

# City of Lufkin, Texas

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Fiscal Year Ended September 30, 2020**

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**CITY OF LUFKIN, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended September 30, 2020**

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## **INTRODUCTORY SECTION**



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September 16, 2021

**To the Honorable Mayor, members of the City Council and the Citizens of the City of Lufkin, Texas:**

The comprehensive annual financial report of the City of Lufkin, Texas for the fiscal year ended September 30, 2020 is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of Lufkin issue annually a report on its financial position and activities in conformity with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Alexander, Lankford & Hiers, Inc., Certified Public Accountants, have issued an unmodified opinion on the City of Lufkin, Texas' financial statements for the fiscal year ended September 30, 2020. This is the highest opinion auditors are able to issue. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Lufkin's MD&A can be found immediately following the report of the independent auditors.

**Profile of the Government**

The City of Lufkin, incorporated in 1890, is located in East Texas at the intersection of U.S. Highways 69 and 59, and serves as the county seat of Angelina County. It also acts as the commercial hub of a 12 county rural market region, serving over 300,000 residents. The City currently has a land area of 34.02 square miles and a population of 34,143 according to the 2020 census. It is empowered to levy a property tax on both real and personal property located within its boundaries and has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City has operated under the council-manager form of government since 1918. Policymaking and legislative authority are vested in the City Council, which consists of a mayor, elected at large, and six council members, elected by ward. Council members are elected on a non-partisan basis, at three-year staggered terms with two members elected each year. The mayor serves a three-year term. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations, and for appointing the heads of the City departments.

The City of Lufkin provides a full range of services, including police and fire protection; the construction and maintenance of streets; water and sewer utilities and solid waste disposal and recycling.

The annual budget serves as the foundation for the City of Lufkin's financial planning and control. All City departments are required to submit requests for appropriation to the City Manager prior to the end of May each year. The City Manager uses these requests as a starting point for developing a proposed budget. The City Manager presents this proposed budget to City Council for review prior to September 1. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 27, three days before the close of the City of Lufkin's fiscal year. The final adopted budget is available for viewing online at [www.cityoflufkin.com/finance/budget.htm](http://www.cityoflufkin.com/finance/budget.htm). The appropriated budget is prepared by fund, function (e.g., public safety), department (e.g., police) and division (e.g., patrol). The City Manager may make transfers of budgeted amounts within a department. Any revisions that alter the total appropriated budget of any department must be approved by the City Council. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statements. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in the combining and individual fund statements and schedules.

### **Local Economy**

The City's sales tax revenues has seen some growth in Fiscal 2020 from 2019. As internet shopping trends increase, sales tax revenues continue to be impacted. Also, due to the diversity of our economy, the continued growth of our medical and aerospace industries, our status as a regional hub has helped to sustain other revenues. The expected trend is for sales tax revenues to reach a plateau and eventually show small growth annually.

The planning and zoning and permitting processes are two other tools used to monitor the local economy. The City of Lufkin Planning and Zoning office and the permitting office have seen consistent activity in permitting in both residential and commercial building. Growth is not significant but remains steady and stable.

Additionally, the simpler projects submitted in Lufkin tend to add size to structures with small changes to the number of employees or residents in new additions. Initial indicators for the current fiscal year are showing a newer trend, establishing new businesses in existing structures. This trend limits the amount of capital put into modifications to structures and does not provide for new structures.

The 2000 census recorded populations of 32,709 and 80,130 for the City of Lufkin and Angelina County respectively. The 2015 estimates reflect Lufkin's current population at 35,837 and the County's population at 88,255. The 2020 census records reflect Lufkin's current population at 34,143. The unemployment rate for the City, as of September 2020, according to Texas Workforce statistics, is 8.3 percent compared to 3.7 percent the previous year. The increase in unemployment rate is due to COVID-19 pandemic.

### **Long-term Financial Planning**

City Council established the following goals and objectives to be carried out through the 2010 and 2012 Capital Improvements Projects. The majority of these projects have already been completed and additional projects listed below have been added and are in progress. City Council approved funding for a new Comprehensive Plan, and a new Capital Improvements Plan should be developed for Fiscal Year 2021 or 2022 based on the recommendations of the Comprehensive Plan.

- Improve long range water availability for the City of Lufkin
  - Complete planning and development of water rights infrastructure
- Capital Improvement Plan (CIP)
  - Complete planning of a new CIP Program started in Fiscal Year 2020

- Utility Reconstruction and Expansion
  - Infiltration/Inflow sewer improvement projects (under construction)
  - Expansion of water and sewer services to Huntington along Hwy 69 South (near completion )
  - Relocation of water service along Hwy 59 South in the Burke area (in progress)<sup>1</sup>

## Financial Policies

The City has adopted a set of financial policies to guide the financial operation of the City. Included in the policies are guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. The City shall accumulate and maintain an operating position in all proprietary funds such that annual expenses shall not exceed annual resources, including working cash balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

At September 30, 2020 the City of Lufkin has accumulated the following amounts in support of these policies:

FUND	POLICY AMOUNT	FUND TOTAL
Governmental Funds: (fund balance)		
General Fund - 25%	\$ 8,397,334	\$ 12,754,789
Hotel/Motel Tax Fund - 12.5%	122,308	194,261
Recreation Fund - 12.5%	20,225	42,844
	<u>8,539,867</u>	<u>12,991,894</u>
Proprietary Funds: (working capital)		
Water/Wastewater Fund - 12.5%	\$ 2,303,619	\$ 4,736,330
Solid Waste/Recycling Fund - 12.5%	892,587	2,693,612
	<u>3,196,206</u>	<u>7,429,942</u>

## Major Initiatives

City management has completed comprehensive analysis of the rolling equipment stock, and developed a fleet services and replacement policy that has been adopted by City Council. This project resulted in developing a planned replacement schedule of the vehicles and equipment used in our daily operation. High cost, long life equipment such as fire trucks and road equipment will be funded separately. During FY 2020 the City purchased \$2,231,263 in new/replacement equipment and is planning to replace approximately \$2,263,797 of equipment in FY 2021.

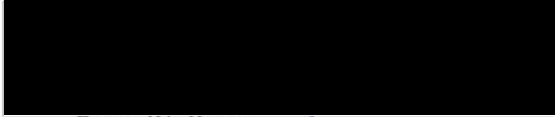
## Awards and Acknowledgments

The City received the GFOA's Distinguished Budget Presentation Award for its annual budget document beginning October 1, 2019. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communication device. The City also received the Texas Comptroller's Gold Circle Leadership Award, which recognizes the City for meeting a high standard for financial transparency online.



The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance department. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectively submitted,

