

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

**FISCAL YEAR
OCTOBER 1, 2002 - SEPTEMBER 30, 2003**

ISSUED BY: FINANCE DEPARTMENT

MARILYN SUTTON

**CITY OF LIVINGSTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2003**

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City of Livingston, Texas

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November 19, 2003

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, 2003 is submitted herewith. This report is published to provide the City Council, City Staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

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

THE REPORT

This report is presented in three sections: Introductory, Financial and Statistical. The introductory section includes this transmittal letter, a listing of the City Officials and an organizational chart of the City. The financial section 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 auditors. The statistical section includes financial and demographic information, usually presented on a multi-year basis that is relevant to a financial statement reader.

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.

Ben R. Ogletree, Jr., Mayor

Sam Gordon, City Manager

Marilyn Sutton, City Secretary

Council Members: Kenneth Parkhill, Gene Bush, Bill Watson, Scott Simpson, Clarke Evans

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, 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.

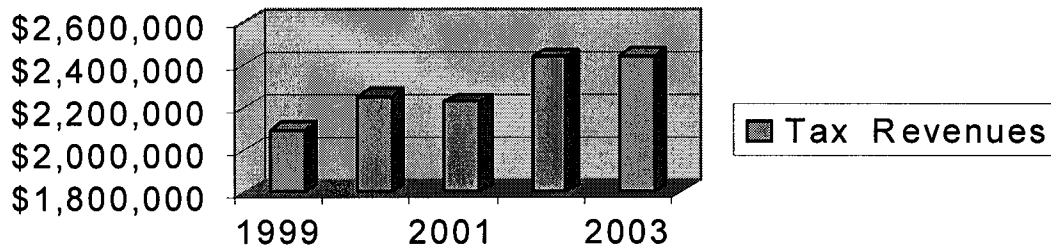
All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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 individual fund level. Financial reports are produced showing budget and actual expenditures by line item, and are distributed monthly to City departmental and divisional management and to others upon request. Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures (items over \$5,000 and having a useful life of three or more years) are monitored and controlled item by item. Revenue budgets are reviewed monthly.

ECONOMIC OUTLOOK AND FINANCIAL CONDITION

In fiscal year 2002-2003, Livingston and Polk County continued to see positive economic conditions. Sales tax receipts, a major indicator of the economic condition of the area, increased slightly from \$2,189,000 in 2001-2002 to \$2,200,000, an increase of \$11,000, or .5%. A graph of tax receipt growth follows:

Sales and Other Tax Collections Last Five Years



Unemployment rates remained at moderate to low levels and property tax rolls continued to expand. The City appraised valuation increased by \$6,000,000 from \$202,000,000 to \$208,000,000 or approximately, 3.0%. Electric kWh sales increased from 75,847,547 kWh in 2001-2002 fiscal year to 77,604,894 kWh, an increase of 1.0%. Water usage also increased over last year by approximately 3.0%. Total water pumped during the fiscal year 2003 totaled 605,589,000 gallons, up from 583,258,000 gallons in fiscal year 2001-2002. An increase in water rates, resulted in an increase in water sales revenue from \$1,459,000 in 2001-2002 to \$1,516,000 in fiscal year 2002-2003. The Texas Department of Criminal Justice Polunsky Unit, located on FM 350 South, continued as the City's leading water and wastewater user consuming 196,842,000 gallons of water, or 32.5% of the City's total annual water consumption, and generating \$409,000 in annual water revenue and \$254,000 in annual sewer revenue.

The City and the surrounding area continue to attract many inquiries from major retail chains seeking new locations for retail outlets. Lowe's Home Improvement Center has recently started construction on a 100,000 plus square foot building with plans to open for business in late spring or early summer. Additionally, the Jack-in-the-Box food chain is in the process of acquiring property on the east side of downtown at the intersection of U.S. Highway 190 and State Highway 146. Construction on this site will begin in the near future and should be open in the spring of 2004.

In other real estate transactions, approximately forty-one acres on U.S. Highway 190 West has recently been purchased by a development firm from Dallas. They plan to raise the level of the site above the flood plain level and construct pad sites for commercial development. In addition, a fifteen acre tract belonging to Factory Stores of America and located on U.S. Highway 59 Bypass has recently changed ownership. The new owners are aggressively marketing the site for future development. Of the original fifteen acres, approximately eight acres remain for new commercial development.

Since the launching of a new marketing plan for the Trade Days operation in the spring of 2003, the event has grown in popularity and vendor appeal. Vendors have reported to the Trade Days that a wide range for new customers have been attracted by the marketing effort. As a result, a greater number and variety of vendors have also been attracted to the event. Local merchants have also reported an increase in sales during the event weekends.

Future Economic Outlook

The long-term economic outlook for Livingston and the surrounding area appears to be very positive. As mentioned above, the area continues to attract a large number of inquiries regarding commercial sites and the Polk County Chamber of Commerce reports a large number of requests for information regarding retirement opportunities in Livingston and Polk County. Due to the national headquarters for the Escapees RV Club, Inc. being located just outside Livingston, the area receives a tremendous amount of exposure to visitors from other areas of the nation. Merchants have made a special effort to cater to these out of town visitors in an attempt to capture some of the "snowbird" traffic that passes through town.

The general philosophy of the City is that increased revenue from existing taxes and other revenue sources must provide the base for the expansion of public expenditures. Certain infrastructure capital assets that will need to be added or replaced in the near future to accommodate economic growth will be financed through the issuance of long-term bonds that will be repaid approximately over the estimated useful lives of the capital projects and through Federal grants.

While the economic environment and public expenditure policies are subject to change and reevaluation, it is anticipated that the City will experience manageable growth that will not be disruptive to the current financial position of the City.

Major Initiatives

The City sold \$5,000,000 in Certificates of Obligation to finance the rehabilitation of a number of streets and to replace some of the old and dilapidated drainage lines buried in the streets. The project began in April, 2003, and is approximately 25% complete. The project is expected to span two or more years before completion. During the first phase, heavily traveled streets in and around school campuses were rebuilt or repaired and, more importantly, several thousand feet of water and drainage lines have been upgraded and moved from under the streets. This was done not only to prevent having to dig up new streets to repair water leaks, but to improve water delivery to historically under-served areas of the community and to vastly improve fire protection.

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

Cash Management and Investments

The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Idle cash is invested in various instruments with various maturity dates, depending on the anticipated cash requirements during the period.

The overall strategy of holding deposits and making investments is to expose the City to a minimum amount of credit risk and market risk. All bank balances of 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. With respect to risk, investments may be classified as follows.

- | | |
|------------|---|
| Category 1 | Insured or registered, with securities held by the City or its agent in the City's name |
| Category 2 | Uninsured and unregistered, with securities held by the counter party's trust department or agent in the City's name |
| Category 3 | Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the City's name |

The City had no investments in 2003.

Risk Management

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, 2003, 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, 2002. 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 fifteen consecutive years (fiscal years ended 1988-2002). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgement

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

Respectfully submitted,

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

Marilyn Sutton
City Secretary and Chief Financial Officer

CITY OF LIVINGSTON, TEXAS

September 30, 2003

PRINCIPAL OFFICIALS

City Council

Mayor
Mayor Pro-Tem

Ben R. Ogletree, Jr.
Kenneth Parkhill

Alderman
Alderman
Alderman
Alderman

Gene Bush
Clarke Evans
Scott Simpson
Bill Watson

Administration

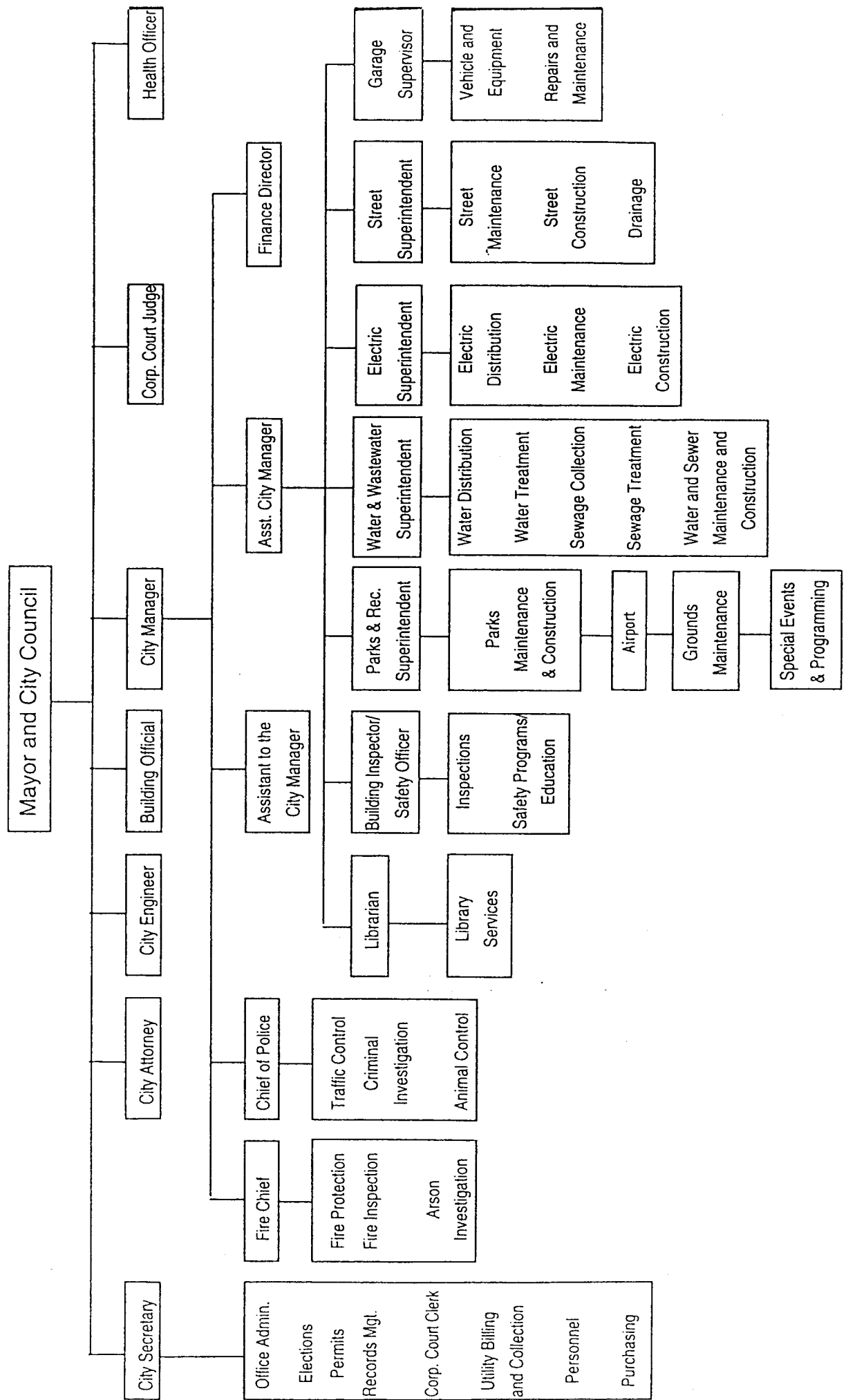
City Manager
City Secretary

Sam Gordon
Marilyn Sutton

Form of Government

Council - Manager
General Law City

CITY OF LIVINGSTON, TEXAS ORGANIZATIONAL CHART



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, 2002

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.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director

FINANCIAL SECTION

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Ben R. Ogletree, Jr., 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, 2003, as listed in the Table of Contents. These financial statements are the responsibility of the management of the City of Livingston, Texas. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, major fund, and remaining fund information of the City of Livingston, Texas, at September 30, 2003, 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.

As described in the introduction to the notes to the financial statements, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of September 30, 2003.

The management's discussion and analysis and budgetary comparison information on pages 3-12 and 29-30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Harper & Pearson Company

Houston, Texas
November 19, 2003

CITY OF LIVINGSTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003

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, 2003. 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 decreased by \$48,000 or 1.4 percent as a result of this year's operations. Net assets of the City's business type activities decreased by \$401,000 as a result of this year's operations primarily due to refinancing activities of the Trinity River Authority (TRA).
- The City's total net assets decreased by \$449,000 or 2.6 percent during the current fiscal year. The decrease is primarily the result of operations and the aforementioned TRA refinancing.
- Total cost of all the City's programs remained virtually unchanged with an increase of \$22,000 or less than 1 percent. No new programs were added during the current fiscal year.
- As of September 30, 2003, the City of Livingston's governmental funds reported combined ending fund balances of \$4,031,000, an increase of \$3,496,000 in comparison with the prior fiscal year. The increase is due primarily to new bond issues.
- At the end of the current fiscal year, unreserved fund balances for the general fund was \$741,000 or approximately 21.0 percent of total general fund expenditures.
- The City's total bonded debt increased by \$4,860,000 during the current fiscal year. During the current fiscal year the City refunded \$1,500,000 of certificates of obligation bonds and issued \$1,600,000 in general obligation bonds and \$5,000,000 in certificates of obligation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

The City of Livingston maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and the streets and 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 CITY AS A WHOLE - Government-Wide Financial Analysis

The City's combined net assets were \$16,859,000 as of September 30, 2003. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business type activities net assets are \$13,504,000. This analysis focuses on the net assets (Table 1) and changes in general revenues (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 (48.0 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), 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.

In future years, a comparative analysis of government-wide data will be presented. For those areas where comparative data is presented, it is derived from the fund financial statements for total governmental funds and total enterprise funds.

Table 1
Net Assets

	Governmental Activities	Business-Type Activities	Total Primary Government
	2003	2003	2003
Current and other assets	\$ 4,502,000	\$ 3,146,000	\$ 7,648,000
Capital assets	8,775,000	11,886,000	20,661,000
Total assets	<u>13,277,000</u>	<u>15,032,000</u>	<u>28,309,000</u>
Long-term debt outstanding	9,530,000	520,000	10,050,000
Other liabilities	392,000	1,008,000	1,400,000
Total liabilities	<u>9,922,000</u>	<u>1,528,000</u>	<u>11,450,000</u>
Net assets:			
Invested in capital assets, net of related debt	2,545,000	5,542,000	8,087,000
Restricted	69,000	226,000	295,000
Unrestricted	741,000	7,736,000	8,477,000
Total net assets	<u>\$ 3,355,000</u>	<u>\$ 13,504,000</u>	<u>\$ 16,859,000</u>

Governmental Activities

The City's general revenues remained relatively the same when compared to the prior year with an increase of \$62,000. The primary reason for this increase was due to an increase of \$54,000 in investment income due to the temporary investment of the bond proceeds. The increase in City's general revenue is detailed below (Table 2).

