PARKS AND RECREATION DEPARTMENT				
Salaries	325,000	(13,500)	311,500	305,252
Salaries, administration	59,000	-	59,000	56,199
Social Security	29,375	(3,275)	26,100	27,615
Retirement	42,475	1,025	43,500	43,052
Employee insurance	57,400	(550)	56,850	57,003
Uniforms	4,765	1,000	5,765	4,538
Insurance and bonds	21,200	(2,850)	18,350	18,278
Advertising, hotel tax	80,000	-	80,000	83,714
Supplies	42,000	12,500	54,500	54,498
Repairs-building and grounds	26,080	15,420	41,500	46,722
Equipment repairs and maintenance	15,500	-	15,500	19,019
Gas and oil	66,675	6,725	73,400	70,603
Utility/telephone	18,600	(100)	18,500	16,426
Dues and subscriptions	300	-	300	100
Transportation and contingency	4,000	(200)	3,800	3,716
Programming costs	4,000	-	4,000	253
Postage and miscellaneous	2,940	160	3,100	3,116
	799,310	16,355	815,665	810,104
Capital expenditures	122,000	(17,500)	104,500	111,565
Total Parks and Recreation	921,310	(1,145)	920,165	921,669

Variance With Final Budget Positive (Negative)	2011 Actual
5,480	192,955
1,401	28,092
585	16,883
(302)	30,621
(49)	36,901
820	3,134
1,488	25,694
(1,534)	19,962
(479)	325
(5,332)	32,397
4,629	57,979
4,620	4,620
144	3,997
11,471	453,560
14,173	400,400
25,644	853,960
6,248	299,592
2,801	56,185
(1,515)	27,162
448	41,104
(153)	53,319
1,227	4,900
72	20,995
(3,714)	72,565
2	53,445
(5,222)	24,186
(3,519)	11,024
2,797	65,553
2,074	16,010
200	328
84	2,562
3,747	3,023
(16)	715
5,561	752,668
(7,065)	128,418
(1,504)	881,086

CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL TOTALS FOR 2011

	Budgeted Amounts GAAP Basis			Actual
	Original	Revisions	Final	
LIBRARY DEPARTMENT				
Salaries	147,500	1,000	148,500	148,592
Salaries, administration	29,500	-	29,500	28,099
Social Security	13,550	50	13,600	13,499
Retirement	24,275	750	25,025	25,032
Employee insurance	35,800	(150)	35,650	35,628
Insurance and bonds	7,315	(1,215)	6,100	6,064
Supplies	11,000	500	11,500	12,912
Repairs-building and grounds	7,000	-	7,000	5,849
Equipment repairs and maintenance	3,000	2,000	5,000	4,819
Utility/telephone	10,500	-	10,500	8,486
Dues and subscriptions	2,700	500	3,200	3,469
Transportation and contingency	1,500	150	1,650	1,376
Postage and printing	2,730	-	2,730	2,214
	296,370	3,585	299,955	296,039
Memorial capital	15,000	-	15,000	21,299
Capital expenditures	10,000	55,000	65,000	31,678
Total Library	321,370	58,585	379,955	349,016
GARAGE DEPARTMENT				
Salaries	83,000	-	83,000	81,649
Salaries, administration	29,500	-	29,500	28,099
Social Security	8,600	(100)	8,500	8,378
Retirement	13,500	500	14,000	13,472
Employee insurance	14,500	(2,500)	12,000	11,880
Uniforms	1,575	25	1,600	1,230
Insurance and bonds	8,700	(1,400)	7,300	7,204
Supplies	7,500	(1,500)	6,000	4,721
Repairs-building and grounds	2,500	-	2,500	1,566
Equipment repairs and maintenance	4,500	(500)	4,000	4,584
Gas and oil	6,090	110	6,200	4,406
Utility/telephone	4,750	325	5,075	5,089
	184,715	(5,040)	179,675	172,278
Capital expenditures	50,000	(10,000)	40,000	37,793
Total Garage	234,715	(15,040)	219,675	210,071
TOTAL GENERAL EXPENDITURES	\$ 5,613,820	\$ 175,000	\$ 5,788,820	\$ 5,791,961

Variance With Final Budget Positive (Negative)	2011 Actual
(92)	141,981
1,401	28,092
101	12,984
(7)	22,960
22	29,621
36	7,320
(1,412)	10,147
1,151	4,958
181	2,882
2,014	7,808
(269)	2,911
274	1,683
516	2,611
3,916	275,958
(6,299)	23,244
33,322	3,713
30,939	302,915
1,351	80,091
1,401	28,092
122	8,249
528	12,669
120	12,680
370	1,447
96	8,707
1,279	5,525
934	2,472
(584)	3,922
1,794	5,428
(14)	4,391
7,397	173,673
2,207	110,018
9,604	283,691
<u>\$ (3,141)</u>	<u>\$ 5,567,206</u>

DEBT SERVICE FUND

**CITY OF LIVINGSTON, TEXAS
DEBT SERVICE FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2012 AND 2011**

ASSETS

	<u>2012</u>	<u>2011</u>
Cash	\$ 11,028	\$ 62,171
Total Assets	\$ 11,028	\$ 62,171

FUND BALANCES

Restricted for debt service	\$ 11,028	\$ 62,171
Total Fund Balance	\$ 11,028	\$ 62,171

**CITY OF LIVINGSTON, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL TOTALS FOR 2011**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>REVENUES</u>			
Miscellaneous	\$ -	\$ -	\$ -
Total Revenues	-	-	-
<u>EXPENDITURES</u>			
Debt service:			
Principal retirement	830,000	20,000	850,000
Interest	237,538	8,807	246,345
Total Expenditures	1,067,538	28,807	1,096,345
Excess (deficiency) of revenues over expenditures	(1,067,538)	(28,807)	(1,096,345)
<u>OTHER FINANCING SOURCES (USES)</u>			
Bonds Issued from refunding debt	-	3,100,000	3,100,000
Redemption of refunded bonds	-	(2,930,000)	(2,930,000)
Transfers to other funds	-	(170,000)	(170,000)
Transfers in	953,423	-	953,423
Total other financing sources	953,423	-	953,423
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ (114,115)	\$ (28,807)	\$ (142,922)
Fund balances at beginning of year			
Fund balance at end of year			