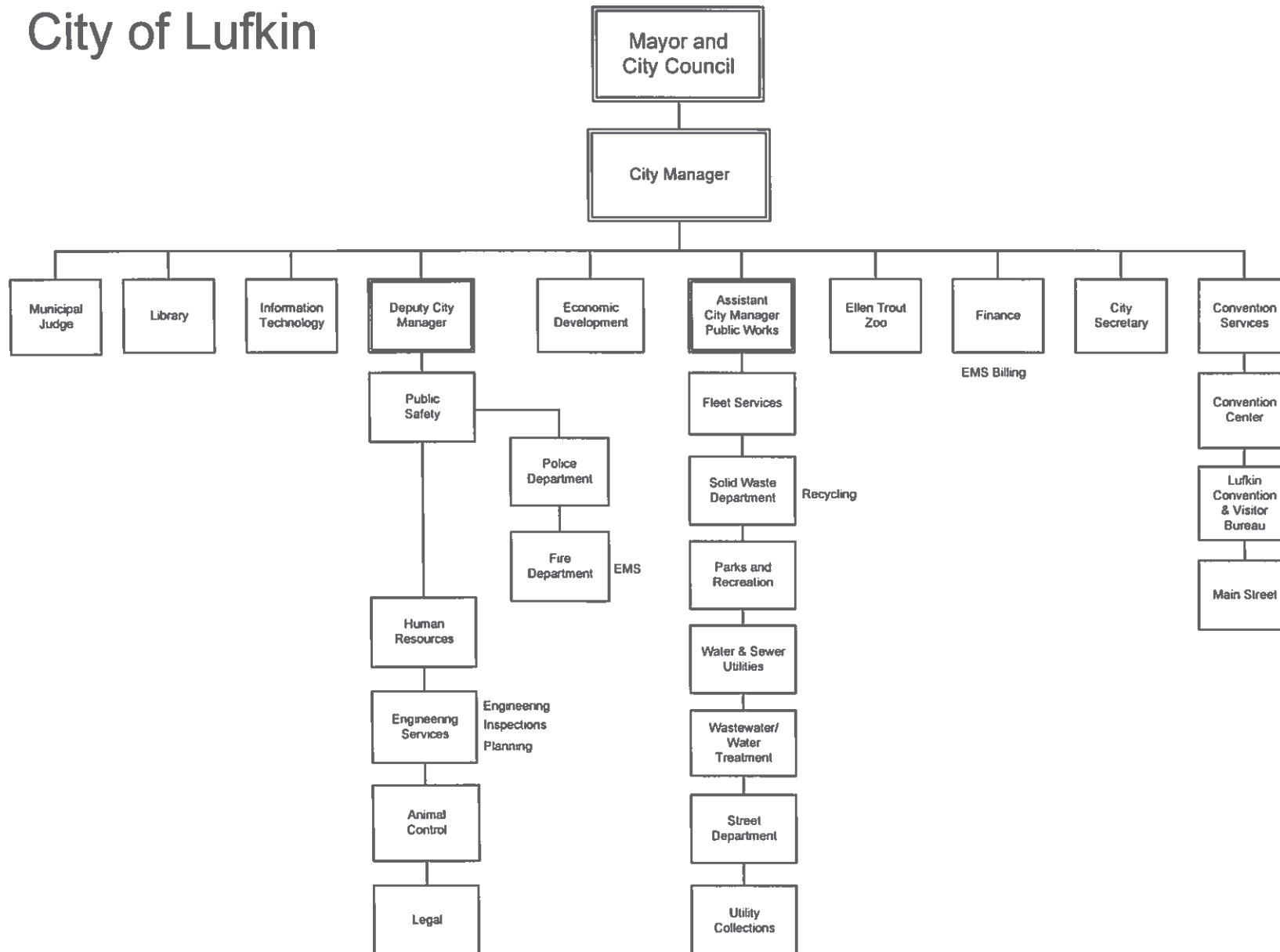


Bruce W. Green  
City Manager

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# City of Lufkin



**CITY OF LUFKIN, TEXAS  
LIST OF PRINCIPAL OFFICIALS  
SEPTEMBER 30, 2020**

GOVERNING BODY

Honorable Bob F. Brown, Mayor

CITY COUNCIL

Guessippina Bonner .....	Ward No. 1
Robert Shankle.....	Ward No. 2
Lynn Torres.....	Ward No. 3
Mark Hicks .....	Ward No. 4
Rocky Thigpen.....	Ward No. 5
Sarah Murray.....	Ward No. 6

OTHER PRINCIPAL OFFICIALS

Bruce Green.....	Interim City Manager
Erika Neill .....	Acting City Attorney
Jason Arnold.....	Assistant City Manager
Kara Andrepont.....	City Secretary
Rodney Ivy .....	Human Resources Director
Gerald Williamson .....	Public Safety Director
David Thomas .....	Police Chief
Jesse Moody.....	Fire Chief
Belinda Melancon.....	Finance Director

## **FINANCIAL SECTION**

Glenda J. Hiers, CPA  
Richard A. Rudel, CPA  
Yvette Sidnell, CPA  
Jennifer L. Webster, CPA  
Susan L. Murrell, CPA



4000 S. Medford Drive  
Lufkin, Texas 75901

Wilbur E. Alexander, CPA  
(1940-2009)  
Ted A. Lankford, CPA  
(Retired)

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of  
the City Council  
City of Lufkin, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lufkin, Texas (City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## INDEPENDENT AUDITOR'S REPORT – CONTINUED

### Report on the Financial Statements - Continued

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lufkin, Texas as of September 30, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, information on the modified approach for reporting infrastructure, and pension and OPEB information on pages 15 through 24 and 75 through 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lufkin, Texas' basic financial statements. The introductory, supplemental information, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental information section and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and the schedule of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## INDEPENDENT AUDITOR'S REPORT – CONTINUED

### Report on the Financial Statements - Continued

#### ***Other Matters - Continued***

##### *Other Information - Continued*

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2021, on our consideration of the City of Lufkin, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lufkin, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lufkin, Texas' internal control over financial reporting and compliance.



ALEXANDER, LANKFORD & HIERS, INC.  
Certified Public Accountants

September 16, 2021



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## Management's Discussion and Analysis

As management of the City of Lufkin, Texas (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$141,316 (*net position*). The unrestricted net position component is \$(11,145). The unrestricted net position decrease of \$3,911 from the prior year was the result of changes in the net investment in capital assets, restricted net position, and current year change in net position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,562, an increase of \$5,935 over the prior year. The increase is primarily the result of increases in the General Fund and Nonmajor Governmental Funds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,080 or 12% of total general fund expenditures.
- The City's total debt decreased by \$980 (2%) during the fiscal year. The key factors in this decrease were \$10,695 for the retirement of general obligation debt less \$9,715 for the issuance of general obligation debt.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other financial 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's finances, in a manner similar to a private-sector business.

The *statement of net position* presents all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.



The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, cultural and recreation, planning and community development, and public works. The business-type activities of the City include water and sewer service and solid waste/recycling service.

The management of the City has reviewed other entities and activities for possible inclusion in the reporting entity. The City has determined that the City of Lufkin Economic Development Corporation and Lufkin Convention and Visitors Bureau should be reported as discretely presented component units.

The government-wide financial statements can be found using the table of contents in this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds or proprietary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on how cash resources flow into and out of those funds and balances remaining at the year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, that requires the recognition of revenue when earned, only so long as the funds are collected within the period or soon enough afterwards to be used to pay liabilities of the current period. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements, therefore, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-five 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 and the Debt Service Fund, which are considered to be major funds. Data from the other twenty-three governmental funds are combined into a single, aggregate presentation.

The governmental funds financial statements can be found using the table of contents in this report.

**Proprietary Funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utility service and for its solid waste/recycling operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insured group health insurance plan and for its Equipment Acquisition and Amortization Fund. Though these services benefit both governmental and business-type activities, both funds are reported with the governmental activities in the government-wide financial statements because the City's governmental funds receive most of the benefits.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water and sewer utility service and for the solid waste/recycling operation, both of which are considered to be major funds of the City. The internal service funds are presented in the proprietary fund financial statements. The proprietary funds financial statements can be found using the table of contents in this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found using the table of contents in this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) and other supplementary information. The RSI presented is the budgetary comparison schedules for the general fund and any major special revenue funds, the condition rating of the City's street system, pension plan information, and other postemployment benefits (OPEB) plan information. Required supplementary information can be found using the table of contents in this report.