Table 2
General Revenues

	<u>2003</u>	<u>2002</u>	<u>Increase (decrease)</u>
Property taxes	\$ -	\$ -	\$ -
Sales taxes	2,200,000	2,189,000	11,000
Franchise taxes	125,000	140,000	(15,000)
Hotel/Motel taxes	117,000	111,000	6,000
Investment income	65,000	11,000	54,000
Miscellaneous	24,000	18,000	6,000
Total general revenues	<u>\$ 2,531,000</u>	<u>\$ 2,469,000</u>	<u>\$ 62,000</u>

City of Livingston, Texas
Management's Discussion and Analysis (continued)
September 30, 2003

Governmental fund balances increased by \$3,496,000. Key elements of that increase are as follows:

	<u>2003</u>	<u>2002</u>
Revenues:		
Taxes:		
Property	\$ -	\$ -
Sales	2,200,000	2,189,000
Franchise	125,000	140,000
Hotel/Motel	117,000	111,000
License and permits	71,000	39,000
Charges for services	978,000	911,000
Fines and forfeitures	168,000	153,000
Miscellaneous	269,000	180,000
Total revenues	<u>3,928,000</u>	<u>3,723,000</u>
Expenditures:		
Administrative	335,000	220,000
Sanitation	489,000	482,000
Fire	309,000	290,000
Police	1,055,000	1,009,000
Paving and street	334,000	629,000
Parks and recreation	686,000	604,000
Library	228,000	210,000
Garage	153,000	122,000
Principal retirement	1,740,000	190,000
Interest	380,000	282,000
Street and other capital improvements	<u>1,779,000</u>	-
	<u>7,488,000</u>	<u>4,038,000</u>
Deficiency of revenues over expenditures	(3,560,000)	(315,000)
Other financing sources:		
Bonds issued	6,600,000	-
Transfers in	<u>456,000</u>	<u>362,000</u>
Increase in fund balances	<u>\$ 3,496,000</u>	<u>\$ 47,000</u>

The most significant governmental expenditures for the City was in providing the police activity, which incurred expenses of \$1,055,000, representing a \$46,000 increase over the prior fiscal year. These expenses were offset by revenues collected from a variety of sources, with the largest being from fines and forfeitures, which are \$168,000 for the fiscal year ending September 30, 2003 and grants of \$60,000. The most significant portion of police activity is the cost of personnel, which is estimated at \$622,000. The variance in expenditures for all other departments was primarily due to capital outlay activity. The variance in principal retirement was the result of the bond refunding.

City of Livingston, Texas
Management's Discussion and Analysis (continued)
September 30, 2003

Business activities net assets decreased by \$401,000. Key elements of that decrease are as follows:

	<u>2003</u>	<u>2002</u>
Revenues:		
Charges for services	9,981,000	9,029,000
Other	<u>21,000</u>	<u>29,000</u>
Total revenues	10,002,000	9,058,000
Expenses:		
Electric, water and sewer	<u>9,478,000</u>	<u>8,536,000</u>
Increase in net assets before transfers	524,000	522,000
Transfers	<u>(925,000)</u>	<u>(362,000)</u>
(Decrease) increase in net assets	(401,000)	160,000
Net assets October 1	<u>13,905,000</u>	<u>13,745,000</u>
Net assets September 30	<u>\$ 13,504,000</u>	<u>\$ 13,905,000</u>

Business-Type Activities

Revenues of the City's business-type activities were \$10,002,000 for the fiscal year ending September 30, 2003. Revenues increased approximately \$944,000 or 10.4 percent as compared to the prior fiscal year. Expenses for the City's business-type activities increased \$942,000 or 11.0 percent. The increase in net revenues are the result of several factors, including the following:

The City received a rebate on electrical purchases of approximately \$633,000 and electrical revenues increased by \$150,000 due to increased kilowatt hours used. In addition, water and sewer revenues increased by \$161,000 due to increased volumes and an increase in sewer rates.

Expenses increased primarily as a result of an \$800,000 increase in electric supply costs. Included in the transfers increase is \$468,000 transfer as a result of the TRA debt refunding.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2003, the City had \$20,660,000 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, electrical, water and sewer lines. (See Table 4). Comparative data for prior years will be presented in future reports.

Table 4
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities	Business-Type Activities	Totals
	2003	2003	2003
Land	\$ 254,000	\$ 506,000	\$ 760,000
Buildings and improvements	2,089,000	265,000	2,354,000
Equipment and fixtures	709,000	304,000	1,013,000
Paving, sidewalks and streets	3,729,000	-	3,729,000
Parks development	1,866,000	-	1,866,000
Airport improvements	127,000	-	127,000
Utility systems	-	10,811,000	10,811,000
Total	<u>\$ 8,774,000</u>	<u>\$ 11,886,000</u>	<u>\$ 20,660,000</u>

This year's major additions included:

Pole yard and storage tank	\$ 73,000
Various street improvements	1,776,000
Resurfacing of Trade Days Drive	23,000
Backhoe	<u>56,000</u>
Total	<u>\$ 1,928,000</u>

The City's fiscal year 2004 capital budget calls for it to spend another \$4,000,000 for capital projects, principally for street improvements and enhancements. The street improvements and enhancements are for a variety of projects. To support the 2003-2004 general obligation capital improvement program, bonds in the total amount of \$5,000,000 were required. The City sold these bonds in December of 2002.

Debt

At year-end, the City had \$9,530,000 in bonds outstanding as compared to \$4,670,000 at the end of the prior fiscal year, an increase of 104.0 percent - as shown in Table 5.

Table 5
Outstanding Debt, at Year-end

	Governmental Activities		Business-Type Activities		Totals	
	2003	2002	2003	2002	2003	2002
General obligation bonds (backed by the City)	\$ 1,415,000	\$ -	\$ -	\$ -	\$ 1,415,000	\$ -
Certificates of obligation (backed by the City)	<u>8,115,000</u>	<u>4,670,000</u>	<u>-</u>	<u>-</u>	<u>8,115,000</u>	<u>4,670,000</u>
Totals	<u>\$ 9,530,000</u>	<u>\$ 4,670,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,530,000</u>	<u>\$ 4,670,000</u>

During the current fiscal year the City issued debt in December of 2002. The new debt resulted primarily from the issuance of general obligation refunding bonds of \$1,600,000 during the current fiscal year in order to refund \$1,500,000 in old debt and issue \$5,000,000 in new certificates of obligation to be used primarily for street projects.

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 percent. The City does not currently assess property taxes.

THE CITY'S FUNDS

At the close of the City's fiscal year on September 30, 2003, the governmental funds of the City reported a combined fund balance of \$4,031,000. Included in this year's total change in fund balance, however, is an increase in fund balance of \$3,221,000 in the City's Capital Projects Fund. The primary reason for the Capital Project Fund's increase is bond proceeds for street improvements that had not been expended. In addition, these other changes in fund balances should be noted:

- The City spent \$1,776,000 in capital outlay in the street improvement fund. There were no expenditures from this fund in the prior year.
- The City's electric, water and sewer fund net assets of \$13,504,000 decreased by \$400,000 from the prior year net asset balance. The decrease in net assets is primarily due to a transfer to the TRA as part of its bond refunding.

General Fund Budgetary Highlights

During fiscal year 2002-2003, the City Council of the City of Livingston amended the budget for the General Fund on one occasion. The amendments were made up of a supplemental appropriation reduction as well as re-estimated allocations. One supplemental appropriation reduction was approved after beginning the fiscal year, with the total amount equaling \$2,500,000. The supplemental appropriation reduction was made to reflect fewer street improvements during the current fiscal year.

With the adjustments made during fiscal year 2002-2003, the actual expenditures were \$3,589,000 compared to the re-estimated budget amount of \$3,654,000. The \$65,000 variance was due to fewer than expected capital outlays by the Fire Department.

For fiscal year 2002-2003, the actual revenues were \$3,884,000 as compared to the re-estimated budget amount of \$4,112,000. Contributing to the variance was a budgeted grant for street improvements of \$180,000 not received in the fiscal year.

The City of Livingston has an actual General Fund balance of \$741,000 as of the fiscal year end, compared to the re-estimated budget fund balance of \$749,000. The variance in fund balance is due to the grant funds not received, capital additions not made, and higher transfers from the Enterprise Fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2004 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. The population growth experienced by the City has stimulated local business and development activity, and the community has placed additional demands on the City to maintain or enhance services provided to our citizens. While the population growth within the corporate limits has been steady, with the 2000 census being 5,433 and the 2004 estimate being 6,172, the greatest population growth continues to be in the surrounding county. Livingston's greatest economic strength is the diversified employment base. The three largest job sectors are retail trade, timber, and education. It is anticipated that future growth for the region will focus on the health-care industry as well as retiree and senior-care related industry and small businesses. With the proposed expansion of the \$25,000,000 state-of-the-art hospital, which opened in 1999 on the U.S. 59 highway bypass, as well as the construction of numerous new medical office buildings, nursing homes, assisted living and independent living retirement facilities, and an active adult over 55 residential subdivision, Livingston will continue to experience a growing elderly population. The reasonable costs of living and homes priced below the national average continue to make Livingston an attractive area for new business locations and re-locations. The City continues to attract new and existing companies due to the strategy of working diligently with corporations on relocation incentives. National chains currently constructing new facilities in Livingston include Lowe's Home Center, Inc., Jack in the Box, Cici's Pizza, and Hampton Inns.

These indicators are taken into account when adopting the General Fund budget for fiscal year 2004. The total 2003-2004 combined budget appropriation is \$6,815,000 for three operating funds. This represents a decrease of \$1,458,000 or 21.4 percent under the 2002-2003 re-estimated budget primarily due to the refunding of \$1,500,000 bonds included in the 2002-03 budget.

The General Fund's largest revenue source in fiscal year 2002-2003 is sales tax receipts. Because the local economy experienced a minor slowdown during 2003, city officials used a conservative economic forecast and projected sales tax collections for 2003-2004 to remain constant at the 2002-2003 level of \$2,200,000. Since the formulation of the 2003-2004 budget, however, Lowe's Home Center, Inc. began construction on a facility to open in May 2004 which will significantly impact sales tax collections for the last quarter of the 2004 budget year.

Budgeted expenditures in the General Fund are expected to decline \$110,000 or 3.0 percent from the 2002-2003 re-estimated budget. No bond issue cost in 2003-04 is the largest item, representing \$90,000 of the decrease in expenditures. The City has added no new major programs or initiatives to the 2004 budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to remain unchanged from the re-estimated 2002-2003 budget.

As for the City's business type activities, the City expects the 2004 results will not improve in the electric, water and sewer funds. Projections indicate that the electric, water and sewer fund balance will increase by \$406,000. The following recent rate decisions have been made to increase the operating surplus of the City's business type activities:

- The water and sewer rate model was reviewed by City Council. A water rate increase of approximately 14.1 percent was approved by City Council and implemented October 1, 2003.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our 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 City Secretary's Office, at City of Livingston, 200 West Church Street, Livingston, Texas 77351-3281.

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BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2003

	PRIMARY GOVERNMENT	
	Governmental Activities	Business-type Activities
<u>ASSETS</u>		
Cash	\$ 1,111,245	\$ 304,459
Certificates of deposit	3,300,000	1,003,090
Receivables:		
Returned checks receivable	1,941	8,831
Paving accounts receivable	7,923	-
Delinquent taxes receivable (net)	2,101	-
Utility accounts receivable	-	1,121,625
Deferred issuance cost (net)	79,137	-
Restricted assets - cash	-	188,056
Capital assets (net of accumulated depreciation):		
Land	254,392	505,880
Buildings and improvements	2,089,178	264,710
Equipment and fixtures	709,166	303,933
Paving, sidewalks and streets	3,729,410	-
Parks development	1,866,301	-
Airport improvements	126,828	-
Electrical system	-	2,168,294
Water system	-	3,553,192
Sewer system	-	5,089,853
Water service contract rights	-	520,000
Total Assets	<u>\$ 13,277,622</u>	<u>\$ 15,031,923</u>

See accompanying notes to financial statements

Total

\$	1,415,704
	4,303,090
	10,772
	7,923
	2,101
	1,121,625
	79,137
	188,056
	760,272
	2,353,888
	1,013,099
	3,729,410
	1,866,301
	126,828
	2,168,294
	3,553,192
	5,089,853
	<u>520,000</u>
\$	<u>28,309,545</u>

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2003

	PRIMARY GOVERNMENT	
	Governmental Activities	Business-type Activities
<u>LIABILITIES</u>		
Accounts payable	\$ 392,046	\$ 705,912
Meter deposits	-	302,208
Noncurrent Liabilities:		
Due within one year	530,000	60,000
Due in more than one year	<u>9,000,000</u>	<u>460,000</u>
Total Liabilities	<u>9,922,046</u>	<u>1,528,120</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	2,545,275	5,541,985
Restricted for:		
System improvements	-	153,574
Debt service	68,957	71,959
Unrestricted	<u>741,344</u>	<u>7,736,285</u>
Total Net Assets	<u>\$ 3,355,576</u>	<u>\$ 13,503,803</u>

See accompanying notes to financial statements

Total

\$ 1,097,958
302,208

590,000

9,460,000

11,450,166

8,087,260

153,574
140,916

8,477,629

\$ 16,859,379

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2003

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Administrative	\$ 297,458	\$ 70,903	\$ -
Sanitation	489,301	678,791	-
Fire	311,421	-	55,499
Police	1,126,591	240,419	59,721
Paving and street	634,610	1,501	-
Parks and recreation	825,657	321,888	-
Library	230,328	16,958	11,634
Garage	137,050	-	-
Interest on long-term debt	379,555	-	-
Total governmental activities	<u>4,431,971</u>	<u>1,330,460</u>	<u>126,854</u>
Business-type activities:			
Electric, water and sewer	<u>9,478,513</u>	<u>9,981,003</u>	-
Total business-type activities	<u>9,478,513</u>	<u>9,981,003</u>	-
Total primary government	<u>\$ 13,910,484</u>	<u>\$ 11,311,463</u>	<u>\$ 126,854</u>
General revenues:			
Property taxes			
Sales taxes			
Franchise taxes			
Hotel/Motel taxes			
Unrestricted investment earnings			
Miscellaneous			
Transfers Trinity River Authority			
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>
\$ (226,555)	\$ -	\$ (226,555)
189,490	-	189,490
(255,922)	-	(255,922)
(886,172)	-	(886,172)
(633,109)	-	(633,109)
(503,769)	-	(503,769)
(201,736)	-	(201,736)
(137,050)	-	(137,050)
(379,555)	-	(379,555)
<u>(3,034,378)</u>	<u>-</u>	<u>(3,034,378)</u>
-	502,490	502,490
-	502,490	502,490
<u>(3,034,378)</u>	<u>502,490</u>	<u>(2,531,888)</u>
64	-	64
2,199,629	-	2,199,629
124,949	-	124,949
116,991	-	116,991
64,680	21,190	85,870
24,063	-	24,063
-	(468,741)	(468,741)
455,955	(455,955)	-
<u>2,986,331</u>	<u>(903,506)</u>	<u>2,082,825</u>
(48,047)	(401,016)	(449,063)
<u>3,403,623</u>	<u>13,904,819</u>	<u>17,308,442</u>
<u>\$ 3,355,576</u>	<u>\$ 13,503,803</u>	<u>\$ 16,859,379</u>