Actual	Variance with Final Budget Positive (Negative)	2011
<u>\$ 8,371</u>	<u>\$ 8,371</u>	<u>\$ 2,062</u>
<u>8,371</u>	<u>8,371</u>	<u>2,062</u>
850,000	-	790,000
246,345	-	267,220
<u>1,096,345</u>	<u>-</u>	<u>1,057,220</u>
<u>(1,087,974)</u>	<u>8,371</u>	<u>(1,055,158)</u>
3,100,000	-	-
(2,930,000)	-	-
(170,000)	-	-
<u>1,036,831</u>	<u>(83,408)</u>	<u>1,057,210</u>
<u>1,036,831</u>	<u>83,408</u>	<u>1,057,210</u>
(51,143)	<u>\$ 91,779</u>	2,052
<u>62,171</u>		<u>60,119</u>
<u>\$ 11,028</u>		<u>\$ 62,171</u>

**CITY OF LIVINGSTON, TEXAS
CAPITAL PROJECTS FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2012 AND 2011**

ASSETS

	<u>2012</u>	<u>2011</u>
Cash	\$ 6,053,685	\$ 93,702
Total Assets	<u>\$ 6,053,685</u>	<u>\$ 93,702</u>

FUND BALANCES

Fund Balances:

Restricted for:

Capital projects	\$ 6,053,685	\$ 93,702
Total Fund Balances	<u>\$ 6,053,685</u>	<u>\$ 93,702</u>

**CITY OF LIVINGSTON, TEXAS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL TOTALS FOR 2011**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>OTHER FINANCING SOURCES</u>			
Bonds issued	\$ -	\$ 6,000,000	\$ 6,000,000
Transfers out	-	(40,017)	(40,017)
Total other financing sources	-	5,959,983	5,959,983
Excess of revenues and other financing sources over expenditures and other uses	\$ -	\$ 5,959,983	\$ 5,959,983
Fund balances at beginning of year			
Fund balances at end of year			

<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>	<u>2011</u>
\$ 6,000,000	\$ -	\$ -
<u>(40,017)</u>	<u>-</u>	<u>(124,800)</u>
<u>5,959,983</u>	<u>-</u>	<u>(124,800)</u>
5,959,983	-	(124,800)
<u>93,702</u>	<u>-</u>	<u>218,502</u>
<u>\$ 6,053,685</u>	<u>\$ -</u>	<u>\$ 93,702</u>

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PROPRIETARY FUND

CITY OF LIVINGSTON, TEXAS
COMPARATIVE STATEMENT OF NET ASSETS
ELECTRIC, WATER AND SEWER FUND
SEPTEMBER 30, 2012 AND 2011

ASSETS	2012	2011
Current assets:		
Cash	\$ 1,507,034	\$ 1,694,009
Certificates of deposit	1,500,000	1,500,000
Restricted assets		
Cash in bank, water and sewer system improvements	61,086	406,454
Cash in bank, reserve fund	42,409	56,921
Receivables:		
Returned checks receivable	25,401	23,212
Utility accounts receivable	<u>1,612,973</u>	<u>1,817,214</u>
Total Current Assets	<u>4,748,903</u>	<u>5,497,810</u>
Noncurrent assets:		
Capital assets:		
Land	679,488	679,488
Building and improvements	469,045	469,045
Equipment and fixtures	2,120,321	1,993,321
Electrical system	5,044,575	4,879,178
Water system	8,281,356	7,421,016
Sewer system	8,562,668	7,973,715
Water service contract rights	<u>2,640,000</u>	<u>2,715,000</u>
	27,797,453	26,130,763
Less accumulated depreciation	<u>(7,711,974)</u>	<u>(7,380,799)</u>
Net capital assets	<u>20,085,479</u>	<u>18,749,964</u>
Total Assets	<u>\$ 24,834,382</u>	<u>\$ 24,247,774</u>

	2012	2011
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,281,401	\$ 1,479,461
Meter deposits	442,768	412,728
Contracts payable-Trinity River Authority	75,000	75,000
Total current liabilities	<u>1,799,169</u>	<u>1,967,189</u>
Noncurrent liabilities:		
Contracts payable-Trinity River Authority	<u>2,565,000</u>	<u>2,640,000</u>
Total noncurrent liabilities	<u>2,565,000</u>	<u>2,640,000</u>
Total liabilities	<u>4,364,169</u>	<u>4,607,189</u>
NET ASSETS		
Invested in capital assets (net of related debt)	17,445,479	16,034,964
Restricted for water and sewer system improvements	61,086	406,454
Restricted for Trinity River Authority contracts payable	42,409	56,921
Unrestricted	<u>2,921,239</u>	<u>3,142,246</u>
Total net assets	<u>\$ 20,470,213</u>	<u>\$ 19,640,585</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, 2012 AND 2011

Business-Type Activities - Enterprise Fund

	<u>2012</u>	<u>2011</u>
<u>Operating revenues:</u>		
Charges for sales and services:		
Electricity sales	\$ 9,183,253	\$ 9,947,597
Water sales	2,013,968	2,150,183
Sewer service charges	1,326,673	1,338,465
Penalties, utilities	137,709	141,557
Water tapping fees	5,600	14,700
Sewer tapping fees	2,400	3,600
Recoveries, electrical	678,684	989,289
Recoveries, water	87,543	114,722
Recoveries, sewer	693,997	326,844
Revenue, night lights	78,970	77,726
Service fees	44,750	39,841
Total Operating Revenues	<u>14,253,547</u>	<u>15,144,524</u>
<u>Operating expenses:</u>		
Light and Power Department	9,504,653	9,823,910
Water Department	2,002,993	2,079,597
Sewer Department	577,820	532,715
Depreciation	435,868	415,292
Total Operating Expenses	<u>12,521,334</u>	<u>12,851,514</u>
Operating Income	1,732,213	2,293,010
<u>Non-operating revenues:</u>		
Interest income	<u>11,496</u>	<u>14,087</u>
Income Before Transfers	1,743,709	2,307,097
Transfers In	-	124,800
Transfers Out	<u>(914,081)</u>	<u>(710,268)</u>
Change in net assets	829,628	1,721,629
Total net assets - beginning	<u>19,640,585</u>	<u>17,918,956</u>
Total net assets - ending	<u>\$ 20,470,213</u>	<u>\$ 19,640,585</u>