The other supplementary information other than RSI that is included in this report consists of the combining statements for nonmajor governmental funds, component units, and internal services funds, schedules of operating expenses by department, and budgetary comparison schedules for other funds for which the City adopts an annual appropriated budget and that are not required to be presented as RSI. This supplementary information is presented immediately following the required supplementary information and can be found using the table of contents in this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$141,316 at the close of fiscal year 2020. The following table reflects the condensed Statement of Net Position.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 33,021	\$ 24,734	\$ 20,860	\$ 20,633	\$ 53,881	\$ 45,367
Capital assets	111,590	111,707	65,903	64,980	177,493	176,687
Total Assets	144,611	136,441	86,763	85,613	231,374	222,054
Deferred outflows of resources	4,603	9,823	541	1,371	5,144	11,194
Long-term liabilities	47,604	47,924	376	336	47,980	48,260
Total OPEB liability	4,487	4,902	914	1,057	5,401	5,959
Net pension liability	29,341	36,877	2,767	4,240	32,108	41,117
Other liabilities	1,907	2,307	1,807	1,035	3,714	3,342
Total Liabilities	83,339	92,010	5,864	6,668	89,203	98,678
Deferred inflows of resources	5,103	2,183	896	165	5,999	2,348
Net Position:						
Net investment in capital assets	70,995	70,132	65,903	64,980	136,898	135,112
Restricted	6,762	2,710	8,801	9,456	15,563	12,166
Unrestricted (deficit)	(16,985)	(20,771)	5,840	5,715	(11,145)	(15,056)
Total Net Position	\$ 60,772	\$ 52,071	\$ 80,544	\$ 80,151	\$ 141,316	\$ 132,222

The largest portion of the City's net position (97%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less related debt used to acquire those assets that is 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 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.

An additional portion of the City's net position (11%) represents resources that are subject to external restrictions on how they may be used. The City had a total deficit unrestricted net position of \$11,145.

At the end of the current fiscal year, the City is able to report positive balances in two of the three categories of net position, both for the government as a whole, as well as for its governmental activities. For its business-type activities, the City was able to report positive balances in all three categories of net position.

### Analysis of the City's Operations

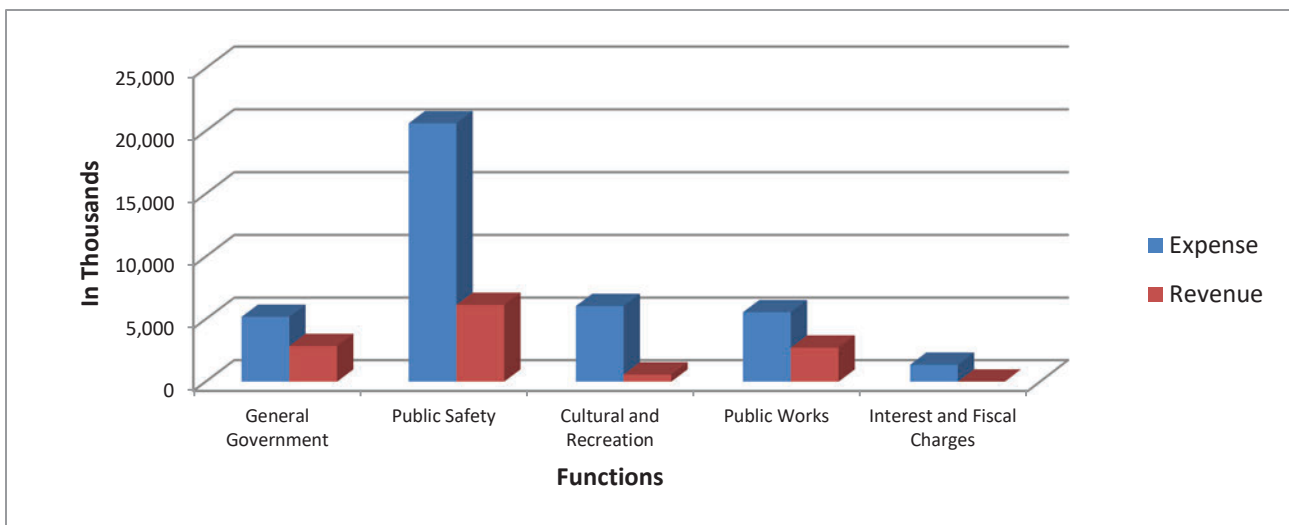
The following table provides a summary of the City's operations for the year ended September 30, 2020.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 9,910	\$ 9,499	\$ 24,789	\$ 23,707	\$ 34,699	\$ 33,206
Operating grants and contributions	2,359	320	-	-	2,359	320
Capital grants and contributions	37	-	-	-	37	-
General Revenues:						
Property taxes	11,339	10,953	-	-	11,339	10,953
Other taxes	17,339	17,806	-	-	17,339	17,806
Other	2,445	1,008	225	523	2,670	1,531
Total Revenues	<u>43,429</u>	<u>39,586</u>	<u>25,014</u>	<u>24,230</u>	<u>68,443</u>	<u>63,816</u>
Expenses:						
General government	5,185	4,899	-	-	5,185	4,899
Public safety	20,611	21,592	-	-	20,611	21,592
Cultural and recreation	6,050	7,062	-	-	6,050	7,062
Public works	5,557	6,209	-	-	5,557	6,209
Interest and fiscal charges	1,355	1,300	-	-	1,355	1,300
Water and sewer	-	-	13,978	13,966	13,978	13,966
Solid waste disposal	-	-	6,613	6,907	6,613	6,907
Total Expenses	<u>38,758</u>	<u>41,062</u>	<u>20,591</u>	<u>20,873</u>	<u>59,349</u>	<u>61,935</u>
Change in Net Position before transfers	4,671	(1,476)	4,423	3,357	9,094	1,881
Transfers	<u>4,030</u>	<u>4,917</u>	<u>(4,030)</u>	<u>(4,917)</u>	<u>-</u>	<u>-</u>
Change in Net Position	8,701	3,441	393	(1,560)	9,094	1,881
Net Position, Beginning	<u>52,071</u>	<u>48,630</u>	<u>80,151</u>	<u>81,711</u>	<u>132,222</u>	<u>130,341</u>
Net Position, Ending	<u>\$ 60,772</u>	<u>\$ 52,071</u>	<u>\$ 80,544</u>	<u>\$ 80,151</u>	<u>\$ 141,316</u>	<u>\$ 132,222</u>

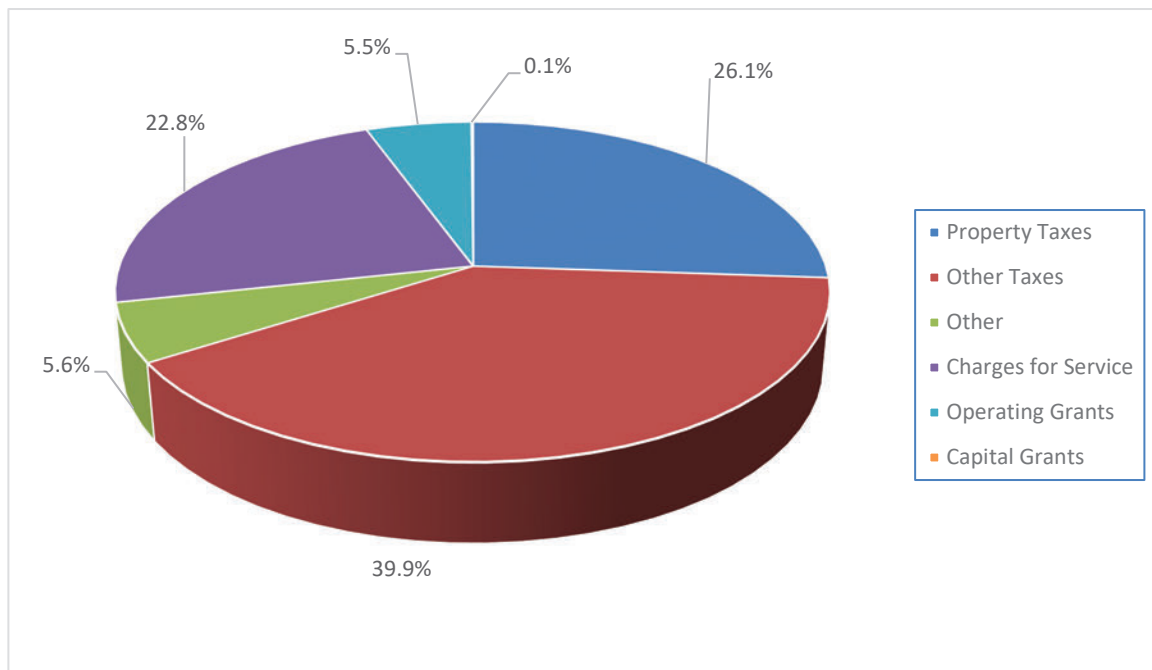
**Governmental Activities.** Governmental activities increased the City’s net position by \$8,701, which is an increase of \$5,260 (153%) from the prior year. Key elements of this change are as follows:

- Operating grants and contributions increased by \$2,039 (637%).
- Other general revenues increased by \$1,437 (143%)
- Public safety expenditures decreased by \$981 (5%).
- Cultural and recreation expenditures decreased by \$1,012 (14%).
- Public works expenditures decreased by \$652 (11%).
- Transfers in decreased by \$887 (18%).