See accompanying notes to financial statements

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BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

**CITY OF LIVINGSTON, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2003**

	General	Debt Service
<u>ASSETS AND OTHER DEBITS</u>		
Cash	\$ 864,300	\$ 68,957
Certificates of deposit	-	-
Receivables:		
Returned checks receivable	1,941	-
Paving accounts receivable	7,923	-
Delinquent taxes receivable (net)	<u>2,101</u>	<u>-</u>
Total Assets and Other Debits	<u>\$ 876,265</u>	<u>\$ 68,957</u>
<u>LIABILITIES</u>		
Accounts payable	135,453	-
Construction contracts payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>135,453</u>	<u>-</u>
<u>FUND BALANCES</u>		
Reserved for:		
Library Memorials	212	-
Debt Service	-	68,957
Capital Projects	-	-
Unreserved	<u>740,600</u>	<u>-</u>
Total Fund Balances	<u>740,812</u>	<u>68,957</u>
Total Liabilities and Fund Balances	<u>\$ 876,265</u>	<u>\$ 68,957</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

Streets and Capital Projects	Total Governmental Funds
\$ 177,988	\$ 1,111,245
3,300,000	3,300,000
-	1,941
-	7,923
-	2,101
<u>\$ 3,477,988</u>	<u>\$ 4,423,210</u>
-	135,453
<u>256,593</u>	<u>256,593</u>
<u>256,593</u>	<u>392,046</u>
-	212
-	68,957
3,221,395	3,221,395
-	740,600
<u>3,221,395</u>	<u>4,031,164</u>
<u>\$ 3,477,988</u>	
	8,775,275
	79,137
	<u>(9,530,000)</u>
	<u>\$ 3,355,576</u>

See accompanying notes to financial statements

**CITY OF LIVINGSTON, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	<u>General</u>	<u>Debt Service</u>
<u>REVENUES</u>		
Taxes:		
Property taxes	\$ 64	\$ -
Sales taxes	2,199,629	-
Franchise taxes	124,949	-
Hotel/Motel taxes	116,991	-
Licenses and permits	70,903	-
Charges for service	978,312	-
Fines and forfeitures	167,862	-
Miscellaneous	225,156	43,546
Total Revenues	<u>3,883,866</u>	<u>43,546</u>
<u>EXPENDITURES</u>		
Current:		
Administrative	335,176	-
Sanitation	489,056	-
Fire	309,087	-
Police	1,055,415	-
Paving and street	333,779	-
Parks and recreation	685,545	-
Library	228,237	-
Garage	152,792	-
Debt service:		
Principal retirement	-	1,740,000
Interest	-	379,556
Capital outlay:		
Streets	-	-
Other projects	-	-
Total Expenditures	<u>3,589,087</u>	<u>2,119,556</u>
Excess (deficiency) of revenues over expenditures	<u>294,779</u>	<u>(2,076,010)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Bonds Issued	-	-
Bonds Issued from refunding debt	-	1,600,000
Transfers in	455,955	481,622
Transfers out	(481,622)	-
Total other financing sources (uses)	<u>(25,667)</u>	<u>2,081,622</u>
Net change in fund balances	269,112	5,612
Fund Balances - beginning	<u>471,700</u>	<u>63,345</u>
Fund Balances - ending	<u>\$ 740,812</u>	<u>\$ 68,957</u>

See accompanying notes to financial statements

Streets and Capital Projects	Total Governmental Funds
\$ -	\$ 64
-	2,199,629
-	124,949
-	116,991
-	70,903
-	978,312
-	167,862
-	268,702
-	<u>3,927,412</u>
-	
-	335,176
-	489,056
-	309,087
-	1,055,415
-	333,779
-	685,545
-	228,237
-	152,792
-	1,740,000
-	379,556
1,776,084	1,776,084
2,521	2,521
<u>1,778,605</u>	<u>7,487,248</u>
<u>(1,778,605)</u>	<u>(3,559,836)</u>
5,000,000	5,000,000
-	1,600,000
-	937,577
-	(481,622)
<u>5,000,000</u>	<u>7,055,955</u>
3,221,395	3,496,119
-	535,045
<u>\$ 3,221,395</u>	<u>\$ 4,031,164</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, 2003**

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

Net changes in fund balances - total governmental funds	\$ 3,496,119
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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 capital outlays exceeded depreciation in the current period.	1,241,609
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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>(4,785,775)</u>
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Changes in net assets of governmental activities	<u>\$ (48,047)</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, 2003

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>REVENUES</u>			
Taxes:			
Property taxes	\$ 100	\$ 50	\$ 150
Sales taxes	2,250,000	(90,000)	2,160,000
Franchise taxes	140,000	(15,000)	125,000
Hotel/Motel taxes	103,000	17,000	120,000
Licenses and permits	35,000	14,000	49,000
Charges for service	956,250	96,632	1,052,882
Fines and forfeitures	176,000	4,700	180,700
Miscellaneous	387,250	36,950	424,200
Total Revenues	<u>4,047,600</u>	<u>64,332</u>	<u>4,111,932</u>
<u>EXPENDITURES</u>			
Current:			
Administrative	310,460	40,140	350,600
Sanitation	481,000	3,700	484,700
Fire	318,400	46,717	365,117
Police	1,054,250	(2,250)	1,052,000
Paving and street	345,695	(15,775)	329,920
Parks and recreation	670,650	16,550	687,200
Library	223,240	6,385	229,625
Garage	153,795	705	154,500
Total Expenditures	<u>3,557,490</u>	<u>96,172</u>	<u>3,653,662</u>
Excess (deficiency) of revenues over expenditures	<u>490,110</u>	<u>(31,840)</u>	<u>458,270</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	300,378	-	300,378
Transfers out	(481,622)	-	(481,622)
Total other financing sources and (uses)	<u>(181,244)</u>	<u>-</u>	<u>(181,244)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ 308,866</u>	<u>\$ (31,840)</u>	<u>\$ 277,026</u>
Fund balances 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>
\$ 64	\$ (86)
2,199,629	39,629
124,949	(51)
116,991	(3,009)
70,903	21,903
978,312	(74,570)
167,862	(12,838)
225,156	(199,044)
<u>3,883,866</u>	<u>(228,066)</u>
335,176	15,424
489,056	(4,356)
309,087	56,030
1,055,415	(3,415)
333,779	(3,859)
685,545	1,655
228,237	1,388
152,792	1,708
<u>3,589,087</u>	<u>64,575</u>
<u>294,779</u>	<u>(163,491)</u>
455,955	155,577
(481,622)	-
<u>(25,667)</u>	<u>155,577</u>
269,112	\$ (7,914)
<u>471,700</u>	
<u>\$ 740,812</u>	

See accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
STATEMENT OF NET ASSETS PROPRIETARY FUNDS
SEPTEMBER 30, 2003

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 304,459
Certificates of deposit	1,003,090
Receivables:	
Returned checks receivable	8,831
Utility accounts receivable	<u>1,121,625</u>
Total Current Assets	<u>2,438,005</u>
Noncurrent assets:	
Restricted assets	
Cash in bank, water and sewer system improvements	116,097
Cash in bank, reserve fund	<u>71,959</u>
	<u>188,056</u>
Capital assets:	
Land	505,880
Building and improvements	359,522
Equipment and fixtures	1,314,740
Electrical system	3,057,802
Water system	4,778,634
Sewer system	<u>6,565,136</u>
	16,581,714
Less accumulated depreciation	<u>(4,695,852)</u>
Net capital assets	<u>11,885,862</u>
Other assets:	
Water service contract rights	<u>520,000</u>
Total Other Assets	<u>520,000</u>
Total Assets	<u>\$ 15,031,923</u>

See accompanying notes to financial statements

**CITY OF LIVINGSTON, TEXAS
STATEMENT OF NET ASSETS PROPRIETARY FUNDS
SEPTEMBER 30, 2003**

Business-Type Activities - Enterprise Fund

**Electric
Water and
Sewer**

LIABILITIES

Current liabilities:

Accounts payable	\$ 705,912
Meter deposits	<u>302,208</u>
Total current liabilities	<u>1,008,120</u>

Current liabilities payable from restricted assets:

Contracts payable - Trinity River Authority	<u>60,000</u>
Total current liabilities payable from restricted assets	<u>60,000</u>

Noncurrent liabilities:

Contracts payable - Trinity River Authority	<u>460,000</u>
Total noncurrent liabilities	<u>460,000</u>

Total liabilities	<u>1,528,120</u>
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NET ASSETS

Invested in capital assets (net of related debt)	5,541,985
Restricted for water and sewer system improvements	153,574
Restricted for Trinity River Authority contracts payable	71,959
Unrestricted	<u>7,736,285</u>
Total net assets	<u>\$ 13,503,803</u>

CITY OF LIVINGSTON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
<u>Operating revenues</u>	
Charges for sales and services:	
Electricity sales	\$ 6,501,135
Water sales	1,515,587
Sewer service charges	1,050,653
Penalties, utilities	120,618
Water tapping fees	8,600
Sewer tapping fees	5,900
Recoveries, electrical	632,588
Recoveries, water	49,676
Revenue, night lights	66,688
Service fees	29,558
Total Operating Revenues	<u>9,981,003</u>
<u>Operating expenses</u>	
Light and Power Department	7,077,947
Water Department	1,678,680
Sewer Department	369,602
Uncollectible accounts	76,508
Depreciation	275,776
Total Operating Expenses	<u>9,478,513</u>
Operating Income	502,490
Non-operating revenues:	
Interest income	<u>21,190</u>
Income Before Transfers	523,680
Transfers Trinity River Authority	(468,741)
Transfers Out	<u>(455,955)</u>
Change in net assets	(401,016)
Total net assets - beginning	<u>13,904,819</u>
Total net assets - ending	<u>\$ 13,503,803</u>

See accompanying notes to financial statements

**CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

Business-Type Activities - Enterprise Fund

	<u>Electric Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 9,923,695
Cash payments to suppliers for goods and services	(7,814,856)
Cash payments to employees for services	<u>(1,198,523)</u>
Net cash provided by operating activities	<u>910,316</u>
Cash flows from noncapital financing activities:	
Transfers to Trinity River Authority	(468,741)
Transfers to other funds	<u>(455,955)</u>
Net cash used for noncapital financing activities	<u>(924,696)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(304,032)</u>
Net cash used for capital and related financing activities	<u>(304,032)</u>
Cash flows from investing activities:	
Interest on cash and investments	<u>21,190</u>
Net cash provided by investing activities	<u>21,190</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(297,222)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>789,736</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 492,514</u>

(Continued)

**CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

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	\$ 502,490
Adjustments to reconcile operating net income to net net cash provided by operating activities:	
Depreciation	275,776
Change in operating assets and liabilities:	
Returned checks receivable	(1,876)
Utility accounts receivable	21,076
Accounts payable	111,415
Meter deposits	<u>1,435</u>
Total adjustments	<u>407,826</u>
Net cash provided by operating activities	<u>\$ 910,316</u>
Reconciliation of total cash and cash investments:	
Unrestricted	\$ 304,459
Restricted	<u>188,056</u>
Total cash and cash equivalents	<u>\$ 492,515</u>

(Concluded)

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF LIVINGSTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The City has elected to apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

In June 1999, the GASB unanimously approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain of the significant changes in the Statement include: the addition of a Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations; financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.); and a change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City has implemented all of the provisions of the Statement in the current year.

The following notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2003.

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 organizations 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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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.

Fund Financial Statements

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

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

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

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

Streets and Capital Projects Fund - The Streets and 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 Fund

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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.

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 one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

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

Capital Assets

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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, Capital Projects and Electric, Water and Sewer Funds.
- (5) Budgets for the General, Debt Service, Streets and Capital Projects and Electric, Water and Sewer Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- (6) Budgeted amounts are subject to revision in September of each year by the City Council. Amounts provided in budget comparisons in the financial statements are as originally adopted or as legally amended during the year. The City Manager may amend the budget to transfer amounts within and among departments; however, any revisions that alter the total expenditures/expenses by more than \$5,000 must be approved by the City Council.

The budget was amended September 1, 2003 to reflect additional appropriations approved during the year by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

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

Investments

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Nature and Purposes of Reservations of Fund Equity

The City sets aside funds that can be used only for the improvement of the water and sewer system.

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, 2003.

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 5).

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)Operating Transfers In and Out

The following is a summary of interfund transfers for the year ended September 30, 2003:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 455,955	\$ 481,622
Debt Service Fund	481,622	-
Electric, Water and Sewer Fund	-	455,955
Total	<u>\$ 937,577</u>	<u>\$ 937,577</u>

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:Deposits with Financial Institutions

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 CASH:

All bank balances and deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City or by its agent in the City's name. Total deposits of the City at September 30, 2003 for all Funds were \$5,906,850.

The categories of cash balances are as follows:

- Category 1 Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its department or agent but not in the entity's name.

NOTE 3 CASH: (CONTINUED)

Deposits, categorized by level of risk are:

	Carrying Amounts	Bank Balances	Category		
			1	2	3
Non-pooled Cash and Cash Equivalents					
Primary Government	\$ 864,300	\$ 1,023,888	\$ 1,023,888	\$ -	\$ -
Debt Service Fund	68,957	74,760	74,760	-	-
Capital Projects Fund	177,988	177,988	177,988		
Enterprise Fund	<u>492,515</u>	<u>496,683</u>	<u>496,683</u>	-	-
	<u>1,603,760</u>	<u>1,773,319</u>	<u>1,773,319</u>	-	-
Non-pooled Certificates of Deposit					
Capital Projects Fund	3,300,000	3,300,000	3,300,000		
Enterprise Fund	<u>1,003,090</u>	<u>1,003,090</u>	<u>1,003,090</u>	-	-
	<u>4,303,090</u>	<u>4,303,090</u>	<u>4,303,090</u>	-	-
Total Deposits	<u>\$ 5,906,850</u>	<u>\$ 6,076,409</u>	<u>\$ 6,076,409</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 INVESTMENTS:

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, 2003 the City had no investments other than certificates of deposit.