CITY OF LIVINGSTON, TEXAS
COMPARATIVE STATEMENT OF CASH FLOWS
ELECTRIC, WATER, AND SEWER FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

Business-Type Activities - Enterprise Fund

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from customers	\$ 14,457,788	\$ 14,913,942
Cash payments to suppliers for goods and services	(11,065,997)	(10,726,664)
Cash payments to employees for services	<u>(1,189,678)</u>	<u>(1,186,404)</u>
Net cash provided by operating activities	<u>2,202,113</u>	<u>3,000,874</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	-	124,800
Transfers to other funds	<u>(914,081)</u>	<u>(710,268)</u>
Net cash used for noncapital financing activities	<u>(914,081)</u>	<u>(585,468)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(1,846,383)</u>	<u>(1,338,218)</u>
Net cash used for capital and related financing activities	<u>(1,846,383)</u>	<u>(1,338,218)</u>
Cash flows from investing activities:		
Interest on cash and investments	<u>11,496</u>	<u>14,087</u>
Net cash provided by investing activities	<u>11,496</u>	<u>14,087</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(546,855)	1,091,275
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,157,384</u>	<u>1,066,109</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,610,529</u>	<u>\$ 2,157,384</u>

(Continued)

CITY OF LIVINGSTON, TEXAS
COMPARATIVE STATEMENT OF CASH FLOWS
ELECTRIC, WATER, AND SEWER FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

Business-Type Activities - Enterprise Fund

	<u>2012</u>	<u>2011</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 1,732,213	\$ 2,293,010
Adjustments to reconcile operating net income to net cash provided by operating activities:		
Depreciation	435,868	415,292
Change in operating assets and liabilities:		
Returned checks receivable	(2,189)	(142)
Utility accounts receivable	204,241	(230,582)
Accounts payable	(198,060)	506,216
Meter deposits	30,040	17,080
Total adjustments	469,900	707,864
Net cash provided by operating activities	\$ 2,202,113	\$ 3,000,874
Reconciliation of total cash and cash investments		
Unrestricted	\$ 1,507,034	\$ 1,694,009
Restricted		
Cash in bank, water and sewer system improvements	61,086	406,454
Cash in bank, reserve fund	42,409	56,921
Total cash and cash equivalents	\$ 1,610,529	\$ 2,157,384

(Concluded)

ENTERPRISE FUND

CITY OF LIVINGSTON, TEXAS
ENTERPRISE FUND
SCHEDULE OF EXPENSES BY DEPARTMENT - COMPARED TO BUDGET
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2012			
	Original Budget	Revisions	Final	Actual
LIGHT AND POWER DEPARTMENT				
Salaries	\$ 580,000	\$ (25,000)	\$ 555,000	\$ 544,801
Salaries, administration	29,500	-	29,500	28,099
Social Security	47,000	(2,000)	45,000	43,809
Retirement	81,500	9,500	91,000	90,987
Employee insurance	79,000	(1,500)	77,500	76,473
Uniform rental	8,400	(900)	7,500	5,682
Insurance and bonds	20,500	(500)	20,000	19,601
Legal and professional	2,000	-	2,000	1,515
Engineering	2,500	(500)	2,000	460
Supplies	30,000	5,000	35,000	23,749
Repairs-building and grounds and equipment	20,000	3,000	23,000	24,626
Gas and oil	47,250	(9,750)	37,500	32,171
Utility/telephone	7,000	1,000	8,000	7,389
Dues and subscriptions	7,000	-	7,000	6,718
Power purchase	8,972,500	(272,500)	8,700,000	8,557,699
Transportation and contingency	5,500	2,500	8,000	7,914
Utility billing	13,000	(1,500)	11,500	10,433
Postage and miscellaneous	14,175	(1,675)	12,500	14,560
Auditing and accounting	10,000	(2,000)	8,000	7,967
Total Light and Power	<u>9,976,825</u>	<u>(296,825)</u>	<u>9,680,000</u>	<u>9,504,653</u>
WATER DEPARTMENT				
Salaries	392,000	(17,000)	375,000	370,123
Salaries - administration	29,500	-	29,500	28,099
Social Security	32,250	(250)	32,000	30,759
Retirement	57,450	4,550	62,000	61,991
Employee insurance	67,000	(4,000)	63,000	61,168
Uniform rental	5,460	(560)	4,900	3,791
Insurance and bonds	25,000	(6,500)	18,500	19,474
Legal and professional	1,500	-	1,500	3,934
Supplies	50,500	5,350	55,850	46,442
Repairs-building and grounds	9,000	-	9,000	7,113
Repairs-equipment	30,000	3,000	33,000	30,238
Gas and oil	18,900	16,100	35,000	34,209
Engineering	12,500	-	12,500	13,406
Dues and subscriptions	12,000	-	12,000	11,954
Water-TRA	58,400	-	58,400	58,400
Operations and maintenance-TRA	994,345	3,883	998,228	998,228
Transportation and contingency	21,800	(2,600)	19,200	17,957
Utility billing	13,000	(1,500)	11,500	10,432
Postage and printing	14,335	165	14,500	14,698
TRA-debt service	172,610	-	172,610	172,610
Auditing and accounting	10,000	(2,000)	8,000	7,967
Total Water	<u>2,027,550</u>	<u>(1,362)</u>	<u>2,026,188</u>	<u>2,002,993</u>

Variance	2011 Actual
\$ 10,199	\$ 549,179
1,401	28,092
1,191	44,134
13	86,512
1,027	70,090
1,818	7,174
399	20,521
485	1,630
1,540	-
11,251	34,987
(1,626)	16,593
5,329	46,490
611	6,320
282	7,143
142,301	8,856,984
86	14,910
1,067	10,173
(2,060)	14,278
33	8,700
<u>175,347</u>	<u>9,823,910</u>