#### Expenses and Program Revenues - Governmental Activities



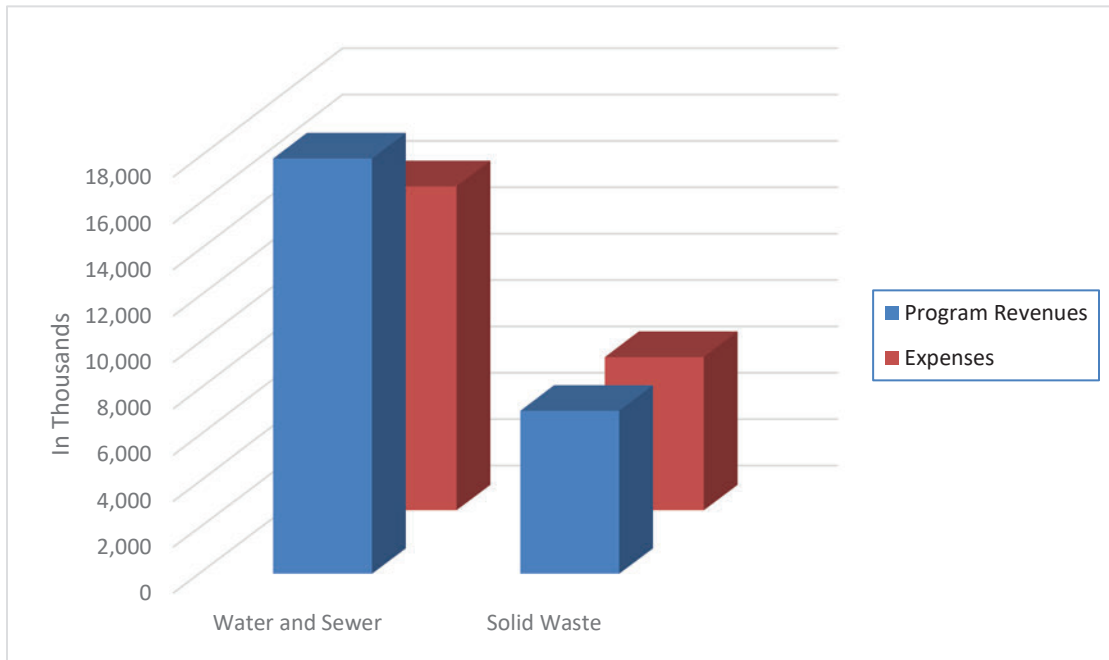
#### Revenues by Source - Governmental Activities



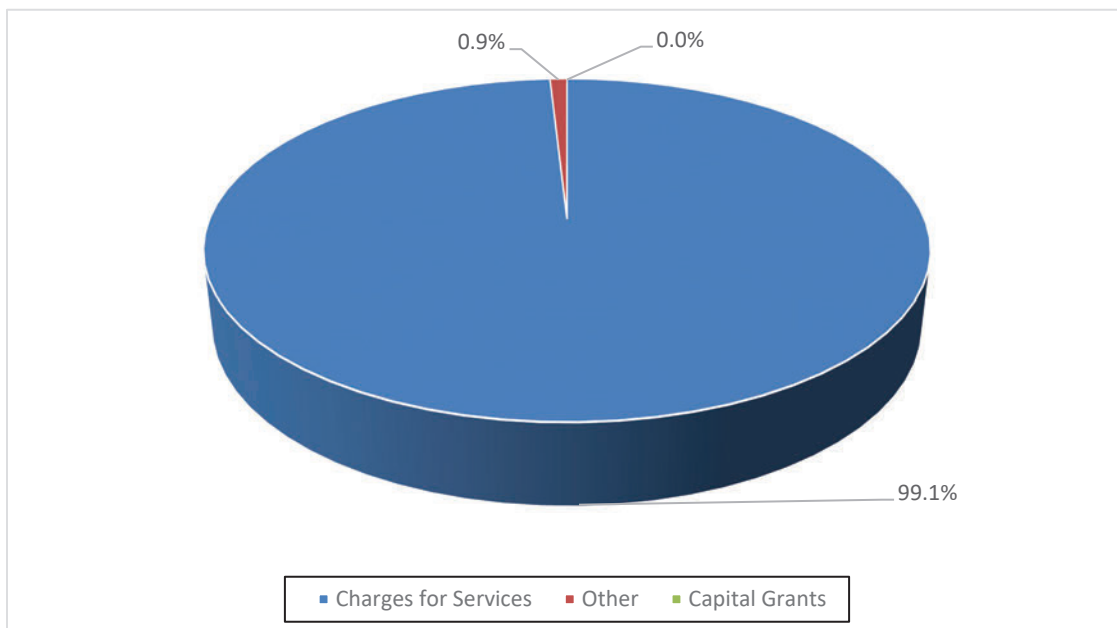
**Business-type Activities.** Business-type activities increased the City's net position by \$393, which is an increase of \$1,953 (125%) from the prior year. Key elements of this change are as follows:

- Charges for services increased by \$1,082 (5%).
- Other revenues decreased by \$298 (57%).
- Water and sewer expenses increased by \$12 (.1%).
- Solid waste expenses decreased by \$294 (4%).
- Transfers out decreased by \$887 (18%).

#### Expenses and Program Revenues - Business-Type Activities



#### Revenues by Source - Business-Type Activities



## Financial Analysis of the City's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,562, an increase of \$5,935 from the prior year. Nineteen percent of the ending fund balance, or \$4,080, is unassigned which means it is available for spending at the City's discretion. The portions of fund balance not available for new spending because they have already been assigned, committed, or restricted are \$1,908, \$8,535 and \$6,761, respectively. The remaining amount, \$278, is nonspendable due to the items not being in spendable form. That amount relates to inventory and prepaid items.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$4,080 while total fund balance was \$12,755. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12% of total general fund expenditures, while total fund balance represents 38% of the same amount. Fund balance of the General Fund increased by \$1,736 during the current fiscal year.

The Debt Service fund has a total fund balance of \$2,299, all of which is restricted for the payment of debt service. The net increase in fund balance in the Debt Service fund during the current year was \$135.

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

Unrestricted net position at the end of the current fiscal year for the Water and Sewer Utility Fund was \$2,652 and for the Solid Waste Disposal Fund was \$3,188. The total net position increased for the Water and Sewer Utility Fund by \$879 and decreased for the Solid Waste Disposal Fund by \$486. Other factors concerning these two funds have been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

The City's budget is controlled at the fund and department level with the City Manager authorized to make transfers of budgeted amounts within departments.