NOTE 5 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.

Property taxes receivable as of September 30, 2003, are comprised of the following:

<u>Year of Levy</u>	<u>General Fund</u>
1987	\$ 301
1986	232
1985	162
1984 and prior	<u>1,406</u>
Total property taxes receivable	2,101
Less allowance for uncollectibles	<u>-</u>
	<u>\$ 2,101</u>

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 October 1, 1988. All budgeted expenditures previously met through property taxes are being liquidated through the increased sales tax.

As more fully disclosed in Note 8, the City issued \$5,000,000 in bonds for street improvements in December 2002. The City did not assess ad valorem taxes for 2003, but the Mayor and Council are evaluating the need to begin assessing taxes in the future.

NOTE 6 FIXED ASSETS:

Capital asset activity for the year ended September 30, 2003 was as follows:

	Balance October 1, 2002	Additions	Retirements/ Adjustments	Balance September 30, 2003
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 254,392	\$ -	\$ -	\$ 254,392
Capital assets being depreciated				
Building and Improvements	2,962,008	6,009	-	2,968,017
Equipment and Fixtures	2,920,505	144,520	-	3,065,025
Paving, Sidewalks and Streets	6,738,921	1,776,084	-	8,515,005
Parks Development	3,087,287	11,449	-	3,098,736
Airport Improvements	555,906	-	-	555,906
Total capital assets being depreciated	\$ 16,264,627	\$ 1,938,062	\$ -	\$ 18,202,689
Less accumulated depreciation for:				
Buildings and Improvements	(785,537)	(93,302)	-	(878,839)
Equipment and Fixtures	(2,159,966)	(195,893)	-	(2,355,859)
Paving, Sidewalks and Streets	(4,525,419)	(260,176)	-	(4,785,595)
Parks Development	(1,092,847)	(139,588)	-	(1,232,435)
Airport Improvements	(418,420)	(10,658)	-	(429,078)
Total accumulated depreciation	(8,982,189)	(699,617)	-	(9,681,806)
Total capital assets being depreciated, net	7,282,438	1,238,445	-	8,520,883
Governmental activities capital assets, net	\$ 7,536,830	\$ 1,238,445	\$ -	\$ 8,775,275

NOTE 6 FIXED ASSETS: (CONTINUED)

	Balance October 1, 2002	Additions	Retirements/ Adjustments	Balance September 30, 2003
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 505,880	\$ -	\$ -	\$ 505,880
Capital assets being depreciated				
Building and Improvements	279,630	79,892	-	359,522
Equipment and Fixtures	1,215,048	99,692	-	1,314,740
Electrical System	2,987,696	70,106	-	3,057,802
Water System	4,748,424	30,210	-	4,778,634
Sewer System	6,541,004	24,132	-	6,565,136
Total capital assets being depreciated	15,771,802	304,032	-	16,075,834
Less accumulated depreciation for:				
Building and Improvements	(88,420)	(6,392)	-	(94,812)
Equipment and Fixtures	(956,512)	(54,295)	-	(1,010,807)
Electrical System	(844,167)	(45,341)	-	(889,508)
Water System	(1,153,989)	(71,452)	-	(1,225,441)
Sewer System	(1,376,988)	(98,296)	-	(1,475,284)
Total accumulated depreciation	(4,420,076)	(275,776)	-	(4,695,852)
Total capital assets being depreciated, net	11,351,726	28,256	-	11,379,982
Business-type activities capital assets, net	\$ 11,857,606	\$ 28,256	\$ -	\$ 11,885,862

FASB-34 (Capitalization of Interest Costs) requires that interest expenditures incurred during construction of assets be capitalized. FASB-62 (Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants) concludes that constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. During 2003, net interest costs were not capitalized because interest expenditures related to constructed assets net of related interest revenue were not material.

NOTE 6 FIXED ASSETS: (CONTINUED)

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

Governmental activities	
Administrative	\$ 53,524
Sanitation	245
Fire	35,428
Police	103,299
Paving and street	303,352
Parks and recreation	177,135
Library	18,351
Garage	8,283
Governmental activities	<u>\$ 699,617</u>
Business-type activities	
Electric, Water and Sewer	<u>\$ 275,776</u>

The City has active construction projects as of September 30, 2003. Total accumulated commitments for ongoing capital projects are composed of the following:

Street improvements	<u>\$ 3,600,000</u>
---------------------	------------------------

NOTE 7 PENSION PLAN:Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory hybrid, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 774 plans administered by TMRS, an agent multiple-employer public employee retirement system.

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

NOTE 7 PENSION PLAN: (CONTINUED)

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 unit credit actuarial cost method is used for determining the City's contribution rate, and the market related asset valuation method is used to determine the actuarial value of plan assets.

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 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 matching percent, which are the obligation of 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 25-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 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began January 2002. The amortization period is open. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses) and (b) no projected salary increases or cost of living adjustments. 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, 2002 valuation is effective for rates beginning January 2004). For fiscal year 2003, the City's annual pension cost of \$328,493 was equal to the City's required and actual contributions.

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/02
Actuarial Value of Assets	\$7,091,154
Actuarial Accrued Liability	8,973,790
Percentage Funded	79.0%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	1,882,636
Annual Covered Payroll	2,050,614
UAAL as a percentage of covered payroll	91.8%

NOTE 7 PENSION PLAN: (CONTINUED)

Net Pension Obligation (NPO) at the Beginning of the Period		\$ -
Annual Pension Cost:		
Annual Required Contribution (ARC)	\$ 328,493	
Interest on NPO	-	
Adjustment to the ARC	-	328,493
Contributions Made		(328,493)
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>
9/30/1998	\$ 237,080	100%	\$ -
9/30/1999	248,105	100%	-
9/30/2000	270,523	100%	-
9/30/2001	290,974	100%	-
9/30/2002	309,225	100%	-
9/30/2003	328,493	100%	-

Additional supplementary three-year trend information may be found on page 57.

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 1200 N. Interstate Highway 35, Austin, Texas 78701.

NOTE 8 LONG-TERM DEBT:

The following is a summary of bonds payable of the City for the year ended September 30, 2003:

	<u>Governmental</u>
\$1,600,000 General Obligation Refunding Bonds, Series due in annual installments of \$185,000 to \$230,000 through 2010, interest at 3.00% to 3.25%, to be paid from taxes	\$ 1,415,000
\$5,000,000 Certificates of Obligation, Series 2002B, street and drainage improvements, due in annual installments of \$290,000 to \$450,000 through 2017, interest at 3.25% to 4.20% to be paid from taxes and subordinated pledge of the net revenues of Enterprise Fund	5,000,000
\$3,370,000 Certificates of Obligation, Series 1997, municipal complex, park facilities, and water improvements, due in annual installments of \$45,000 to \$450,000 through 2017, interest at 4.6% to 5.75% to be paid from taxes and subordinated pledge of the net revenues of Enterprise Fund	<u>3,115,000</u>
Total Bonds Payable	<u>\$ 9,530,000</u>

Changes in Outstanding Debt-

In the next schedule the General Obligation Bonds in the Governmental Funds additions represent \$1,535,636 of General Obligation Refunding Bonds, Series 2002A, \$412 of accrued interest, and \$63,952 of professional fees, discount, and insurance costs. The Certificates of Obligation additions in the Governmental Funds represent \$4,952,000 of Certificates of Obligation Bonds, Series 2002B, \$1,533 of accrued interest, and \$46,467 of professional fees, discount, and insurance costs.

	Balance October 1, 2002	Issues or Additions	Payments or Expenditures	Balance September 30, 2003	Due Within One Year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ -	\$ 1,600,000	\$ 185,000	\$ 1,415,000	\$185,000
Certificates of Obligation	<u>4,670,000</u>	<u>5,000,000</u>	<u>1,555,000</u>	<u>8,115,000</u>	<u>345,000</u>
Total government	<u>\$ 4,670,000</u>	<u>\$ 6,600,000</u>	<u>\$ 1,740,000</u>	<u>\$ 9,530,000</u>	<u>\$ 530,000</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.

NOTE 8 LONG-TERM DEBT: (CONTINUED)

The 1997 and 2002B 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 System.

Certificates of Obligation Bonds Refunding-

Due to favorable interest rates, during fiscal year 2003, \$1,600,000 of Series 2002A General Obligation Refunding Bonds were issued to advance refund \$1,500,000 of the City's previously issued and outstanding Certificates of Obligation. The reacquisition price exceeded the carrying amount of the old debt by \$63,952. This amount is being amortized over the remaining life of the refunded debt which is the same as the life of the new debt issued. As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$143,614.

Certificates of Obligation Issued-

The City authorized and issued \$5,000,000 of Series 2002B Certificates of Obligation Bonds for the purpose of resurfacing and improving various streets and drainage systems within the City.

Annual Requirements to Retire Debt Obligations-

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2003, are as follows:

General Obligation Bonds

Year Ending Sept. 30,	Governmental Activities		
	Principal	Interest	Total
2004	\$ 185,000	\$ 43,488	\$ 228,488
2005	185,000	37,475	222,475
2006	195,000	31,925	226,925
2007	200,000	26,075	226,075
2008	205,000	20,075	225,075
2009-2010	445,000	21,400	466,400
Total	<u>\$ 1,415,000</u>	<u>\$ 180,438</u>	<u>\$ 1,595,438</u>

Certificates of Obligation

Year Ending Sept. 30,	Governmental Activities		
	Principal	Interest	Total
2004	\$ 345,000	\$ 357,313	\$ 702,313
2005	355,000	344,358	699,358
2006	365,000	330,943	695,943
2007	375,000	317,118	692,118
2008	385,000	302,823	687,823
2009-2013	2,930,000	1,245,432	4,175,432
2014-2017	3,360,000	420,926	3,780,926
Total	<u>\$ 8,115,000</u>	<u>\$ 3,318,913</u>	<u>\$ 11,433,913</u>

NOTE 8 LONG-TERM DEBT: (CONTINUED)

The ordinances authorizing the issuance of Certificate 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 9 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. Annual average daily amounts of raw water that TRA is obligated to sell to the City is set forth in the following schedules:

<u>Contract Years</u>	<u>Annual Average Daily Amounts</u>
1978 through 1984	1.0 MGD
1985 through 1989	2.0 MGD
1990 through 1994	3.0 MGD
1995 through 1999	4.0 MGD
2000 through 2020	5.0 MGD

NOTE 10 WATER SYSTEM SERVICE CONTRACT:

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

In December, 1991 the TRA issued \$1,600,000 in bonds to expand the capabilities of the system to meet the requirements of the City. The bonds are 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. The utilization of the reserve funds is reflected as a transfer to the TRA in the Statement of Activities.

NOTE 10 WATER SYSTEM SERVICE CONTRACT: (CONTINUED)

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, 2003, the City paid approximately \$295,000 into the interest and sinking fund. As described above, \$468,741 of reserve funds were used in the bond refunding bringing the adjusted reserve total to \$71,959. The annual principal and interest payments after the refunding applicable to the TRA's bonds through maturity are in the following amounts:

<u>Calendar Year</u>	<u>Amount Per Year</u>
2004	\$ 77,360
2005	75,560
2006	73,760
2007	76,960
2008	74,848
2009	77,735
2010	75,320
2011	<u>72,730</u>
Total	<u>\$ 604,273</u>

NOTE 11 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.

NOTE 11 ENERGY AND POWER CONTRACT: (CONTINUED)

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

During the year ended September 30, 1999, the Agency entered into an agreement with Entergy Power Marketing Corp. and Entergy Power, Inc. to sell its excess system capacity. In addition, the Agency has agreed to enter into a Requirements Power Supply Agreement with Entergy which allows the Agency to purchase its delivered power and energy supply at a fixed price, sufficient to service the retail loads and normal load growth of the cities it currently serves through the term of its existing contracts through 2021. The City expects that rate stabilization should enable them to avoid the annual rate increases to customers previously scheduled to occur through 2004.

The Agency was able to rebate to participating cities a portion of their power purchases in 2003. Reflected in the revenues for the Electric, Water and Sewer Fund is an approximate \$633,000 rebate of power costs.

NOTE 12 RELATED PARTY TRANSACTIONS:

The City of Livingston maintains its bank accounts at two local banks. Three 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 13 LITIGATION:

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

NOTE 14 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, 2003 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 15 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 16 SANITATION DEPARTMENT CONTRACT:

The City has contracted with Santek Environmental, Inc. for a two-year period to operate its sanitation department which expires in 2005. The City continues to perform all billing and administrative procedures, but all employees and equipment for the sanitation department have been eliminated.

NOTE 17 GOLF COURSE LEASE AGREEMENT:

The City has entered into an agreement to lease the municipal golf course for a five year period to Mill Ridge Golf Club, L.C. which expires in 2004. Under the terms of the lease, the City will receive the greater of 2% of gross receipts or \$3,000 per quarter in rent. During the year ended September 30, 2003 the City received \$12,000 under this agreement.

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
12/31/2000	\$ 5,431,551	\$ 7,157,233	\$ 1,752,682	75.89%	\$ 1,873,025	93.57%
12/31/2001	6,255,814	8,087,430	1,831,616	77.35%	1,936,169	94.60%
12/31/2002	7,091,154	8,973,790	1,882,636	79.02%	2,050,614	91.81%

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

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

See independent auditor's report and accompanying notes to financial statements.

**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, 2003**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
REVENUES			
Miscellaneous	3,000	21,703	24,703
Total Revenues	<u>3,000</u>	<u>21,703</u>	<u>24,703</u>
EXPENDITURES			
Debt service:			
Principal retirement	1,720,000	20,000	1,740,000
Interest	395,407	(15,581)	379,826
Total Expenditures	<u>2,115,407</u>	<u>4,149</u>	<u>2,119,556</u>
Excess (deficiency) of revenues over expenditures	<u>(2,112,407)</u>	<u>17,554</u>	<u>(2,094,853)</u>
OTHER FINANCING SOURCES			
Bonds Issued from refunding debt	\$ 1,600,000	-	1,600,000
Transfers in	481,622	-	481,622
Total other financing sources	<u>2,081,622</u>	<u>-</u>	<u>2,081,622</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ (30,785)</u>	<u>\$ 17,554</u>	<u>\$ (13,231)</u>
Fund balances at beginning of year			
Fund balance at end of year			

See independent auditor's report and accompanying notes to financial statements.