4,877	374,312
1,401	28,092
1,241	31,078
9	59,571
1,832	57,636
1,109	4,700
(974)	24,466
(2,434)	2,326
9,408	66,119
1,887	7,630
2,762	45,636
791	16,954
(906)	12,739
46	11,996
-	58,400
-	1,058,780
1,243	20,597
1,068	10,173
(198)	14,270
-	165,422
33	8,700
<u>23,195</u>	<u>2,079,597</u>

**CITY OF LIVINGSTON, TEXAS
ENTERPRISE FUND
SCHEDULE OF EXPENSES BY DEPARTMENT - COMPARED TO BUDGET
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	2012			
	Original Budget	Revisions	Final	Actual
SEWER DEPARTMENT				
Salaries	185,000	5,000	190,000	190,457
Salaries, administration	29,500	-	29,500	28,099
Social Security	16,400	1,100	17,500	17,002
Retirement	26,500	6,000	32,500	31,985
Employee insurance	28,500	600	29,100	29,056
Uniform rental	1,260	740	2,000	2,117
Insurance and bonds	15,000	(5,000)	10,000	5,566
Lab fees-engineering	20,000	(8,000)	12,000	11,370
Supplies	30,000	6,500	36,500	27,498
Chemicals	25,000	5,000	30,000	22,748
Legal/professional	1,000	4,000	5,000	1,293
Repairs-equipment	35,000	40,000	75,000	82,178
Repairs-building and grounds	2,000	3,000	5,000	1,479
Gas and oil	36,750	(11,750)	25,000	23,199
Dues and subscriptions	12,000	-	12,000	12,088
Transportation and contingency	67,000	1,000	68,000	66,065
Utilities and telephone	22,000	7,500	29,500	25,620
Total Sewer	<u>552,910</u>	<u>55,690</u>	<u>608,600</u>	<u>577,820</u>
TOTAL ENTERPRISE FUND				
DEPARTMENT EXPENDITURES	<u>\$ 12,557,285</u>	<u>\$ (242,497)</u>	<u>\$12,314,788</u>	<u>\$ 12,085,466</u>

<u>Variance</u>	<u>2011 Actual</u>
(457)	178,636
1,401	28,093
498	16,088
515	28,662
44	25,220
(117)	1,523
4,434	19,492
630	25,323
9,002	28,321
7,252	22,513
3,707	4,953
(7,178)	27,741
3,521	3,036
1,801	35,765
(88)	12,018
1,935	54,238
<u>3,880</u>	<u>21,093</u>
<u>30,780</u>	<u>532,715</u>
 <u>\$ 229,322</u>	 <u>\$ 12,436,222</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.

CITY OF LIVINGSTON, TEXAS
NET ASSETS BY COMPONENT
Last Ten 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>

TABLE A-1

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 3,545,562	\$ 3,549,442	\$ 3,625,188	\$ 3,805,846	\$ 3,816,433	\$ 4,351,471	\$ 4,791,257
64,428	32,042	56,185	58,323	60,119	62,171	11,028
<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>358,850</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>	<u>\$ 5,161,135</u>
\$ 12,212,140	\$ 12,661,355	\$ 13,795,660	\$ 14,299,578	\$ 15,112,038	\$ 16,034,964	\$ 17,445,479
138,706	176,772	122,980	120,096	125,923	463,375	103,495
<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>2,921,239</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>	<u>\$ 20,470,213</u>
\$ 15,757,702	\$ 16,210,797	\$ 17,420,848	\$ 18,105,424	\$ 18,928,471	\$ 20,386,435	\$ 22,236,736
203,134	208,814	179,165	178,419	186,042	525,546	114,523
<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>3,280,089</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>	<u>\$ 25,631,348</u>

TABLE A-2

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
Administrative	\$ 297,458	\$ 305,279	\$ 429,415	\$ 494,543	\$ 550,712	\$ 543,102
Sanitation	489,301	508,167	525,284	552,169	595,541	614,965
Fire	311,421	290,679	307,944	328,722	372,421	403,472
Police	1,126,591	1,132,421	1,201,267	1,260,724	1,345,599	1,454,820
Paving and street	634,610	785,259	921,559	971,433	1,023,956	1,003,610
Parks and recreation	825,657	778,992	792,944	806,073	842,246	927,799
Library	230,328	230,800	237,031	246,801	274,830	283,433
Garage	137,050	136,813	139,382	158,581	163,178	177,194
Interest on long-term debt	379,555	400,800	381,833	362,868	363,425	350,383
Total governmental activities expense	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	A. 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

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-

2009	2010	2011	2012
\$ 625,366	\$ 550,726	\$ 560,705	\$ 578,438
607,137	597,196	611,463	631,433
413,973	406,508	440,931	396,728
1,530,106	1,618,530	1,701,952	1,846,576
935,608	950,467	968,401	962,427
847,600	893,254	917,386	973,354
284,255	312,390	310,674	332,359
186,795	180,496	183,928	190,832
316,960	292,638	267,220	246,345
5,747,800	5,802,205	5,962,660	6,158,492
12,007,478	12,362,086	12,851,514	12,521,334
12,007,478	12,362,086	12,851,514	12,521,334
17,755,278	18,164,291	18,814,174	18,679,826
368,308	247,380	98,784	193,065
846,740	846,516	933,025	947,880
222,025	228,426	251,926	280,759
892	10,197	20,749	51,802
298,880	226,859	234,341	199,677
19,386	18,171	17,309	15,406
653,212	94,055	110,094	130,478
471,764	247,392	171,317	3,491
2,881,207	1,918,996	1,837,545	1,822,558
12,369,934	13,968,911	15,144,524	14,253,547
12,369,934	13,968,911	15,144,524	14,253,547
15,251,141	15,887,907	16,982,069	16,076,105
(2,866,593)	(3,883,209)	(4,125,115)	(4,335,934)
362,456	1,606,825	2,293,010	1,732,213
(2,504,137)	(2,276,384)	(1,832,105)	(2,603,721)
3,392,552	3,012,227	3,185,997	3,275,321
172,631	143,586	162,759	146,319
291,096	210,076	219,019	222,936
12,753	7,153	4,803	10,801
(263,233)	136,989	585,468	914,081
3,605,799	3,510,031	4,158,046	4,569,458
27,310	18,495	14,087	11,496
263,233	(136,989)	(585,468)	(914,081)
290,543	(118,494)	(571,381)	(902,585)
3,896,342	3,391,537	3,586,665	3,666,873
739,206	(373,178)	32,931	233,524
652,999	1,488,331	1,721,629	829,628
\$ 1,392,205	\$ 1,115,153	\$ 1,754,560	\$ 1,063,152