The General Fund budget was amended several times during the year. Differences between the original budget and the final budget for the General Fund were significant (\$75 decrease in revenues and \$510 decrease in expenditures). The major adjustments were:

- Decrease of \$358 in tax revenue was primarily due to lower anticipated collections for property, sales and franchise taxes.
- Increase of \$31 in licenses and permits revenue was primarily due to increases in building and other permits and inspections revenue.
- Decrease of \$164 in fines and forfeitures revenue was primarily due to a decrease in municipal court fines and forfeitures.
- Increase of \$77 in charges for services revenue was primarily due to an increase in other services.
- Increase of \$75 in investment earnings was primarily due to an increase in interest rates.
- Increase of \$97 in intergovernmental revenue was primarily due to an increase in grant revenues.
- Increase of \$167 on other revenues was primarily due to an increase in salvage and action.
- Increase of \$93 for general government expenditures was primarily due to increases in City administration and building services expenditures.



- Decrease of \$188 for public safety expenditures was primarily due to decreases in police and fire expenditures.
- Decrease of \$412 for public works expenditures was primarily due to decreases in engineering, planning and zoning, street and fleet management expenditures.

Differences between the actual results and the final budget for the General Fund were significant (\$943 increase in actual revenues and \$848 decrease in actual expenditures) and can be briefly summarized as follows:

- Increase of \$563 in taxes was due to higher property and sales tax collections than the City anticipated.
- Increase of \$319 in licenses and permits revenue was primarily due to higher building and other permits revenue.
- Decrease of \$134 in fines and forfeitures revenue was primarily due to lower municipal court fines and forfeitures revenue.
- Increase of \$81 in charges for services was primarily due to higher emergency medical services revenue.
- Increase of \$136 in investment earnings was primarily due to higher interest rates.
- Decrease of \$45 in general government expenditures was primarily due to less City Council/City Secretary, finance and building services expenditures.
- Decrease of \$71 in public safety expenditures was primarily due to less fire and animal control expenditures.
- Decrease of \$338 in culture and recreation expenditures was due to less parks, zoo and library expenditures.
- Decrease of \$376 in public works expenditures was due to less engineering, street expenditures.

### **Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities amounts to \$177,493 (net of accumulated depreciation) at the end of the current fiscal year. This investment in capital assets includes land, water rights, buildings, improvements, machinery and equipment, roads, and bridges.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its paving system (streets). Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with the following characteristics 1) has an up-to-date inventory 2) performs condition assessments and summarizes the results using a measurement scale and 3) estimates annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City's policy is to achieve an average rating of at least a 56 condition index of its street system. The City performed a complete inventory and conditions assessment during 2020. This condition assessment is performed every two years. The average rating for the City's streets at September 30, 2020 was 77.675; this rating increased from the previous assessment. The City's streets are constantly deteriorating resulting from traffic using the streets, the sun's ultra-violet rays drying out and breaking down the top layer of pavement, trenching operations for repair work on water and sewer lines and water damage from natural precipitation. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching and street sweeping. The City's budget for street maintenance for the fiscal year ended September 30, 2020 was \$3,815 as compared to \$3,787 for the previous year. Actual expenditures were \$3,469 for fiscal year 2020, reflecting a decrease of \$228 from fiscal year 2019.

The information on the detail condition of the City's street system for the past three complete assessments is as follows:

### Condition Rating of the City's Street System

		PERCENTAGE OF LANE-MILES IN EXCELLENT TO VERY GOOD CONDITION		
		2020	2018	2016
Collector Streets		42%	52%	55%
Residential Streets		32%	31%	29%

		PERCENTAGE OF LANE-MILES IN SUBSTANDARD CONDITION		
		2020	2018	2016
Collector Streets		16%	20%	13%
Residential Streets		27%	24%	19%

The condition of road pavement is measured using the Paver 4.2 Pavement Management System, which is based on a weighted average of 19 distress factors found in pavement surfaces dependent upon the type of road material (concrete or asphalt). The 4.2 Paver Management System uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in *good to excellent* condition (80-100), *fair* condition (56-79), and *substandard* condition (less than 56).

Major capital asset events during the current fiscal year, with total cost-to-date in thousands, included the following:

#### Governmental

- Recreation facility - \$951
- County-wide radio system - \$339

#### Business-type

- U.S. 69 AFP water line extension - \$1,394
- Chlorine contact basin - \$965
- U.S. 59, Loop 287 Moffett UT - \$1,062
- U.S. 59 utility relocation - Diboll - \$934
- Meter replacements - \$390

### City of Lufkin, Texas' Capital Assets (Net of depreciation)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2020	2019	2020	2019	2020	2019
Land	\$ 4,464	\$ 4,464	\$ 4,393	\$ 4,393	\$ 8,857	\$ 8,857
Water rights	-	-	4,087	4,069	4,087	4,069
Works of art	278	278	-	-	278	278
Buildings	15,441	14,946	2,560	2,681	18,001	17,627
Machinery and equipment	3,707	3,815	4,487	3,424	8,194	7,239
Vehicles	5,878	5,563	174	237	6,052	5,800
Improvements other than buildings	12,218	12,930	47,983	48,332	60,201	61,262
Infrastructure	68,732	68,733	-	-	68,732	68,733
Construction in progress	872	978	2,219	1,844	3,091	2,822
Total	\$ 111,590	\$ 111,707	\$ 65,903	\$ 64,980	\$ 177,493	\$ 176,687

Additional information on the City's capital assets can be found in Detail Notes on All Funds, E. of this report.



**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$40,595. The full amount of this debt is backed by the full faith and credit of the government.

### **City of Lufkin, Texas' Outstanding Debt**

#### General Obligation Bonds

	GOVERNMENTAL		TOTAL	
	ACTIVITIES			
	2020	2019	2020	2019
General obligation bonds	\$ 40,595	\$ 41,575	\$ 40,595	\$ 41,575
Total	\$ 40,595	\$ 41,575	\$ 40,595	\$ 41,575

The City maintains an "Aa2" rating from Moody's and an "AA-" rating from Standard & Poor's for general obligation debt and the revenue bonds of the Water and Sewer Utility. As a Home Rule City, the City is not limited by law in the amount of debt it may issue.

Additional information on the City's long-term debt can be found in in Detail Notes on All Funds, G. of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- For September 2020, the unemployment rate for the City, according to Texas Workforce statistics, is 8.3%, a 4.7% increase from last year. The 8.1% unemployment rate for Angelina County is an increase of 4.2% from last year. The Texas unemployment rate is 7.9%. The national unemployment rate, as recorded by the Bureau of Labor Statistics is 7.8%.
- The state sales tax revenue for the current fiscal year totaled \$14,021, an increase of \$12 from the previous year indicating a slight increase in the retail economy.
- Economic trends in the region compare favorably with state and national indices.

All of these factors were considered in preparing the City's budget for the 2021 fiscal year.

The Water and Sewer Utility rates were increased by two percent for the 2021 budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, P. O. Box 190, 300 East Shepherd, City of Lufkin, Texas 75902-0190.