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>43,546</u>	<u>18,843</u>
<u>43,546</u>	<u>18,843</u>
1,740,000	-
<u>379,556</u>	<u>(270)</u>
<u>2,119,556</u>	<u>-</u>
<u>(2,076,010)</u>	<u>18,843</u>
\$ 1,600,000	-
<u>481,622</u>	<u>-</u>
<u>2,081,622</u>	<u>-</u>
5,612	18,843
<u>63,345</u>	<u>-</u>
<u>\$ 68,957</u>	<u>\$ 18,843</u>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF LIVINGSTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
STREET AND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
<u>EXPENDITURES</u>			
Capital outlay:			
Streets	5,000,000	(2,500,000)	2,500,000
Other projects	-	-	-
Total Expenditures	<u>5,000,000</u>	<u>(2,500,000)</u>	<u>2,500,000</u>
Excess (deficiency) of revenues over expenditures	<u>5,000,000</u>	<u>2,500,000</u>	<u>(2,500,000)</u>
<u>OTHER FINANCING SOURCES</u>			
Bonds Issued	<u>5,000,000</u>	-	<u>5,000,000</u>
Total other financing sources	<u>5,000,000</u>	-	<u>5,000,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (2,500,000)</u>	<u>\$ 2,500,000</u>
Fund balances at beginning of year			
Fund balance at end of year			

See independent auditor's report and accompanying notes to financial statements.

<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
1,776,084	723,916
<u>2,521</u>	<u>(2,521)</u>
<u>1,778,605</u>	<u>721,395</u>
<u>(1,778,605)</u>	<u>721,395</u>
5,000,000	-
<u>5,000,000</u>	<u>-</u>
3,221,395	721,395
<u>-</u>	<u>-</u>
<u>\$ 3,221,395</u>	<u>\$ 721,395</u>

See independent auditor's report and accompanying notes to financial statements.

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INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2003 AND 2002**

ASSETS

	<u>2003</u>	<u>2002</u>
Cash	\$ 864,300	\$ 615,570
Receivables:		
Returned checks receivable	1,941	1,886
Paving accounts receivable	7,923	17,979
Delinquent taxes receivable (net)	<u>2,101</u>	<u>2,101</u>
Total Assets	<u>\$ 876,265</u>	<u>\$ 637,536</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 135,453	\$ 163,735
Deferred revenue	<u>-</u>	<u>2,101</u>
Total Liabilities	<u>135,453</u>	<u>165,836</u>

FUND BALANCES

Reserve for library memorials	212	9,848
Unreserved	<u>740,600</u>	<u>461,852</u>
Total Fund Balances	<u>740,812</u>	<u>471,700</u>
Total Liabilities and Fund Balances	<u>\$ 876,265</u>	<u>\$ 637,536</u>

See independent auditor's report and accompanying notes to financial statements.

CITY OF LIVINGSTON, TEXAS
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2003
WITH COMPARATIVE ACTUAL TOTALS FOR 2002

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
<u>REVENUES</u>				
Taxes:				
Property taxes	\$ 100	\$ 50	\$ 150	\$ 64
Sales taxes	2,250,000	(90,000)	2,160,000	2,199,629
Franchise taxes	140,000	(15,000)	125,000	124,949
Hotel/Motel taxes	103,000	17,000	120,000	116,991
Licenses and permits	35,000	14,000	49,000	70,903
Charges for service	956,250	96,632	1,052,882	978,312
Fines and forfeitures	176,000	4,700	180,700	167,862
Miscellaneous	387,250	36,950	424,200	225,156
Total Revenues	<u>4,047,600</u>	<u>64,332</u>	<u>4,111,932</u>	<u>3,883,866</u>
<u>EXPENDITURES</u>				
Administrative	310,460	40,140	350,600	335,176
Sanitation	481,000	3,700	484,700	489,056
Fire	318,400	46,717	365,117	309,087
Police	1,054,250	(2,250)	1,052,000	1,055,415
Paving and street	345,695	(15,775)	329,920	333,779
Parks and recreation	670,650	16,550	687,200	685,545
Library	223,240	6,385	229,625	228,237
Garage	153,795	705	154,500	152,792
Total Expenditures	<u>3,557,490</u>	<u>96,172</u>	<u>3,653,662</u>	<u>3,589,087</u>
Excess (deficiency) of revenues over expenditures	<u>490,110</u>	<u>(31,840)</u>	<u>458,270</u>	<u>294,779</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	300,378	-	300,378	455,955
Transfers out	<u>(481,622)</u>	<u>-</u>	<u>(481,622)</u>	<u>(481,622)</u>
Total other financing sources (uses)	<u>(181,244)</u>	<u>-</u>	<u>(181,244)</u>	<u>(25,667)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ 308,866</u>	<u>\$ (31,840)</u>	<u>\$ 277,026</u>	<u>\$ 269,112</u>
Fund balances at beginning of year				<u>471,700</u>
Fund balances at end of year				<u>\$ 740,812</u>

See independent auditor's report and accompanying notes to financial statements.

Variance With Final Budget Positive (Negative)	2002 Actual
\$ (86)	\$ 139
39,629	2,189,217
(51)	140,039
(3,009)	110,539
21,903	39,422
(74,570)	911,272
(12,838)	152,717
(199,044)	176,876
<u>(228,066)</u>	<u>3,720,221</u>
15,424	219,570
(4,356)	481,974
56,030	290,064
(3,415)	1,009,301
(3,859)	629,290
1,655	603,608
1,388	210,043
1,708	122,338
<u>64,575</u>	<u>3,566,188</u>
<u>(163,491)</u>	<u>154,033</u>
155,577	361,759
-	(472,348)
<u>155,577</u>	<u>(110,589)</u>
\$ <u>(7,914)</u>	43,444
	<u>428,256</u>
	<u>\$ 471,700</u>

See independent auditor's report and accompanying notes to financial statements.

CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2003
WITH COMPARATIVE ACTUAL TOTALS FOR 2002

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
ADMINISTRATIVE DEPARTMENT				
Salaries	\$ 21,500	\$ -	\$ 21,500	\$ 20,662
Social Security	1,925	125	2,050	1,988
Retirement	34,000	-	34,000	34,017
Employee insurance	21,500	(1,000)	20,500	20,358
Insurance and bonds	9,850	(1,500)	8,350	8,348
Legal and professional	30,000	3,000	33,000	29,653
Auditing and accounting	3,000	-	3,000	3,000
Supplies	12,000	4,000	16,000	15,698
Repairs-building and grounds	10,000	2,500	12,500	9,598
Equipment repairs and maintenance	6,500	(1,500)	5,000	4,302
Gas and oil	880	170	1,050	1,055
Utility/telephone	4,830	20	4,850	5,025
Dues and subscriptions	6,800	(2,800)	4,000	4,286
Building demolitions	5,000	-	5,000	-
Transportation and contingency	35,000	10,000	45,000	46,674
Bond Issue costs	55,000	42,300	97,300	90,607
Postage and miscellaneous	27,675	(175)	27,500	31,528
	285,460	55,140	340,600	326,799
Capital expenditures	25,000	(15,000)	10,000	8,377
Total Administrative	310,460	40,140	350,600	335,176
SANITATION DEPARTMENT				
Supplies	35,000	-	35,000	32,221
Refuse disposal/landfills	446,000	3,700	449,700	456,835
Total Sanitation	481,000	3,700	484,700	489,056

See independent auditor's report and accompanying notes to financial statements.

Variance With Final Budget Positive (Negative)	2002 Actual
\$ 838	\$ 19,979
62	1,839
(17)	30,633
142	19,043
2	7,251
3,347	32,146
-	2,667
302	13,199
2,902	10,078
698	5,008
(5)	843
(175)	4,530
(286)	6,842
5,000	-
(1,674)	17,126
6,693	-
<u>(4,028)</u>	<u>27,109</u>
13,801	198,293
<u>1,623</u>	<u>21,277</u>
<u>15,424</u>	<u>219,570</u>
2,779	38,488
<u>(7,135)</u>	<u>443,486</u>
<u>(4,356)</u>	<u>481,974</u>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2003
WITH COMPARATIVE ACTUAL TOTALS FOR 2002**

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
FIRE DEPARTMENT				
Salaries	102,000	(5,000)	97,000	96,407
Salaries, administration	21,500	-	21,500	20,625
Social Security	7,000	-	7,000	6,889
Retirement	10,550	-	10,550	10,610
Employee insurance	12,225	775	13,000	12,976
Insurance and bonds	25,300	-	25,300	23,227
Recruitment costs	1,000	-	1,000	101
Supplies	26,000	-	26,000	27,773
Repairs-building and grounds	3,000	-	3,000	1,912
Equipment repairs and maintenance	30,000	(15,000)	15,000	19,106
Gas and oil	5,500	(1,000)	4,500	4,987
Utility/telephone	11,000	(3,000)	8,000	8,008
Dues and subscriptions	1,500	(200)	1,300	1,234
Transportation and contingency	17,000	-	17,000	19,506
Maintenance contribution	21,500	-	21,500	19,967
Postage and miscellaneous	3,325	(225)	3,100	2,665
	298,400	(23,650)	274,750	275,993
Capital expenditures	20,000	70,367	90,367	33,094
Total Fire	318,400	46,717	365,117	309,087
POLICE DEPARTMENT				
Salaries	625,000	5,000	630,000	624,070
Salaries, administration	21,500	-	21,500	20,625
Social Security	49,500	300	49,800	49,721
Retirement	90,000	(4,000)	86,000	86,272
Employee insurance	87,600	(7,600)	80,000	85,446
Uniforms	3,000	700	3,700	3,526
Insurance and bonds	40,700	300	41,000	45,936
Supplies	21,000	-	21,000	21,250
Repairs-building and grounds	12,500	-	12,500	11,162
Equipment repairs and maintenance	15,000	2,500	17,500	18,561
Gas and oil	18,700	3,800	22,500	21,759
Utility/telephone	7,175	(75)	7,100	7,284
Dues and subscriptions	700	(200)	500	462
Transportation and contingency	15,000	1,500	16,500	17,676
Postage and miscellaneous	13,875	(4,475)	9,400	9,059
	1,021,250	(2,250)	1,019,000	1,022,809
Capital expenditures	33,000	-	33,000	32,606
Total Police	1,054,250	(2,250)	1,052,000	1,055,415

See independent auditor's report and accompanying notes to financial statements.

Variance With Final Budget Positive (Negative)	2002 Actual
593	94,549
875	19,965
111	6,624
(60)	9,830
24	10,797
2,073	22,115
899	561
(1,773)	27,042
1,088	1,211
(4,106)	33,884
(487)	4,101
(8)	7,205
66	737
(2,506)	13,194
1,533	19,899
<u>435</u>	<u>3,533</u>
(1,243)	275,247
<u>57,273</u>	<u>14,817</u>
<u>56,030</u>	<u>290,064</u>
5,930	582,889
875	19,965
79	46,517
(272)	82,038
(5,446)	71,652
174	3,020
(4,936)	36,717
(250)	21,209
1,338	10,566
(1,061)	17,118
741	17,428
(184)	6,806
38	438
(1,176)	14,609
<u>341</u>	<u>8,568</u>
(3,809)	939,540
<u>394</u>	<u>69,761</u>
<u>(3,415)</u>	<u>1,009,301</u>

See independent auditor's report and accompanying notes to financial statements.

CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2003
WITH COMPARATIVE ACTUAL TOTALS FOR 2002

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
PAVING AND STREET DEPARTMENT				
Salaries	168,500	(8,500)	160,000	158,635
Salaries, administration	21,500	-	21,500	20,624
Social Security	14,550	(800)	13,750	13,656
Retirement	26,000	(2,000)	24,000	24,123
Employee insurance	28,600	(3,600)	25,000	24,515
Uniforms	2,725	25	2,750	2,532
Insurance and bonds	22,500	500	23,000	27,532
Supplies	12,000	2,500	14,500	14,706
Equipment repairs and maintenance	31,000	(6,000)	25,000	23,334
Gas and oil	12,100	1,900	14,000	15,056
Transit system	4,620	-	4,620	4,620
Transportation and contingency	1,600	200	1,800	4,446
	345,695	(15,775)	329,920	333,779
Capital expenditures	-	-	-	-
Total Paving and Street	345,695	(15,775)	329,920	333,779
PARKS AND RECREATION DEPARTMENT				
Salaries	281,000	(45,000)	236,000	237,519
Salaries, administration	43,000	-	43,000	43,569
Social Security	24,800	(3,400)	21,400	19,018
Retirement	37,000	(8,650)	28,350	26,716
Employee insurance	42,800	(8,150)	34,650	31,514
Uniforms	4,200	300	4,500	4,114
Insurance and bonds	19,200	(800)	18,400	19,005
Advertising, hotel tax	41,500	80,000	121,500	134,640
Supplies	39,500	(1,500)	38,000	35,507
Repairs-building and grounds	12,850	14,150	27,000	23,800
Equipment repairs and maintenance	52,000	(40,000)	12,000	11,212
Gas and oil	24,000	1,600	25,600	26,325
Utility/telephone	10,075	(425)	9,650	9,596
Dues and subscriptions	750	-	750	706
Transportation and contingency	5,000	(2,500)	2,500	1,736
Programming costs	10,000	-	10,000	6,938
Postage and miscellaneous	5,475	(75)	5,400	4,119
	653,150	(14,450)	638,700	636,034
Capital expenditures	17,500	31,000	48,500	49,511
Total Parks and Recreation	670,650	16,550	687,200	685,545

See independent auditor's report and accompanying notes to financial statements.