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

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Restricted	\$ 212	\$ 13,243	\$ 5,096	\$ 2,598
Unassigned	<u>740,600</u>	<u>635,728</u>	<u>420,260</u>	<u>253,737</u>
Total General Fund	<u>\$ 740,812</u>	<u>\$ 648,971</u>	<u>\$ 425,356</u>	<u>\$ 256,335</u>
All Other Governmental Funds				
Restricted				
Debt Service Fund	\$ 68,957	\$ 71,335	\$ 74,795	\$ 64,425
Capital Projects Fund	<u>3,221,395</u>	A. <u>1,267,007</u>	<u>342,948</u>	<u>-</u>
Total all other governmental funds	<u>\$ 3,290,352</u>	<u>\$ 1,338,342</u>	<u>\$ 417,743</u>	<u>\$ 64,425</u>

- A. Bond proceeds for resurfacing of City streets.
- B. Bond proceeds for library renovations and utility system improvements.
- C. Bond proceeds for library improvements and water and sewer system improvements.

TABLE A-3

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 2,598	\$ 78,525	\$ 64,705	\$ 49,852	\$ 29,094	\$ 14,224
<u>583,212</u>	<u>768,754</u>	<u>1,096,703</u>	<u>863,051</u>	<u>395,568</u>	<u>190,139</u>
<u>\$ 585,810</u>	<u>\$ 847,279</u>	<u>\$ 1,161,408</u>	<u>\$ 912,903</u>	<u>\$ 424,662</u>	<u>\$ 204,363</u>
\$ 32,042	\$ 56,185	\$ 58,323	\$ 60,119	\$ 62,171	\$ 11,028
<u>1,430,000</u> B.	<u>1,136,493</u>	<u>650,228</u>	<u>218,502</u>	<u>93,702</u>	<u>6,053,685</u> C.
<u>\$ 1,462,042</u>	<u>\$ 1,192,678</u>	<u>\$ 708,551</u>	<u>\$ 278,621</u>	<u>\$ 155,873</u>	<u>\$ 6,064,713</u>

TABLE A-4

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 2,441,633	\$ 2,595,882	\$ 2,812,571	\$ 3,202,931
Licenses and permits	70,903	68,620	78,387	167,500
Charges for service	978,312	1,054,801	962,644	1,027,350
Fines and forfeitures	167,862	174,479	220,754	208,945
Miscellaneous	268,702	790,232	C 444,987	558,205
Total Revenues	<u>3,927,412</u>	<u>4,684,014</u>	<u>4,519,343</u>	<u>5,164,931</u>
Expenditures				
Administrative	326,799	244,181	362,385	430,460
Sanitation	489,056	508,272	525,099	551,984
Fire	275,993	254,431	272,362	292,497
Police	1,023,348	1,034,373	1,100,899	1,156,337
Paving and street	336,300	371,020	332,286	421,287
Parks and recreation	636,034	609,285	610,971	621,815
Library	211,978	211,390	217,896	225,276
Garage	128,671	128,544	131,848	150,570
Capital outlay	1,939,513	A 2,682,760	1,447,119	1,280,136
Debt service				
Interest	379,556	400,800	381,833	362,868
Principal	<u>240,000</u>	<u>530,000</u>	<u>540,000</u>	<u>560,000</u>
Total Expenditures	<u>5,987,248</u>	<u>6,975,056</u>	<u>5,922,698</u>	<u>6,053,230</u>
Excess of revenues over (under) expenditures	(2,059,836)	(2,291,042)	(1,403,355)	(888,299)
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	937,577	1,154,768	1,196,580	1,274,601
Transfers out	<u>(481,622)</u>	<u>(907,577)</u>	<u>(937,439)</u>	<u>(908,638)</u>
Total other financing sources	<u>5,555,955</u>	<u>247,191</u>	<u>259,141</u>	<u>365,963</u>
Net change in fund balances	<u>\$ 3,496,119</u>	<u>\$ (2,043,851)</u>	<u>\$ (1,144,214)</u>	<u>\$ (522,336)</u>
Debt service as a percentage of noncapital expenditures	18.1%	27.7%	25.9%	24.0%

- 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.
F. Bond proceeds in 2012 to be used for library and utility system improvements.
G. Refunding of bonds in 2012 due to favorable interest rates.

TABLE A-4

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 3,543,872	\$ 3,659,992	\$ 3,856,279	\$ 3,365,889	\$ 3,567,775	\$ 3,644,576
171,091	158,653	330,493	221,005	69,898	155,254
1,044,379	1,063,339	1,069,232	1,064,615	1,185,540	1,174,660
220,568	206,059	210,193	217,430	235,733	261,493
435,547	383,885	1,271,421	439,046	369,023	256,783
<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>	<u>5,492,766</u>
589,450	464,778	544,952	502,238	516,991	612,838
595,356	614,780	606,952	597,076	611,343	631,313
333,880	366,276	378,591	373,785	409,387	367,911
1,239,397	1,356,402	1,436,239	1,524,372	1,600,314	1,734,608
446,480	344,420	388,011	428,013	453,560	447,899
654,682	744,706	667,173	715,406	752,668	810,104
257,071	261,206	250,779	277,401	275,958	296,039
154,049	261,800	175,996	169,988	173,673	172,278
633,113	512,315	1,158,730	497,732	773,312	718,971
363,425	350,383	316,960	292,398	267,220	246,345
<u>570,000</u>	<u>690,000</u>	<u>720,000</u>	<u>745,000</u>	<u>790,000</u>	<u>850,000</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>	<u>6,888,306</u>
(421,446)	(495,138)	93,235	(815,424)	(1,196,457)	(1,395,540)
1,500,000 D	-	-	-	-	6,000,000 F
3,055,000 E	-	-	-	-	3,100,000 G
(2,940,000) E	-	-	-	-	(2,930,000) G
1,040,595	1,560,371	1,236,959	1,606,128	1,767,478	2,160,929
<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>(1,246,848)</u>
<u>2,148,535</u>	<u>487,243</u>	<u>(263,233)</u>	<u>136,989</u>	<u>585,468</u>	<u>7,084,081</u>
<u>\$ 1,727,089</u>	<u>\$ (7,895)</u>	<u>\$ (169,998)</u>	<u>\$ (678,435)</u>	<u>\$ (610,989)</u>	<u>\$ 5,688,541</u>
21.9%	23.6%	23.3%	22.6%	22.1%	21.6%