## **BASIC FINANCIAL STATEMENTS**



**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash and cash equivalents	\$ 9,514,077	\$ 3,112,925	\$ 12,627,002	\$ 3,837,781
Investments	16,745,000	3,000,000	19,745,000	-
Receivables (net of allowance for uncollectibles)	6,484,816	3,073,384	9,558,200	273,622
Notes receivable	-	2,000,000	2,000,000	262,990
Inventories	277,373	88,004	365,377	-
Restricted Assets:				
Cash and cash equivalents	-	2,965,211	2,965,211	-
Investments	-	6,500,000	6,500,000	-
Receivables (net of allowance for uncollectibles)	-	119,910	119,910	-
Capital assets (net of accumulated depreciation):				
Land and improvements	4,464,290	4,392,785	8,857,075	5,147,878
Water rights	-	4,087,104	4,087,104	-
Infrastructure	68,732,135	-	68,732,135	-
Works of art	278,500	-	278,500	-
Buildings	15,441,309	2,560,135	18,001,444	-
Improvements other than buildings	12,217,707	47,982,768	60,200,475	-
Machinery and equipment	3,706,874	4,487,130	8,194,004	-
Vehicles	5,877,592	174,046	6,051,638	-
Construction in progress	871,461	2,219,176	3,090,637	4,552,702
Total Assets	144,611,134	86,762,578	231,373,712	14,074,973
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refundings	1,372,998	-	1,372,998	-
Deferred pension outflows	2,873,455	458,539	3,331,994	24,573
Deferred OPEB outflows	356,676	82,753	439,429	4,861
Total Deferred Outflows of Resources	4,603,129	541,292	5,144,421	29,434
LIABILITIES				
Accounts/claims payable	781,402	444,148	1,225,550	277,149
Accrued interest	191,074	-	191,074	37,369
Accrued liabilities	916,041	296,734	1,212,775	7,585
Customer deposits	19,157	-	19,157	-
Payable from restricted assets	-	1,066,413	1,066,413	-
Noncurrent liabilities:				
Due within one year	6,649,658	142,516	6,792,174	410,620
Due in more than one year	40,954,381	233,137	41,187,518	4,459,940
Total OPEB liability	4,487,309	913,806	5,401,115	22,022
Net pension liability	29,340,655	2,767,129	32,107,784	103,740
Total Liabilities	83,339,677	5,863,883	89,203,560	5,318,425
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	4,501,013	772,141	5,273,154	62,578
Deferred OPEB inflows	601,993	123,720	725,713	3,222
Total Deferred Inflows of Resources	5,103,006	895,861	5,998,867	65,800
NET POSITION				
Net investment in capital assets	70,994,868	65,903,144	136,898,012	5,200,580
Restricted for:				
Retirement of debt	2,299,228	1,739	2,300,967	-
Capital projects	4,273,827	336,693	4,610,520	-
Renewal and replacement	-	8,462,623	8,462,623	-
Other	188,353	-	188,353	-
Unrestricted (deficit)	(16,984,696)	5,839,927	(11,144,769)	3,519,602
Total Net Position	\$ 60,771,580	\$ 80,544,126	\$ 141,315,706	\$ 8,720,182

The notes to the financial statements are an integral part of this statement.

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FUNCTIONS/PROGAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Primary Government:			
Governmental Activities:			
General government	\$ 5,184,648	\$ 2,345,551	\$ 500,000
Public safety	20,610,440	4,284,941	1,854,670
Cultural and recreation	6,050,358	563,394	4,500
Public works	5,557,130	2,716,099	-
Interest and fiscal charges	1,355,409	-	-
Total Governmental Activities	<u>38,757,985</u>	<u>9,909,985</u>	<u>2,359,170</u>
Business-Type Activities:			
Water and sewer	13,977,680	17,765,892	-
Solid waste disposal	6,613,089	7,022,976	-
Total Business-Type Activities	<u>20,590,769</u>	<u>24,788,868</u>	<u>-</u>
Total Primary Government	<u>\$ 59,348,754</u>	<u>\$ 34,698,853</u>	<u>\$ 2,359,170</u>
Component Units	<u>\$ 1,861,188</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Property taxes  
Sales taxes  
Franchise taxes  
Hotel taxes  
Other taxes  
Unrestricted investment earnings  
Gain (loss) on sale assets  
Miscellaneous revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND  
CHANGES IN NET POSITION

CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ -	\$ (2,339,097)	\$ -	\$ (2,339,097)	\$ -
-	(14,470,829)	-	(14,470,829)	-
-	(5,482,464)	-	(5,482,464)	-
37,275	(2,803,756)	-	(2,803,756)	-
-	(1,355,409)	-	(1,355,409)	-
37,275	(26,451,555)	-	(26,451,555)	-
-	-	3,788,212	3,788,212	-
-	-	409,887	409,887	-
-	-	4,198,099	4,198,099	-
\$ 37,275	(26,451,555)	4,198,099	(22,253,456)	-
\$ -				(1,861,188)
	11,339,268	-	11,339,268	-
	14,020,794	-	14,020,794	1,275,271
	2,333,361	-	2,333,361	-
	901,273	-	901,273	-
	83,736	-	83,736	280,214
	493,388	225,736	719,124	80,723
	544,509	(1,231)	543,278	(225,332)
	1,406,602	-	1,406,602	47,573
	4,029,569	(4,029,569)	-	-
	35,152,500	(3,805,064)	31,347,436	1,458,449
	8,700,945	393,035	9,093,980	(402,739)
	52,070,635	80,151,091	132,221,726	9,122,921
\$ 60,771,580	\$ 80,544,126	\$ 141,315,706	\$ 8,720,182	

**CITY OF LUFKIN, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2020**

	GENERAL FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,633,247	\$ 1,297,465	\$ 3,015,875	\$ 6,946,587
Investments	9,245,000	1,000,000	3,750,000	13,995,000
Receivables:				
Taxes	603,222	252,677	-	855,899
Accounts	21,562,032	-	185,985	21,748,017
Intergovernmental	2,677,980	-	92,483	2,770,463
Other	163,411	30,868	340,461	534,740
Allowance for uncollectibles	(19,435,402)	(200,361)	(179,404)	(19,815,167)
Due from other funds	528,025	-	-	528,025
Inventories	277,373	-	-	277,373
Total Assets	<u>\$ 18,254,888</u>	<u>\$ 2,380,649</u>	<u>\$ 7,205,400</u>	<u>\$ 27,840,937</u>
<b>LIABILITIES</b>				
Accounts/claims payable	\$ 418,853	\$ -	\$ 202,609	\$ 621,462
Accrued liabilities	907,559	-	8,482	916,041
Due to other funds	-	-	286,027	286,027
Customer deposits	3,312	-	15,845	19,157
Total Liabilities	<u>1,329,724</u>	<u>-</u>	<u>512,963</u>	<u>1,842,687</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	4,170,375	81,421	184,758	4,436,554
Total Deferred Inflows of Resources	<u>4,170,375</u>	<u>81,421</u>	<u>184,758</u>	<u>4,436,554</u>
<b>FUND BALANCES</b>				
Nonspendable	277,373	-	-	277,373
Restricted	-	2,299,228	4,462,180	6,761,408
Committed	8,397,334	-	137,822	8,535,156
Assigned	-	-	1,907,677	1,907,677
Unassigned	4,080,082	-	-	4,080,082
Total Fund Balances	<u>12,754,789</u>	<u>2,299,228</u>	<u>6,507,679</u>	<u>21,561,696</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 18,254,888</u>	<u>\$ 2,380,649</u>	<u>\$ 7,205,400</u>	<u>\$ 27,840,937</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LUFKIN, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE**  
**SHEET TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**

Total fund balances – governmental funds balance sheet	\$ 21,561,696
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	104,845,143
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Certain unavailable revenues are not available to pay current-period expenditures and therefore, are deferred in the funds.	4,436,554
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An internal service fund is used to charge the cost of health insurance to individual funds. The funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	2,792,572
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An internal service fund is used for equipment acquisition and replacement. The governmental funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	9,258,569
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(46,422,115)
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The City's deferred outflows of resources related to OPEB and pension plans is not reported in the governmental funds.	3,230,131
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The City's total OPEB liability is not reported in the governmental funds.	(4,487,309)
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The City's net pension liability is not reported in the governmental funds.	(29,340,655)
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The City's deferred inflows of resources related to pension and OPEB plans is not reported in the governmental funds.	(5,103,006)
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Net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 60,771,580</div>
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The notes to the financial statements are an integral part of this statement.