Variance With Final Budget Positive (Negative)	2002 Actual
1,365	146,934
876	19,965
94	12,708
(123)	22,954
485	20,921
218	2,578
(4,532)	20,027
(206)	18,220
1,666	29,222
(1,056)	11,847
-	-
<u>(2,646)</u>	<u>2,801</u>
(3,859)	308,177
<u>-</u>	<u>321,113</u>
<u>(3,859)</u>	<u>629,290</u>
(1,519)	255,765
(569)	39,930
2,382	22,502
1,634	33,794
3,136	36,532
386	3,955
(605)	16,933
(13,140)	46,774
2,493	34,172
3,200	5,754
788	9,706
(725)	5,844
54	8,779
44	709
764	6,638
3,062	5,467
<u>1,281</u>	<u>19,308</u>
2,666	552,562
<u>(1,011)</u>	<u>51,046</u>
<u>1,655</u>	<u>603,608</u>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF LIVINGSTON, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2003
WITH COMPARATIVE ACTUAL TOTALS FOR 2002**

	Budgeted Amounts GAAP Basis			
	Original	Revisions	Final	Actual
LIBRARY DEPARTMENT				
Salaries	110,000	1,000	111,000	110,931
Salaries, administration	21,500	-	21,500	20,625
Social Security	10,050	(50)	10,000	10,006
Retirement	15,200	100	15,300	15,291
Employee insurance	16,500	(300)	16,200	16,119
Insurance and bonds	6,050	1,600	7,650	7,628
Supplies	8,000	2,000	10,000	7,654
Repairs-building and grounds	5,000	3,000	8,000	9,389
Equipment repairs and maintenance	3,340	(1,040)	2,300	2,761
Utility/telephone	5,000	(300)	4,700	4,420
Dues and subscriptions	2,300	75	2,375	2,403
Transportation and contingency	1,500	500	2,000	2,118
Postage and printing	2,800	(200)	2,600	2,633
	<u>207,240</u>	<u>6,385</u>	<u>213,625</u>	<u>211,978</u>
Memorial capital	5,000	-	5,000	10,174
Capital expenditures	<u>11,000</u>	<u>-</u>	<u>11,000</u>	<u>6,085</u>
Total Library	<u>223,240</u>	<u>6,385</u>	<u>229,625</u>	<u>228,237</u>
GARAGE DEPARTMENT				
Salaries	58,250	-	58,250	58,254
Salaries, administration	21,500	-	21,500	20,608
Social Security	6,100	(100)	6,000	5,975
Retirement	7,900	-	7,900	7,798
Employee insurance	8,150	-	8,150	8,135
Uniforms	1,000	-	1,000	842
Insurance and bonds	7,370	380	7,750	7,711
Supplies	7,500	-	7,500	7,359
Repairs-building and grounds	1,000	3,500	4,500	5,644
Equipment repairs and maintenance	3,000	1,000	4,000	2,589
Gas and oil	1,650	-	1,650	1,684
Utility/telephone	2,875	(575)	2,300	2,072
	<u>126,295</u>	<u>4,205</u>	<u>130,500</u>	<u>128,671</u>
Capital expenditures	<u>27,500</u>	<u>(3,500)</u>	<u>24,000</u>	<u>24,121</u>
Total Garage	<u>153,795</u>	<u>705</u>	<u>154,500</u>	<u>152,792</u>
TOTAL GENERAL EXPENDITURES	<u>\$ 3,557,490</u>	<u>\$ 96,172</u>	<u>\$ 3,653,662</u>	<u>\$ 3,589,087</u>

See independent auditor's report and accompanying notes to financial statements.

Variance With Final Budget Positive (Negative)	2002 Actual
69	104,328
875	19,965
(6)	9,449
9	14,367
81	13,730
22	5,393
2,346	9,418
(1,389)	3,669
(461)	1,888
280	4,007
(28)	2,130
(118)	723
(33)	2,290
<u>1,647</u>	<u>191,357</u>
(5,174)	14,923
<u>4,915</u>	<u>3,763</u>
<u>1,388</u>	<u>210,043</u>
(4)	53,941
892	19,965
25	5,595
102	7,471
15	7,311
158	780
39	6,666
141	6,361
(1,144)	993
1,411	7,457
(34)	1,355
<u>228</u>	<u>2,072</u>
1,829	119,967
<u>(121)</u>	<u>2,371</u>
<u>1,708</u>	<u>122,338</u>
<u>\$ 64,575</u>	<u>\$ 3,566,188</u>

See independent auditor's report and accompanying notes to financial statements.

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DEBT SERVICE FUND

CITY OF LIVINGSTON, TEXAS
DEBT SERVICE FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2003 AND 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Cash	\$ 68,957	\$ 63,345
Total Assets	<u>\$ 68,957</u>	<u>\$ 63,345</u>

FUND BALANCES

Reserve for debt service	<u>68,957</u>	<u>63,345</u>
Total Fund Balance	<u>\$ 68,957</u>	<u>\$ 63,345</u>

See independent auditor's report and accompanying notes to financial statements.

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**CITY OF LIVINGSTON, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2003
WITH COMPARATIVE ACTUAL TOTALS FOR 2002**

	Budgeted Amounts GAAP Basis		
	Original	Revisions	Final
REVENUES			
Miscellaneous	3,000	21,703	24,703
Total Revenues	<u>3,000</u>	<u>21,703</u>	<u>24,703</u>
EXPENDITURES			
Debt service:			
Principal retirement	1,720,000	20,000	1,740,000
Interest	395,407	(15,581)	379,826
Total Expenditures	<u>2,115,407</u>	<u>4,149</u>	<u>2,119,556</u>
Excess (deficiency) of revenues over expenditures	<u>(2,112,407)</u>	<u>17,554</u>	<u>(2,094,853)</u>
OTHER FINANCING SOURCES			
Bonds Issued from refunding debt	\$ 1,600,000	-	1,600,000
Transfers in	481,622	-	481,622
Total other financing sources	<u>2,081,622</u>	<u>-</u>	<u>2,081,622</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ (30,785)</u>	<u>\$ 17,554</u>	<u>\$ (13,231)</u>
Fund balances at beginning of year			
Fund balance at end of year			

See independent auditor's report and accompanying notes to financial statements

Actual	Variance with Final Budget Positive (Negative)	2002
<u>43,546</u>	<u>18,843</u>	<u>3,019</u>
<u>43,546</u>	<u>18,843</u>	<u>3,019</u>
1,740,000	-	190,000
<u>379,556</u>	<u>(270)</u>	<u>282,348</u>
<u>2,119,556</u>	<u>-</u>	<u>472,348</u>
<u>(2,076,010)</u>	<u>18,843</u>	<u>(469,329)</u>
\$ 1,600,000	-	-
<u>481,622</u>	<u>-</u>	<u>472,348</u>
<u>2,081,622</u>	<u>-</u>	<u>472,348</u>
5,612	18,843	3,019
<u>63,345</u>	<u>-</u>	<u>60,326</u>
<u>\$ 68,957</u>	<u>\$ 18,843</u>	<u>\$ 63,345</u>

See independent auditor's report and accompanying notes to financial statements

STREETS AND CAPITAL PROJECTS FUND

CITY OF LIVINGSTON, TEXAS
STREETS AND CAPITAL PROJECTS FUND - COMPARATIVE BALANCE SHEET
SEPTEMBER 30, 2003 AND 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Cash	\$ 177,988	\$ -
Certificates of deposit	<u>3,300,000</u>	<u>-</u>
Total Assets and Other Debits	<u>\$ 3,477,988</u>	<u>\$ -</u>

LIABILITIES AND FUND BALANCES

Liabilities:		
Construction contracts payable	<u>256,593</u>	<u>-</u>
Total liabilities	<u>256,593</u>	<u>-</u>
Fund Balances:		
Reserved for:		
Capital projects	<u>3,221,395</u>	<u>-</u>
Total Fund Balances	<u>3,221,395</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 3,477,988</u>	<u>\$ -</u>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF LIVINGSTON, TEXAS
STREETS AND CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2003
WITH COMPARATIVE ACTUALS FOR 2002**

	Budgeted Amounts GAAP Basis		
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>
<u>EXPENDITURES</u>			
Capital outlay:			
Streets	\$ 5,000,000	\$ (2,500,000)	\$ 2,500,000
Other projects	-	-	-
Total Expenditures	<u>5,000,000</u>	<u>(2,500,000)</u>	<u>2,500,000</u>
Excess (deficiency) of revenues over expenditures	<u>(5,000,000)</u>	<u>2,500,000</u>	<u>(2,500,000)</u>
<u>OTHER FINANCING SOURCES</u>			
Bond Issued	<u>5,000,000</u>	-	<u>5,000,000</u>
Total other financing sources	<u>5,000,000</u>	-	<u>5,000,000</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 2,500,000</u>	<u>2,500,000</u>
Fund balances at beginning of year			
Fund balances at end of year			

See independent auditor's report and accompanying notes to financial statements

<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>	<u>2002</u>
\$ 1,776,084	\$ 723,916	\$ -
2,521	(2,521)	-
<u>1,778,605</u>	<u>721,395</u>	<u>-</u>
<u>(1,778,605)</u>	<u>721,395</u>	<u>-</u>
<u>5,000,000</u>	<u>-</u>	<u>-</u>
<u>5,000,000</u>	<u>-</u>	<u>-</u>
\$ 3,221,395	\$ 721,395	\$ -
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,221,395</u>	<u>\$ 721,395</u>	<u>\$ -</u>

See independent auditor's report and accompanying notes to financial statements

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PROPRIETARY FUND

**CITY OF LIVINGSTON, TEXAS
ELECTRIC, WATER AND SEWER FUND
COMPARATIVE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2003 AND 2002**

ASSETS	2003	2002
Current assets:		
Cash	\$ 304,459	\$ 238,438
Certificates of deposit	1,003,090	1,003,090
Receivables:		
Returned checks receivable	8,831	6,955
Utility accounts receivable	<u>1,121,625</u>	<u>1,142,701</u>
Total Current Assets	<u>2,438,005</u>	<u>2,391,184</u>
Noncurrent assets:		
Restricted assets		
Cash in bank, water and sewer system improvements	116,097	3,226
Cash in bank, reserve fund	<u>71,959</u>	<u>548,072</u>
Total Restricted Assets	<u>188,056</u>	<u>551,298</u>
Capital assets:		
Land	505,880	505,880
Building and improvements	359,522	279,630
Equipment and fixtures	1,314,740	1,215,048
Electrical system	3,057,802	2,987,696
Water system	4,778,634	4,748,424
Sewer system	<u>6,565,136</u>	<u>6,541,004</u>
	16,581,714	16,277,682
Less accumulated depreciation	<u>(4,695,852)</u>	<u>(4,420,075)</u>
Net property, plant and equipment	<u>11,885,862</u>	<u>11,857,607</u>
Other assets:		
Water service contract rights	<u>520,000</u>	<u>1,295,000</u>
Total Other Assets	<u>520,000</u>	<u>1,295,000</u>
Total Assets	<u>\$ 15,031,923</u>	<u>\$ 16,095,089</u>

See independent auditor's report and accompanying notes to financial statements.

	2003	2002
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 705,912	\$ 594,497
Meter deposits	<u>302,208</u>	<u>300,773</u>
Total current liabilities	<u>1,008,120</u>	<u>895,270</u>
Current liabilities payable from restricted assets:		
Contracts payable-Trinity River Authority	<u>60,000</u>	<u>370,000</u>
Total current liabilities payable from restricted assets	<u>60,000</u>	<u>370,000</u>
Noncurrent liabilities:		
Contracts payable-Trinity River Authority	<u>460,000</u>	<u>925,000</u>
Total noncurrent liabilities	<u>460,000</u>	<u>925,000</u>
Total liabilities	<u>1,528,120</u>	<u>2,190,270</u>
NET ASSETS		
Invested in capital assets (net of related debt)	5,541,985	5,541,985
Restricted for water and sewer system improvements	153,574	3,226
Restricted for Trinity River Authority contracts payable	71,959	548,072
Unrestricted	<u>7,736,285</u>	<u>7,811,536</u>
Total net assets	<u>\$ 13,503,803</u>	<u>\$ 13,904,819</u>

See independent auditor's report and accompanying notes to financial statements.

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, 2003 AND 2002

Business-Type Activities - Enterprise Fund

	<u>2003</u>	<u>2002</u>
<u>Operating revenues:</u>		
Charges for sales and services:		
Electricity sales	\$ 6,501,135	\$ 6,353,631
Water sales	1,515,587	1,458,736
Sewer service charges	1,050,653	959,211
Penalties, utilities	120,618	107,925
Water tapping fees	8,600	10,500
Sewer tapping fees	5,900	10,490
Recoveries, electrical	632,588	11,176
Recoveries, water	49,676	21,885
Revenue, night lights	66,688	66,598
Service fees	29,558	28,775
Total Operating Revenues	<u>9,981,003</u>	<u>9,028,927</u>
<u>Operating expenses:</u>		
Light and Power Department	7,077,947	6,214,819
Water Department	1,678,680	1,611,997
Sewer Department	369,602	364,640
Uncollectible accounts	76,508	75,251
Depreciation	275,776	269,432
Total Operating Expenses	<u>9,478,513</u>	<u>8,536,139</u>
Operating Income	502,490	492,788
<u>Non-operating revenues:</u>		
Interest income	<u>21,190</u>	<u>28,570</u>
Income Before Transfers	523,680	521,358
Transfers Trinity River Authority	(468,741)	-
Transfers Out	<u>(455,955)</u>	<u>(361,759)</u>
Change in net assets	(401,016)	159,599
Total net assets - beginning	<u>13,904,819</u>	<u>13,745,220</u>
Total net assets - ending	<u>\$ 13,503,803</u>	<u>\$ 13,904,819</u>

See independent auditor's report and accompanying notes to financial statements

CITY OF LIVINGSTON, TEXAS
COMPARATIVE STATEMENT OF CASH FLOWS
ELECTRIC, WATER, AND SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003 AND 2002

Business-Type Activities - Enterprise Fund

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Cash received from customers	\$ 9,923,695	\$ 8,986,794
Cash payments to suppliers for goods and services	(7,814,856)	(7,095,264)
Cash payments to employees for services	<u>(1,198,523)</u>	<u>(1,113,061)</u>
Net cash provided by operating activities	<u>910,316</u>	<u>778,469</u>
Cash flows from noncapital financing activities:		
Transfers from Trinity River Authority	-	7,820
Transfers to Trinity River Authority	(468,741)	-
Transfers to other funds	<u>(455,955)</u>	<u>(361,759)</u>
Net cash used for noncapital financing activities	<u>(924,696)</u>	<u>(353,939)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(304,032)</u>	<u>(465,818)</u>
Net cash used for capital and related financing activities	<u>(304,032)</u>	<u>(465,818)</u>
Cash flows from investing activities:		
Interest on cash and investments	<u>21,190</u>	<u>28,570</u>
Net cash provided by investing activities	<u>21,190</u>	<u>28,570</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(297,222)	(12,718)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>789,736</u>	<u>802,454</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 492,514</u>	<u>\$ 789,736</u>

(Continued)

**CITY OF LIVINGSTON, TEXAS
STATEMENT OF CASH FLOWS
ELECTRIC, WATER, AND SEWER FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
WITH COMPARATIVE ACTUALS FOR 2002**