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REVENUE CAPACITY

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

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

Tax Year	Real Property (1)		Personal (1)
	Assessed Value	Estimated Actual Value	Assessed Value
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
2011	407,922,524	407,922,524	55,584,758

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

TABLE B-1

Personal (1)	Total Property		Ratio of Total Assessed to Total Estimated Actual Value	Total Direct Rate Applied
Estimated Actual Value	Assessed Value	Estimated Actual Value		
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%
55,584,758	463,507,282	463,507,282	100%	0%

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

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

County Fiscal Year	City General Fund	School District	County	Total
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
2011	.00	1.3950	0.6277	2.0227

County Fiscal Year	City General Fund	School District	County	Total
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
2011	-	17,613,894	16,354,545	33,968,439

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.

TABLE B-3

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

TEN LARGEST ELECTRIC CUSTOMERS FISCAL 2012 KILOWATT HOURS				TEN LARGEST ELECTRIC CUSTOMERS FISCAL 2003 KILOWATT HOURS			
(*) Name	Kilowatt Hours	Rank	Percent of Total	Kilowatt Hours	Rank	Percent of Total	
Livingston Independent School Dist.	6,245,350	1	7.53%	7,856,475	1	10.04%	
Polk County	3,322,099	2	4.01%	2,053,930	3	2.62%	
Brookshire Brothers	2,365,288	3	2.85%	2,401,074	2	3.07%	
HEB Grocery	2,032,710	4	2.45%	1,613,435	4	2.06%	
Lowe's	2,030,312	5	2.45%	-	-	0.00%	
Factory Stores of America	1,320,492	6	1.59%	1,350,571	5	1.73%	
The Bradford	1,139,698	7	1.37%	-	-	0.00%	
McDonalds	964,718	8	1.16%	637,226	9	0.81%	
Pine Ridge Healthcare Center	883,017	9	1.07%	868,179	6	1.11%	
First State Bank	715,549	10	0.86%	667,508	8	0.85%	
First National Bank	-		0.00%	729,689	7	0.93%	
Race Trac	-		0.00%	556,733	10	0.71%	
	<u>21,019,233</u>		<u>25.36%</u>	<u>18,734,820</u>		<u>23.94%</u>	
TEN LARGEST WATER CUSTOMERS FISCAL 2012 GALLONS USED				TEN LARGEST WATER CUSTOMERS FISCAL 2003 GALLONS USED			
(*) Name	Gallons Used	Rank	Percent of Total	Gallons Used	Rank	Percent of Total	
Texas Department of Criminal Just.	232,814,000	1	42.46%	196,842,000	1	41.31%	
IAH Detention Facility	31,709,000	2	5.78%	-	-	0.00%	
Memorial Medical Center	12,020,000	3	2.19%	10,269,000	3	2.15%	
Livingston Independent School Dist.	9,608,000	4	1.75%	12,777,000	2	2.68%	
Camp Cho Yeh	7,211,000	5	1.32%	5,779,000	5	1.21%	
Polk County	6,953,000	6	1.27%	5,183,000	6	1.09%	
Pine Hill Apartments	6,250,000	7	1.14%	6,951,000	4	1.46%	
The Bradford	3,189,000	8	0.58%	-	-	0.00%	
Wal-Mart	2,894,000	9	0.53%	2,484,000	10	0.52%	
Lowe's	2,568,000	10	0.47%	-	8	0.00%	
Econolodge	-		0.00%	2,865,000	9	0.60%	
Pine Ridge Healthcare Center	-		0.00%	4,508,000	7	0.95%	
Mill Ridge Golf Club	-		0.00%	3,577,000	8	0.75%	
	<u>315,216,000</u>		<u>57.49%</u>	<u>251,235,000</u>		<u>52.72%</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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
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	-	-
2011-12	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	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
N/A	-	-	N/A

TABLE B-5

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

	Fiscal Year			
	2002	2003	2004	2005
Agriculture, forestry, & fishing	\$ 104,087	\$ 55,655	\$ 17,846	\$ -
Mining	1,670,892	2,928,533	5,613,633	7,700,436
Construction	3,176,878	459,045	424,557	787,927
Manufacturing	2,626,183	3,348,853	3,585,308	3,323,607
Transportation, communication, utility	3,944,208	3,694,829	3,502,046	3,498,339
Wholesale Trade	1,820,682	2,341,586	2,315,597	2,906,373
Retail Trade	110,586,688	107,480,485	122,067,358	131,436,864
Finance, insurance, real estate	309,122	282,049	107,361	69,374
Services	6,103,505	6,247,964	6,119,047	5,621,477
Other	-	-	440,818	3,097,013
Total	<u>\$ 130,342,245</u>	<u>\$126,838,999</u>	<u>\$144,193,571</u>	<u>\$158,441,410</u>