**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	GENERAL FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Taxes:				
Property	\$ 8,379,749	\$ 2,994,487	\$ -	\$ 11,374,236
Sales	14,020,794	-	-	14,020,794
Franchise	2,333,361	-	-	2,333,361
Other	83,736	-	901,273	985,009
Licenses and permits	720,613	-	-	720,613
Fines and forfeitures	424,810	-	-	424,810
Charges for services	2,835,237	-	563,394	3,398,631
Investment earnings	311,112	101,236	72,031	484,379
Intergovernmental	5,170,987	-	694,705	5,865,692
Other revenues	520,341	-	554,174	1,074,515
Total Revenues	<u>34,800,740</u>	<u>3,095,723</u>	<u>2,785,577</u>	<u>40,682,040</u>
Expenditures:				
Current:				
General government	4,293,157	-	728,534	5,021,691
Public safety	20,120,756	-	261,092	20,381,848
Cultural and recreation	3,987,995	-	1,520,108	5,508,103
Public works	5,187,426	-	-	5,187,426
Debt service:				
Principal	-	5,445,000	-	5,445,000
Interest and fiscal charges	-	1,152,437	-	1,152,437
Bond issuance costs	-	76,986	139,379	216,365
Capital outlay	-	-	916,777	916,777
Total Expenditures	<u>33,589,334</u>	<u>6,674,423</u>	<u>3,565,890</u>	<u>43,829,647</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,211,406</u>	<u>(3,578,700)</u>	<u>(780,313)</u>	<u>(3,147,607)</u>
Other Financing Sources (Uses):				
Refunding bond proceeds	-	5,085,000	-	5,085,000
Certificates of obligation proceeds	-	-	4,630,000	4,630,000
Refunding bond premium	-	310,875	-	310,875
Certificates of obligation premium	-	-	509,380	509,380
Payment to refunded bond escrow agent	-	(5,317,667)	-	(5,317,667)
Transfers in	725,035	3,635,952	762,884	5,123,871
Transfers out	(200,000)	-	(1,059,302)	(1,259,302)
Total Other Financing Sources (Uses)	<u>525,035</u>	<u>3,714,160</u>	<u>4,842,962</u>	<u>9,082,157</u>
Net Change in Fund Balances	<u>1,736,441</u>	<u>135,460</u>	<u>4,062,649</u>	<u>5,934,550</u>
Fund Balances - Beginning	<u>11,018,348</u>	<u>2,163,768</u>	<u>2,445,030</u>	<u>15,627,146</u>
Fund Balances - Ending	<u>\$ 12,754,789</u>	<u>\$ 2,299,228</u>	<u>\$ 6,507,679</u>	<u>\$ 21,561,696</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LUFKIN, 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, 2020**

Net change in fund balances – total governmental funds	\$ 5,934,550
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	1,780,907
Internal service net revenues are reported with governmental activities and the expenses not recovered through user charges are allocated to the participating funds.	1,434,222
Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(541,698)
The issuance of or acquisition of long-term debt (e.g. bonds, leases, notes) 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	228,259
Increase in total OPEB liability is reported in the statement of activities, but not in the funds.	(78,315)
Current year pension expenditures are reported on the fiscal year basis in the funds, and as actuarially determined on the measurement date in the statement of activities.	(56,980)
Change in net position of governmental activities	<u><u>\$ 8,700,945</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2020**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,703,556	\$ 1,407,652	\$ 3,111,208	\$ 2,567,490
Investments	2,219,392	500,000	2,719,392	2,750,000
Restricted Assets:				
Cash and cash equivalents	1,717	-	1,717	-
Investments - customer deposits	280,608	-	280,608	-
Interest receivable	22	-	22	-
Accounts receivable (net of allowance for uncollectibles)	2,102,576	874,356	2,976,932	323,642
Notes receivable	-	105,440	105,440	-
Interest receivable	53,232	39,066	92,298	67,222
Other receivable	4,132	-	4,132	-
Inventories	82,035	5,969	88,004	-
Total Current Assets	6,447,270	2,932,483	9,379,753	5,708,354
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	2,260,518	704,693	2,965,211	-
Investments	6,500,000	-	6,500,000	-
Interest receivable	110,983	8,927	119,910	-
Total Restricted Noncurrent Assets	8,871,501	713,620	9,585,121	-
Notes receivable	-	1,894,560	1,894,560	-
Capital Assets:				
Land	4,231,421	161,364	4,392,785	-
Water rights	4,087,104	-	4,087,104	-
Buildings	3,326,288	2,379,772	5,706,060	-
Machinery and equipment	19,396,739	1,288,155	20,684,894	4,331,646
Vehicles	414,581	970,562	1,385,143	12,727,378
Improvements	87,309,386	784,023	88,093,409	-
Construction in progress	2,219,176	-	2,219,176	-
Less accumulated depreciation	(57,356,808)	(3,308,619)	(60,665,427)	(10,314,299)
Total Capital Assets (Net of Accumulated Depreciation)	63,627,887	2,275,257	65,903,144	6,744,725
Total Noncurrent Assets	72,499,388	4,883,437	77,382,825	6,744,725
Total Assets	78,946,658	7,815,920	86,762,578	12,453,079
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflows	338,278	120,261	458,539	-
Deferred OPEB outflows	59,542	23,211	82,753	-
Total Deferred Outflows of Resources	397,820	143,472	541,292	-
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts/claims payable	308,091	136,057	444,148	159,940
Accrued compensated absences	95,782	46,734	142,516	-
Accrued liabilities	240,654	56,080	296,734	-
Due to other funds	-	-	-	241,998
Current liabilities payable from Restricted Assets:				
Accounts/claims payable	785,805	-	785,805	-
Customer deposits	280,608	-	280,608	-
Total Current Liabilities	1,710,940	238,871	1,949,811	401,938
Noncurrent Liabilities:				
Accrued compensated absences	169,501	63,636	233,137	-
Total OPEB liability	698,221	215,585	913,806	-
Net pension liability	1,771,344	995,785	2,767,129	-
Total Noncurrent Liabilities	2,639,066	1,275,006	3,914,072	-
Total Liabilities	4,350,006	1,513,877	5,863,883	401,938
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension inflows	533,219	238,922	772,141	-
Deferred OPEB inflows	93,583	30,137	123,720	-
Total Deferred Inflows of Resources	626,802	269,059	895,861	-
<b>NET POSITION</b>				
Net invested in capital assets	63,627,887	2,275,257	65,903,144	6,744,725
Restricted for retirement of debt	1,739	-	1,739	-
Restricted for construction	336,693	-	336,693	-
Restricted for renewal and replacement	7,749,003	713,620	8,462,623	-
Unrestricted	2,652,348	3,187,579	5,839,927	5,306,416
Total Net Position	\$ 74,367,670	\$ 6,176,456	\$ 80,544,126	\$ 12,051,141

The notes to the financial statements are an integral part of this statement.

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	ACTIVITIES- INTERNAL SERVICE FUNDS
Operating Revenues:				
Water sales	\$ 9,116,991	\$ -	\$ 9,116,991	\$ -
Sewer service charges	8,083,354	-	8,083,354	-
Sanitation collections	-	7,051,248	7,051,248	-
Provision for bad debts	(26,034)	(45,093)	(71,127)	-
Service revenue	414,530	-	414,530	-
General and administrative	132,102	-	132,102	-
Employee premiums	-	-	-	1,241,384
Employer premiums	-	-	-	3,517,500
Equipment rental	-	-	-	2,348,067
Miscellaneous	44,949	16,821	61,770	1,115,049
Total Operating Revenues	17,765,892	7,022,976	24,788,868	8,222,000
Operating Expenses:				
Utility collections	891,092	-	891,092	-
Water/Sewer utilities	3,377,982	-	3,377,982	-
Wastewater treatment plant	2,158,096	-	2,158,096	-
Water production	1,710,066	-	1,710,066	-
Sanitation department	-	3,836,482	3,836,482	-
Recycling department	-	335,902	335,902	-
Insurance claims and related expenses	-	-	-	5,788,534
Depreciation and amortization	2,505,076	101,939	2,607,015	1,793,715
General and administrative	2,895,062	2,302,475	5,197,537	-
Non-departmental	440,306	36,291	476,597	-
Total Operating Expenses	13,977,680	6,613,089	20,590,769	7,582,249
Operating Income	3,788,212	409,887	4,198,099	639,751
Nonoperating Revenues (Expenses):				
Investment earnings	182,877	42,859	225,736	89,818
Gain (loss) on sale of assets	(1,231)	-	(1,231)	539,653
Total Nonoperating Revenues (Expenses)	181,646	42,859	224,505	629,471
Income Before Contributions and Transfers	3,969,858	452,746	4,422,604	1,269,222
Transfers in	2,995,891	-	2,995,891	165,000
Transfers out	(6,087,043)	(938,417)	(7,025,460)	-
Total Contributions and Transfers	(3,091,152)	(938,417)	(4,029,569)	165,000
Change in Net Position	878,706	(485,671)	393,035	1,434,222
Net Position - Beginning	73,488,964	6,662,127	80,151,091	10,616,919
Net Position - Ending	\$ 74,367,670	\$ 6,176,456	\$ 80,544,126	\$ 12,051,141

The notes to the financial statements are an integral part of this statement.