Business-Type Activities - Enterprise Fund

	<u>2003</u>	<u>2002</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 502,490	\$ 492,788
Adjustments to reconcile operating net income to net cash provided by operating activities:		
Depreciation	275,776	269,432
Change in operating assets and liabilities:		
Returned checks receivable	(1,876)	14,351
Utility accounts receivable	21,076	26,587
Accounts payable	111,415	(39,174)
Meter deposits	<u>1,435</u>	<u>14,485</u>
Total adjustments	<u>407,826</u>	<u>285,681</u>
Net cash provided by operating activities	<u>\$ 910,316</u>	<u>\$ 778,469</u>
Reconciliation of total cash and cash investments		
Unrestricted	\$ 304,459	\$ 238,438
Restricted	<u>188,056</u>	<u>551,298</u>
Total cash and cash investments	<u>\$ 492,515</u>	<u>\$ 789,736</u>

(Concluded)

ENTERPRISE FUND

CITY OF LIVINGSTON, TEXAS
ENTERPRISE FUND
SCHEDULE OF EXPENSES BY DEPARTMENT - COMPARED TO BUDGET
FOR THE YEAR ENDED SEPTEMBER 30, 2003
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2002

	2003			
	Original Budget	Revisions	Final	Actual
LIGHT AND POWER DEPARTMENT				
Salaries	\$ 440,000	\$ (5,000)	\$ 435,000	\$ 432,690
Salaries, administration	21,500	-	21,500	20,489
Social Security	35,300	(1,300)	34,000	34,611
Retirement	66,000	2,750	68,750	68,225
Employee insurance	55,000	(4,000)	51,000	59,051
Uniform rental	4,000	-	4,000	4,056
Insurance and bonds	16,500	600	17,100	17,055
Legal and professional	2,500	-	2,500	779
Engineering	2,500	-	2,500	599
Supplies	55,000	10,000	65,000	46,197
Repairs-building and grounds and equipment	15,000	500	15,500	12,983
Gas and oil	7,150	1,350	8,500	9,320
Utility/telephone	3,775	625	4,400	4,394
Dues and subscriptions	5,000	-	5,000	5,870
Power purchase	5,730,000	620,000	6,350,000	6,333,920
Transportation and contingency	6,500	1,000	7,500	6,842
Utility billing	10,000	(1,000)	9,000	8,188
Postage and miscellaneous	12,000	(500)	11,500	9,678
Auditing and accounting	3,000	-	3,000	3,000
Total Light and Power	<u>6,490,725</u>	<u>625,025</u>	<u>7,115,750</u>	<u>7,077,947</u>
WATER DEPARTMENT				
Salaries	282,000	(12,000)	270,000	265,937
Salaries - administration	21,500	-	21,500	20,789
Social Security	23,225	-	23,225	21,865
Retirement	40,000	1,750	41,750	41,985
Employee insurance	40,500	1,500	42,000	40,411
Uniform rental	3,500	400	3,900	3,727
Insurance and bonds	22,000	(5,000)	17,000	16,858
Legal and professional	2,000	3,500	5,500	3,241
Supplies	65,500	5,000	70,500	70,967
Repairs-building and grounds	5,000	-	5,000	5,018
Repairs-equipment	20,000	10,000	30,000	28,091
Gas and oil	5,610	890	6,500	6,252
Engineering	10,000	(6,000)	4,000	2,782
Dues and subscriptions	5,000	(1,500)	3,500	3,363
Water-TRA	58,400	-	58,400	58,400
Operations and maintenance-TRA	690,000	72,097	762,097	762,097
Transportation and contingency	13,725	-	13,725	11,321
Utility billing	10,000	(1,000)	9,000	8,189
Postage and printing	12,500	(2,700)	9,800	9,686
TRA-debt service	415,000	(120,298)	294,702	294,701
Auditing and accounting	3,000	-	3,000	3,000
Total Water	<u>1,748,460</u>	<u>(53,361)</u>	<u>1,695,099</u>	<u>1,678,680</u>

See independent auditor's report and accompanying notes to financial statements.

Variance	2002 Actual
\$ 2,310	\$ 400,577
1,011	19,965
(611)	32,112
525	59,164
(8,051)	46,412
(56)	3,344
45	16,376
1,721	110
1,901	1,977
18,803	38,195
2,517	17,364
(820)	7,079
6	3,635
(870)	4,619
16,080	5,534,873
658	7,773
812	8,502
1,822	10,075
-	2,667
<u>37,803</u>	<u>6,214,819</u>
4,063	265,718
711	19,966
1,360	21,794
(235)	35,515
1,589	35,982
173	3,473
142	19,906
2,259	3,652
(467)	68,184
(18)	6,967
1,909	16,672
248	5,848
1,218	4,101
137	2,255
-	58,400
-	603,004
2,404	6,318
811	7,965
114	9,445
1	414,165
-	2,667
<u>16,419</u>	<u>1,611,997</u>

See independent auditor's report and accompanying notes to financial statements.

CITY OF LIVINGSTON, TEXAS
ENTERPRISE FUND
SCHEDULE OF EXPENSES BY DEPARTMENT - COMPARED TO BUDGET
FOR THE YEAR ENDED SEPTEMBER 30, 2003
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2002

	2003			
	Original Budget	Revisions	Final	Actual
SEWER DEPARTMENT				
Salaries	130,000	-	130,000	128,433
Salaries, administration	21,500	-	21,500	20,460
Social Security	11,600	(450)	11,150	11,344
Retirement	18,500	(2,500)	16,000	15,610
Employee insurance	21,500	(3,350)	18,150	16,623
Uniform rental	1,100	(100)	1,000	854
Insurance and bonds	5,730	770	6,500	6,331
Lab fees-engineering	17,000	(7,000)	10,000	8,001
Supplies	25,000	-	25,000	27,661
Chemicals	15,000	2,000	17,000	21,432
Legal/professional	1,500	-	1,500	1,177
Repairs-equipment	35,000	3,000	38,000	32,670
Repairs-building and grounds	2,500	-	2,500	1,130
Gas and oil	8,250	1,250	9,500	9,203
Dues and subscriptions	15,000	(2,000)	13,000	12,110
Transportation and contingency	46,500	(500)	46,000	48,302
Utilities and telephone	8,400	(100)	8,300	8,261
Total Sewer	<u>384,080</u>	<u>(8,980)</u>	<u>375,100</u>	<u>369,602</u>
TOTAL ENTERPRISE FUND				
DEPARTMENT EXPENDITURES	<u>\$ 8,623,265</u>	<u>\$ 562,684</u>	<u>\$ 9,185,949</u>	<u>\$ 9,126,229</u>

See independent auditor's report and accompanying notes to financial statements.

Variance	2002 Actual
1,567	113,809
1,040	19,965
(194)	10,175
390	16,364
1,527	15,543
146	923
169	5,208
1,999	12,125
(2,661)	27,534
(4,432)	14,100
323	3,812
5,330	46,518
1,370	53
297	7,956
890	14,139
(2,302)	49,591
39	6,825
<u>5,498</u>	<u>364,640</u>
 <u>\$ 59,720</u>	 <u>\$ 8,191,456</u>

See independent auditor's report and accompanying notes to financial statements.

STATISTICAL SECTION

MULTI-YEAR AND OTHER FINANCIAL AND DEMOGRAPHIC INFORMATION

TABLE I

**CITY OF LIVINGSTON, TEXAS
GOVERNMENTAL FUND TYPES - EXPENDITURES BY FUNCTION
GENERAL FUND
Last Ten Fiscal Years**

Fiscal Year	Administrative	Sanitation	Fire	Police	Paving and Street
1993-94	\$ 171,041	\$ 343,314	\$ 201,937	\$ 618,290	\$ 546,703
1994-95	149,335	413,395	207,237	815,203	623,708
1995-96	191,172	388,895	232,722	727,752	507,497
1996-97	235,916	406,760	348,188	754,343	499,346
1997-98	231,376	415,322	237,263	912,467	611,547
1998-99	211,259	394,160	273,657	858,558	561,299
1999-00	185,542	427,658	317,288	925,680	568,984
2000-01	185,567	460,487	279,783	923,481	689,612
2001-02	219,570	481,974	290,064	1,009,301	629,290
2002-03	335,176	489,056	309,087	1,055,415	333,779

TABLE I

<u>Parks and Recreation</u>	<u>Library</u>	<u>Garage</u>	<u>Total</u>
\$ 300,688	\$ 157,788	\$ 103,640	\$ 2,443,401
373,272	281,516	93,742	2,957,408
380,093	260,259	103,620	2,792,010
372,469	217,549	107,676	2,942,247
698,218	198,162	105,701	3,410,056
895,893	211,570	112,136	3,518,532
767,938	196,052	114,547	3,503,689
1,005,060	251,299	123,676	3,918,965
603,608	210,043	122,338	3,566,188
685,545	228,237	152,792	3,589,087

CITY OF LIVINGSTON, TEXAS
GOVERNMENTAL FUND TYPES - REVENUES BY SOURCE
GENERAL FUND
Last Ten Fiscal Years

Fiscal Year	Taxes	Penalties and Interest- Taxes	Corporation Court	Licenses and Permits	Revenue Sharing Recoveries- Miscellaneous and Memorials	
1993-94	\$ 1,697,349	\$ 550	\$ 53,242	\$ 26,114	\$ 277,453	
1994-95	1,760,553	1,099	62,756	29,673	198,996	
1995-96	1,846,584	879	67,907	29,817	244,406	
1996-97	1,884,897	177	94,154	38,587	163,660	
1997-98	2,032,178	137	164,329	105,532	267,437	(1)
1998-99	2,094,859	98	103,441	98,402	326,361	(2)
1999-00	2,253,955	148	130,154	65,372	467,334	
2000-01	2,225,137	79	156,830	61,645	657,527	(3)
2001-02	2,439,840	94	152,717	39,422	437,909	(4)
2002-03	2,441,569	64	167,862	70,903	500,625	(5)

(1) Includes a Law Enforcement Block Grant of \$44,670.

(2) Includes a Law Enforcement Block Grant of \$93,317.

(3) Includes a Texas Community Block Grant of \$225,234.

(4) Includes a Law Enforcement Block Grant of \$71,340

(5) Includes a Law Enforcement Block Grant of \$59,721.

TABLE II

Sanitation	Paving Assessments	Green Fees	Interest Income	Total
\$ 354,966	\$ -	\$ 102,525	\$ 11,700	\$ 2,523,899
385,084	-	89,423	12,080	2,539,664
402,181	-	88,500	20,577	2,700,851
411,199	-	89,068	17,007	2,698,749
424,587	25,209	77,625	28,256	3,125,290
430,400	7,844	26,236	12,405	3,100,046
496,638	3,532	12,000	8,298	3,437,431
544,196	-	12,000	14,307	3,671,721
612,865	15,854	12,000	9,520	3,720,221
669,434	275	12,000	21,134	3,883,866

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections
1993-94	N/A	N/A	N/A	543	543
1994-95	N/A	N/A	N/A	895	895
1995-96	N/A	N/A	N/A	607	607
1996-97	N/A	N/A	N/A	118	118
1997-98	N/A	N/A	N/A	81	81
1998-99	N/A	N/A	N/A	61	61
1999-00	N/A	N/A	N/A	15	15
2000-01	N/A	N/A	N/A	42	42
2001-02	N/A	N/A	N/A	-	-
2002-03	N/A	N/A	N/A	64	64

* City discontinued levying property taxes in fiscal 1989.

TABLE III

Total Collections as Percent of Current Levy	Adjustment	Outstanding Delinquent Taxes	Outstanding Delinquent as a Percent of Total Tax Levy
N/A	-	5,236	N/A
N/A	(90)	4,251	N/A
N/A	(648)	2,996	N/A
N/A	(116)	2,762	N/A
N/A	(378)	2,303	N/A
N/A	(102)	2,140	N/A
N/A	(103)	2,022	N/A
N/A	(2)	2,101	N/A
N/A	-	2,101	N/A
N/A	64	2,101	N/A

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
1993	\$ 108,443,850	\$ 108,443,850	\$ 31,798,949
1994	114,861,745	114,861,745	35,875,266
1995	117,567,072	117,567,072	37,783,162
1996	118,034,298	118,034,298	38,380,088
1997	119,445,405	119,445,405	37,740,370
1998	126,456,776	126,456,776	41,871,715
1999	139,390,979	139,390,979	45,102,762
2000	159,938,722	159,938,722	34,434,642
2001	157,870,532	157,870,532	44,505,537
2002	161,310,608	161,310,608	46,660,580

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

TABLE IV

Personal	Total Property		Ratio of Total
Estimated	Assessed	Estimated	Assessed to
Actual Value	Value	Actual Value	Total
Actual Value		Actual Value	Estimated
Actual Value		Actual Value	Actual Value
\$ 31,798,949	\$ 140,242,799	\$ 140,242,799	100%
35,875,266	150,737,011	150,737,011	100%
37,783,162	155,350,234	155,350,234	100%
38,380,088	156,414,386	156,414,386	100%
37,740,370	157,185,775	157,185,775	100%
41,871,715	168,328,491	168,328,491	100%
45,102,762	184,493,741	184,493,741	100%
34,434,642	194,373,364	194,373,364	100%
44,505,537	202,376,069	202,376,069	100%
46,660,580	207,971,188	207,971,188	100%

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	County Education District	Total
1993	.00	1.4448	0.5385	-	1.9833
1994	.00	1.4448	0.5385	-	1.9833
1995	.00	1.4353	0.5385	-	1.9738
1996	.00	1.4700	0.5385	-	2.0085
1997	.00	1.4700	0.5089	-	1.9789
1998	.00	1.4700	0.5089	-	1.9789
1999	.00	1.4700	0.5550	-	2.0250
2000	.00	1.4900	0.5550	-	2.0450
2001	.00	1.5125	0.5550	-	2.0675
2002	.00	1.5525	0.5550	-	2.1075

TAX LEVIES

County Fiscal Year	City General Fund	School District	County	County Education District	Total
1993	\$ -	\$ 6,794,553	\$ 5,555,846	\$ -	\$ 12,350,399
1994	-	7,125,068	5,639,408	-	12,764,476
1995	-	7,267,264	6,206,168	-	13,473,432
1996	-	7,564,488	6,655,908	-	14,220,396
1997	-	7,427,105	7,486,725	-	14,913,830
1998	-	7,990,692	7,551,913	-	15,542,605
1999	-	8,521,628	7,872,215	-	16,393,843
2000	-	9,480,087	8,262,508	-	17,742,595
2001	-	10,143,543	8,937,795	-	19,081,338
2002	-	11,460,192	8,938,961	-	20,399,153

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 above information was provided by the Polk County Tax Assessor/Collector's office.