Source: State Comptroller's Office

TABLE B-5

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60,829	756,938	285,694	139,367	-	-
11,059,135	11,376,991	8,329,709	2,566,018	5,362,638	5,188,507
5,178,592	6,562,549	7,440,687	4,670,834	4,047,613	3,615,697
74,518	63,730	152,921	293,334	285,717	324,431
8,451,726	8,816,753	8,944,623	7,407,560	6,784,579	9,500,142
119,034,315	128,368,896	137,752,269	136,583,087	132,247,339	133,603,936
1,177,586	1,690,872	1,741,041	1,666,834	1,120,298	1,149,143
32,216,522	29,680,044	34,724,520	34,823,277	34,106,509	34,841,742
-	-	-	-	-	-
<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>	<u>\$188,223,598</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Electrical revenues	\$ 7,350,587	\$ 7,584,035	\$ 7,873,279	\$ 8,039,723
Water revenues	1,573,863	1,637,733	1,650,187	1,550,614
Sewer revenues	<u>1,056,553</u>	<u>1,091,190</u>	<u>1,131,614</u>	<u>1,117,758</u>
Total	<u>\$ 9,981,003</u>	<u>\$ 10,312,958</u>	<u>\$ 10,655,080</u>	<u>\$ 10,708,095</u>

Sources: Various City Departments

TABLE B-6

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 8,016,265	\$ 8,918,291	\$ 9,387,165	\$ 10,362,512	\$ 11,196,010	\$ 10,123,366
1,629,707	1,765,155	1,749,976	2,326,923	2,279,605	2,107,111
<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>2,023,070</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>	<u>\$ 14,253,547</u>

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DEBT CAPACITY

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

TABLE C-

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

<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>
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
2011-12	6,205,000 (6)	5,115,000 (6)	2,640,000	13,960,000

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.

(6) The City issued \$6,000,000 in new bonds and \$3,100,000 in refunding bonds in 2012.

TABLE C-

<u>PERCENTAGE OF PERSONAL INCOME</u>	<u>NET BONDED DEBT PER CAPITA</u>	<u>POPULATION</u>	
7.37%	1,741	5,433	
6.92%	1,643	5,433	
6.48%	1,543	5,433	
5.61%	1,442	5,433	
6.19%	1,641	5,433	
5.11%	1,509	5,433	
4.44%	1,376	5,433	
5.14%	1,239	5,433	
4.33%	1,113	5,335	(5)
6.98%	2,120	5,335	

**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>
2002-03	5,433 (2)	207,971,188	9,530,000	68,957
2003-04	5,433	211,680,559	9,000,000	71,335
2004-05	5,433	229,488,246	8,460,000	74,795
2005-06	5,433	244,106,970	7,900,000	64,428
2006-07	5,433	251,088,683	8,945,000	32,042
2007-08	5,433	381,313,665	8,255,000	56,185
2008-09	5,433	416,592,823	7,535,000	58,323
2009-10	5,433	457,462,152	6,790,000	60,119
2010-11	5,335 (4)	462,301,785	6,000,000	62,171
2011-12	5,335	463,507,282	11,320,000	11,028

(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
9,461,043	-	1,741
8,928,665	-	1,643
8,385,205	-	1,543
7,835,572	-	1,442
8,912,958	-	1,641
8,198,815	-	1,509
7,476,677	-	1,376
6,729,881	-	1,239
5,937,829	-	1,113
11,308,972	-	2,120

**CITY OF LIVINGSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
September 30, 2012**

<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	\$ 11,320,000	100%	\$ 11,320,000
(1) Livingston Independent School District	70,375,000	20%	14,075,000
(2) County of Polk	30,648,000	13%	<u>3,984,240</u>
Total direct and overlapping debt			<u>\$ 29,379,240</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, 2012**

Assessed value, year 2011	<u>\$ 463,507,282</u>
Debt Limit - Ten Percent of assessed value	46,350,728
Amount of Debt Applicable to Debt Limit:	
General Obligation bonds	5,115,000
Other debt (certificate of obligation and contracts payable)	<u>8,845,000</u>
Total debt	<u>13,960,000</u>
Less: Assets in debt service fund	11,028
Total amount of debt applicable to debt limit	<u>13,948,972</u>
Legal debt margin	<u>\$ 32,401,756</u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Legal Debt Margin as a Percentage of the Debt Limit
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%
2012	\$ 46,350,728	\$ 13,948,972	\$ 32,401,756	69.91%

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
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%
2011-12	5,335	200,019,820	37,492	7.70%

* 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.

TABLE D-2

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

(*) Name	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
Livingston ISD	600	1	7.69%	600	1	8.82%
Wal-Mart Super Center	339	2	4.35%	500	2	7.35%
Memorial Med. Center	285	3	3.65%	139	6	2.04%
County of Polk - Government	277	4	3.55%	300	3	4.41%
I A H Detention Facility	202	5	2.59%	-	-	0.00%
Sam Houston Electric Coop	161	6	2.06%	-	-	0.00%
The Bradford at Brookside	145	7	1.86%	-	-	0.00%
Pine Ridge Nursing Center	120	8	1.54%	-	-	0.00%
Lowe's Home Improvement	113	9	1.45%	175	4	2.57%
First National Bank	87	10	1.12%	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>2,329</u>		<u>29.86%</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Administrative	8	9	9	10	11 B
Fire A	1	1	1	2	2
Police					
Officers	17	18	18	18	18
Other staff	4	4	5	5	5
Paving and street	7	7	6	7	7
Parks and recreation	7	7	9	9	10
Library	4	4	4	5	5
Garage	2	2	2	2	2
Electric, Water & Sewer	<u>18</u>	<u>18</u>	<u>18</u>	<u>19</u>	<u>16</u>
Total	<u>68</u>	<u>70</u>	<u>72</u>	<u>77</u>	<u>76</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 and 1 employee assigned to Main Street for 2006 and subsequent years.