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

Fiscal Year	Population		Assessed Value (1)	Gross Bonded Debt (3)	Less: Debt Service Fund
1993-94	5,019	(2)	\$ 140,242,799	\$ -	\$ 171,959
1994-95	5,019		150,737,011	-	182,037
1995-96	5,019		155,350,234	-	75,537
1996-97	5,019		156,414,386	-	158,007
1997-98	5,019		157,185,775	-	136,476
1998-99	5,019		168,328,491	-	142,299
1999-00	5,019		184,493,741	-	151,159
2000-01	5,433	(4)	194,373,364	-	60,326
2001-02	5,433		202,376,069	-	63,345
2002-03	5,433		207,971,188	-	68,957

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

(2) U.S. Census 1990

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

(4) U.S. Census 2000

TABLE VI

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

**CITY OF LIVINGSTON, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
September 30, 2003**

Assessed value, year 2002		<u>\$ 207,971,188</u>
Debt Limit - Ten Percent of assessed value		20,797,119
Amount of Debt Applicable to Debt Limit:		
General Obligation bonds	1,415,000	
Other debt (certificates of obligation)	<u>8,115,000</u>	
Total bonded debt	<u>9,530,000</u>	
Less: Assets in debt service fund	68,957	
Total amount of debt applicable to debt limit		<u>9,461,043</u>
Legal debt margin		<u>\$ 11,336,076</u>

CITY OF LIVINGSTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
September 30, 2003

	<u>Outstanding Debt</u>	<u>Percentage Applicable to This Governmental Unit</u>	<u>City of Livingston's Share of Debt</u>
City of Livingston	\$ -	100%	\$ -
(1) Livingston Independent School District	11,975,000	20%	2,395,000
(2) County of Polk	8,109,241	13%	<u>1,054,201</u>
Total direct and overlapping debt			<u>\$ 3,449,201</u>

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

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

CITY OF LIVINGSTON, TEXAS
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Service	Expenditures	Ratio
1993-94	\$ 410,000	\$ 291,800	\$ 701,800	\$ 2,443,401	28.72%
1994-95	455,000	265,205	720,205	2,957,408	24.35%
1995-96	465,000	234,222	699,222	2,792,010	25.04%
1996-97	495,000	281,524	776,524	2,942,247	26.39%
1997-98	550,000	354,249	904,249	3,410,056	26.52%
1998-99	155,000	315,999	470,999	3,518,532	13.39%
1999-00	165,000	304,029	469,029	3,503,689	13.39%
2000-01	175,000	292,623	467,623	3,918,965	11.93%
2001-02	190,000	282,348	472,348	3,566,188	13.25%
2002-03	1,740,000	379,555	2,119,555	3,589,087	59.06%

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CITY OF LIVINGSTON, TEXAS
SCHEDULE OF REVENUE BOND COVERAGE
Last Ten Fiscal Years

Fiscal Year	Revenue	Expenses	Net Revenue Available for Debt Service
1993-94	\$ 8,996,679	\$ 7,892,095	\$ 1,104,584
1994-95	9,500,997	8,407,359	1,093,638
1995-96	9,800,222	8,825,456	974,766
1996-97	9,514,145	8,964,294	549,851
1997-98	10,210,501	9,540,044	670,457
1998-99	9,990,474	8,913,845	1,076,629
1999-00	9,173,946	8,530,379	643,567
2000-01	9,141,622	8,526,302	615,320
2001-02	9,028,927	8,536,139	492,788
2002-03	9,981,003	9,478,513	502,490

TABLE X

		Payments		Coverage
		Interest	Total	
Principal				
\$ 55,000	\$ 14,088	\$ 69,088	6.25%	
60,000	10,926	70,926	6.49%	
65,000	7,476	72,476	7.44%	
65,000	3,738	68,738	12.50%	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	

CITY OF LIVINGSTON, TEXAS
SCHEDULE OF PROPERTY VALUE, NEW CONSTRUCTION AND
BANK DEPOSITS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Property Value (1)</u>	<u>New Construction (2)</u>	<u>Bank Deposits (3)</u>
1993-94	\$ 140,242,799	\$ 4,206,412	\$ 269,331,170
1994-95	150,737,011	2,402,120	286,405,343
1995-96	155,350,234	2,685,387	295,104,243
1996-97	156,414,386	5,577,248	319,806,269
1997-98	157,185,775	29,232,177	330,981,945
1998-99	168,328,491	24,490,855	325,326,475
1999-00	184,493,741	12,153,172	323,746,209
2000-01	194,373,364	11,048,163	333,833,223
2001-02	202,376,069	5,116,568	336,534,504
2002-03	207,971,188	12,679,771	407,753,133

Above information obtained from the following sources:

- (1) Polk County Assessor/Collector's Office
- (2) Building permits issued by the City of Livingston
- (3) First State Bank of Livingston, First National Bank of Livingston, and People's State Bank of Livingston.

MISCELLANEOUS STATISTICAL DATA - UNAUDITED

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

INCORPORATED AREA IN ACRES LAST TEN YEARS

1994	5,300	1999	5,346
1995	5,331	2000	5,352
1996	5,331	2001	5,440
1997	5,331	2002	5,440
1998	5,346	2003	5,440

TRANSPORTATION FACILITIESStreets

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

Highways

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

Railways

Union Pacific RR Company

Municipal Airport

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

WATER AND SANITATION FACILITIESWater Mains

12" 7.86 miles
8" 6.00 miles
6" 20.09 miles

Water Pumpage

Present requirements 1,800,000
gallons per day

Water Storage

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

Sewer Lines

Sanitation - 78.12 miles of line
Storm - Adequate for proper
drainage

MISCELLANEOUS STATISTICAL DATA - UNAUDITED**STREET LIGHTING**High Pressure Sodium and
Mercury Vapor Street Lights

693

Night Lights

438

PERSONNEL

<u>Department</u>	<u>Number of Employees</u>	<u>Employees Statistics</u>	
		<u>Years of Service</u>	<u>Number of Employees</u>
Administrative	8	31	2
Electric	7	20-30	9
Water	8	15-19	9
Sewer	3	10-14	11
Police	21	6-9	7
Street	7	1-5	26
Parks and Recreational	6	Less than (one) 1 year	4
Library	4		
Garage	2		
Janitorial	0		
Fire	1		
Trade Days	<u>1</u>		
Total	<u>68</u>		<u>68</u>

PERSONNEL POLICY PROVISIONS

Cost of Living Salary Adjustment
 Merit System (all employees)
 Vacation (Two weeks after one year)
 (Three weeks after 10 years)
 (Four weeks after 20 years)
 Sick leave (Ten days) with 30 days accrual
 Paid Holidays (Nine)
 Emergency Leave (3)

Earned personal leave days (Two)
 Insurance Benefits - employees and
 dependents (hospitalization and life
 insurance, dental and prescription
 cards)
 Retirement Benefits
 Social Security
 Volunteer Program (MVP)
 Sick Leave Pool

MISCELLANEOUS STATISTICAL DATA - UNAUDITED**TEN LARGEST TAXPAYERS, 2002 ASSESSED VALUES**

<u>(*) Name</u>	<u>Assessed Value</u>	<u>Percent of Total</u>	<u>Type of Business</u>
Wal-Mart Stores	\$ 17,179,055	8.26%	Retail Store
MBF Investments LLC	3,527,871	1.70%	Auto Dealership
Livingston Shopping Center, Ltd.	2,616,571	1.26%	Retail Store
WXI/MCN Multifamily	1,950,500	0.94%	Apartments
Brian Bounds	1,859,463	0.89%	Auto Dealership
Livingston Ventures LP	1,852,001	0.89%	Senior Health Care
Eastex Telephone Corporation	1,810,515	0.87%	Utility
Gardens ALC of Livingston, LP	1,699,658	0.82%	Senior Assisted Living
Loy Moore	1,655,833	0.80%	Auto Dealership
First State Bank	1,574,664	0.76%	Commercial Bank
	<u>\$ 35,726,131</u>	<u>17.18%</u>	

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

POLICE PROTECTIONPersonnel

One (1) Chief
 One (1) Sergeant
 One (1) Corporal
 Two (2) Detectives
 Seven (7) Officers
 Six (6) Reserve Officers
 Four (4) Telecommunication Operators
 Three (3) Relief Telecommunication Operators
 One (1) Animal Control
 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

Nine (9) Patrol Units
 Four (4) Radars
 Radio Communication System
 Computer System

Traffic and Criminal Violations

\$186,264 fines collected
 2,788 violations

FIRE PROTECTIONPersonnel

One (1) Fire Chief
 Thirty-five (35) volunteer firemen
 Four (4) radio dispatchers - full time and standby
 One (1) secretary

Equipment

Four (4) pumpers (1-1000 GPM; 2-1250 GPM; 1-750 GPM)
 One (1) aerial ladder truck (1750 GPM)
 Two (2) tankers (3000 gal. capacity)
 One (1) Haz-Mat/Command truck
 Two (2) rescue boats and equipment
 Radio communication system including 50 mobile units,
 dispatch module and 6 remotes
 "Jaws" of life (3 sets) - set of air bags
 Water rescue equipment
 Trench rescue equipment
 Rope rescue equipment
 Thermal imager

Housing

Fire Station constructed in June, 1974, Cost - \$14,500. Remodeled in 1992 at a cost of \$175,000 to include 8-truck bays, two offices, work and classroom. Developing plans to relocate a substation on west side of railroad tracks.

Fire Hall and Training Field located on U.S. 190 West; only modern fire-fighting training facility in 90 mile radius.

5-bay fire substation constructed in 1996 at a cost of \$200,000 located at Feagin and Beatty.

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED

FIRE PROTECTION (CONTINUED)

<u>Equipment</u>		<u>Total Fire Calls</u>
One (1) utility vehicle	50 gallons Micro Blaze	2002-2003 - 510 fire calls
Two (2) Grass/brush fire trucks	40 self-contained air packs	
One (1) Heavy Rescue	6 generators	<u>Present Projects</u>
1-6 Bottle cascade system-light tower	8 entry saws	Improving hazardous
1-8 Bottle cascade system-command center	Hazardous material equipment	materials response unit
300 gallons AFFF Foam	3 Ventilation saws	Fire safety trailer and
200 gallons Forestry Foam	2 Metal cutoff saws	Fire Clown for Fire
	3 45OG PM Float Pumps	Prevention Programs

POPULATION INFORMATION

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

ENTERPRISES AS OF SEPTEMBER 30, 2003

(1) Entex Incorporated	Gas Utility	Active Customers 2,020 Inactive Customers 210
(1) Cox Communications	Television Cable	Customers 1,209
(1) Livingston Telephone Co.	Telephone System	Access Lines - 4,492
(1) Telcom Supply	Television Cable	Customers 302
City of Livingston	Electric & Water Systems	Electric Customers 3,245 Water Customers 3,123
(1) Information provided by individual corporate offices		

CITY ELECTRIC DEPARTMENT STATISTICS (LAST TEN YEARS)

Year	Number of Customers	KWH Sold		Total
		Residential	Commercial	
1993	2,897	25,780,210	44,494,101	70,274,311
1994	2,966	26,014,666	46,580,237	72,594,903
1995	2,992	26,491,720	45,936,861	72,428,581
1996	3,023	27,601,629	47,378,799	74,980,428
1997	3,097	27,731,564	46,934,409	74,665,973
1998	3,174	29,997,586	50,716,635	80,714,221
1999	3,181	27,857,061	46,976,625	74,833,686
2000	3,176	29,645,524	43,117,915	72,763,439
2001	3,170	29,378,803	43,067,743	72,446,546
2002	3,232	29,512,329	44,567,370	74,079,699

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED

MUNICIPAL SALES TAX

1993-94	\$ 1,609,589
1994-95	1,667,637
1995-96	1,754,884
1996-97	1,787,861
1997-98	1,924,875
1998-99	1,977,188
1999-00	2,105,743
2000-01	2,040,731
2001-02	2,189,216
2002-03	2,199,629

WATER DEPARTMENT STATISTICS (LAST TEN YEARS)

<u>Year</u>	<u>Gallons Consumed *</u>	<u>Gallons Pumped</u>
1993	250,719,100	369,764,300
1994	364,591,800	423,035,000
1995	381,528,900	492,204,000
1996	422,429,500	569,294,000
1997	449,217,000	540,276,000
1998	466,494,000	584,327,000
1999	452,107,000	531,334,000
2000	546,414,000	593,900,000
2001	489,934,000	602,301,000
2002	468,703,000	580,397,000

* Water consumption at municipally-owned facilities not included.

*** EDUCATIONAL FACILITIES**

Public Schools

Timbercreek Elementary (Pre-K - 4)
Pine Ridge Elementary (Pre-K - 4)
Livingston Intermediate School (Grades 5-6)
Livingston Jr. High School (Grades 7-9)
Livingston High School (Grades 10-12)
Livingston Special Education and Cooperative
Training (Adult Education-Special Services)

Public School Administrative Personnel

Superintendent - One (1)
Asst. Superintendent - Three (3)
Principals - Six (6)
Asst. Principals - Seven (7)
Counselors - Eleven (11)
Directors of Special Prog./Curriculum - Four (4)

Public School Miscellaneous Data

Teachers - 265 Certified
98 Aides Para Professional
198 Auxiliary
Average Daily Attendance - 3,819 Inclusive

Private

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

* Information provided by Livingston Independent School District Business Office.

CITY OF LIVINGSTON, TEXAS

MISCELLANEOUS STATISTICAL DATA - UNAUDITED

CULTURAL AND RECREATIONAL ACTIVITIES

Barney Wiggins Fairgrounds

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

Matthews Park

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

Youth Center - South Washington

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

Murphy Memorial Library

Located 601 West Church Street, Constructed
in 1967. Construction Value \$120,000. Staff-
Professional Librarian, Three (3) Assistants,
One (1) Aide, Janitorial help.
Volumes; 2003 - 23,863

Joe Pedigo City Park

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

ELECTION INFORMATION

* Number of registered voters in County	39,903
* Number voting in last general election	4,680
Number of registered voters in City	3,535
** Number voting in last Municipal election	315
Percentage of voters voting:	
Last general election (County)	11.7%
** Last Municipal election (Municipal)	9.0%

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

** Information provided by City of Livingston.

**CITY OF LIVINGSTON, TEXAS
STATISTICAL INFORMATION UPDATE
For the Year Ended September 30, 2003**

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Ben R. Ogletree, Jr.	Mayor	\$ 25,000
Kenneth Parkhill	Mayor Pro-Tem	25,000
Gene Bush	Alderman	25,000
Scott Simpson	Alderman	25,000
Bill Watson	Alderman	25,000
Clarke Evans	Alderman	25,000
Sam Gordon	City Manager	25,000
Marilyn Sutton	City Secretary	25,000

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