TABLE E-

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
12 B	10 B	10 B	12 B	12 B
2	2	2	2	2
17	18	18	18	18
6	6	6	8	8
5	5	6	5	6
8	11	11	8	8
4	5	5	5	5
2	2	2	2	2
<u>18</u>	<u>18</u>	<u>19</u>	<u>17</u>	<u>16</u>
<u>74</u>	<u>77</u>	<u>79</u>	<u>77</u>	<u>77</u>

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

<u>FUNCTION/PROGRAM</u>	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police				
Violations (Traffic & Criminal)	2,788	2,241	2,761	2,493
Fire				
Fire Calls	510	488	592	592
Library				
Volumes of Books	23,863	23,383	24,425	22,212
Electric				
Average daily kilowatt hours sold	202,958	219,935	224,874	226,791
Total customers	3,221	3,238	3,278	3,281
Water				
Average daily consumption	1,284,118	1,314,511	1,415,414	1,347,551
Total connections	3,123	3,143	3,186	3,213

Sources: Various City Departments

TABLE E-2

2007	2008	2009	2010	2011	2012
3,047	2,823	3,309	3,317	4,494	4,880
728	863	797	717	850	613
22,426	20,770	22,409	22,287	23,544	21,759
227,240	224,443	230,289	238,439	243,342	227,099
3,325	3,329	3,331	3,296	3,286	3,295
1,347,079	1,445,855	1,480,375	1,567,956	1,611,014	1,507,419
3,224	3,214	3,270	3,265	3,251	3,261

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

FUNCTION/PROGRAM	Fiscal Year			
	2003	2004	2005	2006
Police				
Patrol Units	9	9	9	9
Fire				
Stations and substation	2	2	2	2
Vehicles including fire trucks	8	8	9	9
Paving and Street				
Miles of Paved Streets	49.20	49.20	49.20	49.20
Miles of Paved Sidewalks	12.50	12.50	12.50	12.50
Street lights	693	697	703	711
Night lights	438	453	466	481
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

2007	2008	2009	2010	2011	2012
9	7	8	10	10	16
3	3	3	3	3	3
9	17	17	17	17	17
49.20	53.24	55.74	58.06	58.06	58.06
12.50	12.50	12.50	12.50	12.50	12.50
711	721	721	723	818	824
481	468	468	424	435	452
373.50	373.50	373.50	373.50	373.50	373.50
33.95	34.40	35.98	40.43	45.25	45.78
2,150,000	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000
78.12	78.88	78.88	80.00	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

2003	5,440	2008	5,465
2004	5,441	2009	5,537
2005	5,456	2010	5,554
2006	5,456	2011	5,572
2007	5,465	2012	5,572

TRANSPORTATION FACILITIESStreets

58.06 Miles paved street
10.35 Unpaved streets
10.50 Miles undeveloped streets
12.50 Miles sidewalk

Highways

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

Railways

Union Pacific RR Company

Municipal Airport

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

WATER AND SANITATION FACILITIESWater Mains

12" 9.40 miles
8" 11.43 miles
6" 21.45 miles
20" 3.50 miles

Water Pumpage

Present requirements 1,800,000
gallons per day

Water Storage

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

Sewer Lines

Sanitation - 80.00 miles of line
Storm - Adequate for proper
drainage

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED

PERSONNEL

<u>Department</u>	<u>Number of Employees</u>	<u>Employees Statistics</u>	
		<u>Years of Service</u>	<u>Number of Employees</u>
Administrative	10	31+	4
Electric	6	20-30	12
Water	7	15-19	4
Sewer	3	10-14	16
Police	25	6-9	15
Street	6	1-5	21
Parks and Recreational	6	Less than (one) 1 year	<u>5</u>
Library	5		
Garage	2		<u>77</u>
Community Devel.	2		
Fire	2		
Main Street	1		
Trade Days	<u>2</u>		
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 PROTECTIONPersonnel

One (1) Chief
 One (1) Lieutenant
 Four (4) Sergeants
 Two (2) Detectives
 Eight (8) Officers
 Three (3) Reserve Officers
 Four (4) Telecommunication Operators
 Two (2) 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

Sixteen (16) Patrol Units
 Seven (7) Radars
 Radio Communication System
 Computer System

Traffic and Criminal Violations

\$201,158 fines collected
 4,880 violations

FIRE PROTECTIONPersonnel

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

Housing

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

Equipment

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

1996 Station 2 - 5 Truck bays

2007 Station 3 - 2 Truck bays

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

Water rescue equipment
 Trench rescue equipment
 Rope rescue equipment
 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

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

Total Fire Calls

2011-2012 - 613 fire calls

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED**POPULATION INFORMATION**

U.S. Census - 1940	1,851
U.S. Census - 1950	2,855
U.S. Census - 1960	3,398
U.S. Census - 1970	3,925
U.S. Census - 1980	4,928
U.S. Census - 1990	5,019
U.S. Census - 2000	5,433
U.S. Census - 2010	5,335

ENTERPRISES AS OF SEPTEMBER 30, 2012

(1) Centerpoint Energy	Gas Utility	Active Customers 1,283 Inactive Customers N/A
(1) Versalink Media	Television Cable	Customers - 468
(1) Livingston Telephone Co.	Telephone System	Access Lines - 3,845
(1) Telcom Supply	Television Cable	Customers - 997
City of Livingston	Electric & Water Systems	Electric Customers 3,295 Water Customers 3,261
(1) Information provided by individual corporate offices		

CITY ELECTRIC DEPARTMENT STATISTICS (LAST TEN YEARS)

Fiscal Year	Number of Customers	KWH Consumed		Total
		Residential	Commercial	
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
2012	3,295	28,116,445	54,774,790	82,891,235

CITY OF LIVINGSTON, TEXAS

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

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
2011-12	\$ 3,275,321

WATER DEPARTMENT STATISTICS (LAST TEN YEARS)

<u>Year</u>	<u>Gallons Consumed *</u>	<u>Gallons Pumped</u>
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
2012	550,208,000	704,187,000

* 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
62 Aides Para Professional
190 Auxiliary
Average Daily Attendance - 3,930 Inclusive

Public School Administrative Personnel

Superintendent - One (1)
Asst. Superintendent - Two (2)
Principals - Six (6)
Asst. Principals - Nine (9)
Counselors - Eight (8)
Directors of Special Prog./Curriculum -
Eleven (11)
Other - 40

Private

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

* Information provided by Livingston Independent School District Business Office.

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED

CULTURAL AND RECREATIONAL 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; 2012 - 21,759

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	37,387
* Number voting in last general election (2012)	19,213
Number of registered voters in City	3,261
** Number voting in last Municipal election (2008)	910
Percentage of voters voting:	
Last general election (County) (2012)	51.4%
** 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, 2012**

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Clarke Evans	Mayor	\$ 25,000
Judy Cochran	Mayor Pro-tem	25,000
E. Ray Hill	Alderman	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
Jim Wright	City Attorney	25,000

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