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	ACTIVITIES- INTERNAL SERVICE FUNDS
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 17,314,956	\$ 6,935,552	\$ 24,250,508	\$ 2,342,554
Receipts from interfund services provided	132,102	-	132,102	5,865,567
Payments to suppliers	(3,286,456)	(1,485,455)	(4,771,911)	(5,999,837)
Payments to employees	(3,525,622)	(1,623,272)	(5,148,894)	-
Payments for interfund services used	(3,840,118)	(3,427,485)	(7,267,603)	-
Net Cash Provided by Operating Activities	6,794,862	399,340	7,194,202	2,208,284
Cash Flows From Noncapital Financing Activities:				
Transfer from other funds	2,995,891	-	2,995,891	165,000
Transfer to other funds	(6,087,043)	(938,417)	(7,025,460)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(3,091,152)	(938,417)	(4,029,569)	165,000
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(3,537,123)	-	(3,537,123)	(2,390,062)
Proceeds from sale of capital assets	5,367	-	5,367	543,765
Net Cash Used by Capital and Related Financing Activities	(3,531,756)	-	(3,531,756)	(1,846,297)
Cash Flows From Investing Activities:				
Purchase of investments	(4,846,087)	(1,913,476)	(6,759,563)	(1,767,886)
Investment maturities	7,496,087	6,013,476	13,509,563	3,267,886
Notes receivable advances	-	(2,000,000)	(2,000,000)	-
Investment earnings received	306,769	111,438	418,207	122,052
Net Cash Provided by Investing Activities	2,956,769	2,211,438	5,168,207	1,622,052
Net Increase in Cash and Cash Equivalents	3,128,723	1,672,361	4,801,084	2,149,039
Cash and Cash Equivalents - Beginning	837,068	439,984	1,277,052	418,451
Cash and Cash Equivalents - Ending	\$ 3,965,791	\$ 2,112,345	\$ 6,078,136	\$ 2,567,490
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income	\$ 3,788,212	\$ 409,887	\$ 4,198,099	\$ 639,751
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and amortization	2,505,076	101,939	2,607,015	1,793,715
(Increase) in accounts receivable, net	(287,103)	(90,121)	(377,224)	(13,876)
(Increase) in other receivables	(4,132)	-	(4,132)	-
Decrease in inventories	13,508	-	13,508	-
Decrease in prepaid items	291	17	308	24
Decrease in deferred pension outflows	573,137	270,977	844,114	-
(Increase) in deferred OPEB outflows	(10,548)	(3,799)	(14,347)	-
Increase (decrease) in accounts/claims payable	775,513	1,531	777,044	(211,330)
Increase in accrued compensated absences	6,576	33,319	39,895	-
Increase (decrease) in accrued liabilities	(888)	12,326	11,438	-
(Decrease) in customer deposits	(16,233)	-	(16,233)	-
(Decrease) in total OPEB liability	(64,230)	(78,722)	(142,952)	-
(Decrease) in net pension liability	(1,009,775)	(463,441)	(1,473,216)	-
Increase in deferred pension inflows	440,865	178,958	619,823	-
Increase in deferred OPEB inflows	84,593	26,469	111,062	-
Total Adjustments	3,006,650	(10,547)	2,996,103	1,568,533
Net Cash Provided by Operating Activities	\$ 6,794,862	\$ 399,340	\$ 7,194,202	\$ 2,208,284

The notes to the financial statements are an integral part of this statement.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Lufkin, Texas (City) was incorporated in 1890 and operates under the provisions of the City Charter as amended. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, recreation, education, public improvements, planning and zoning and general administrative services. In addition, the City owns and operates a water and sewer system and a solid waste/recycling system.

The accompanying financial statements present the government and its components units, entities for which government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the combining financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Discretely Presented Component Units.** The Lufkin Industrial Development Authority, Lufkin Housing Finance Corporation, Lufkin Health Facilities Development Corporation, Lufkin Economic Development Corporation and Lufkin Convention and Visitors Bureau have been included in the reporting entity. The first three entities have been established to promote the sale of tax-exempt bonds within the City. The fourth entity was established to promote economic development in Lufkin. The fifth entity was established to promote overnight tourism in Lufkin.

The Lufkin Industrial Development Authority (Authority) was created by the Development Corporation Act of 1979 and the approval of the City Council and has been in operation since August 1979. The Authority was created to encourage industrial development in the City of Lufkin. The Texas Housing Finance Corporation Act and the approval of the City Council created Lufkin Housing Finance Corporation to encourage safe, decent housing in the City. The Texas Health Facilities Development Act and the approval of the City Council created Lufkin Health Facilities Development Corporation to encourage health care, research, and education and to assist with the maintenance of public health. As of September 30, 2020 and for the year then ended, there were no assets, liabilities, fund equity, revenues or expenditures for the Authority, the Lufkin Housing Finance Corporation, or the Lufkin Health Facilities Development Corporation.

During fiscal year 2004, the citizens of Lufkin voted to create a 4B Economic Development Corporation (EDC) effective October 1, 2004. The EDC is funded using one-eighth of one cent of the City's local sales tax rate of 1.5%. This equals 1/12 of the revenue from this revenue source. The City Council appoints the board members of the EDC.

The Lufkin Convention and Visitors Bureau (LCVB) was formed in 2010 with the primary objective to create maximum hotel occupancy within the City through a marketing program aimed at attracting and securing overnight visitors who will spend money in the Lufkin area. The LCVB is funded with a portion of the City's local hotel/motel taxes restricted for the promotion of tourism. The City Council appoints the board members of the LCVB.

Any debt incurred through the issuance of bonds through the above entities is a liability of the entity receiving the benefits of the issue and not the City.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted for the payment of general obligation debt.



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The government reports the following major proprietary funds:

The *water and sewer utility fund* accounts for the provision of water and sewer services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in the fund, including, but not limited to, production, maintenance, financing and related debt service, and billings and collections.

The *solid waste disposal fund* accounts for the activities related to the provision of sanitation and recycling services to the residents of the City.

Additionally, the government reports the following fund type:

*Internal service funds* account for the activities of the employee health benefit plan and the purchase and amortization of the City's equipment. The activities include the accounting for premiums provided for and the payment of eligible claims and related costs as well as the purchase cost and depreciation of equipment (rolling stock).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer and solid waste disposal functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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. The principal operating revenues of the water and sewer utility fund, solid waste disposal fund, and internal service funds are charges to customers for sales and services. The water and sewer utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Liabilities, and Net Position or Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments (including restricted assets) with original maturities of three months or less from the date of acquisition.



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City agent bank approved pledged securities in an amount sufficient to protect the City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The City, as well as its component units, is authorized to invest in 1) U.S. Treasury securities, 2) obligations of U.S. Government Agencies and Instrumentalities (excluding principal only and interest only mortgage backed securities, collateralized mortgage obligations, and real estate mortgage investment conduits), 3) obligations of the State of Texas or its agencies or instrumentalities along with obligations of counties, cities, and other political subdivisions of this State 4) fully insured and collateralized deposits at eligible depositories, 4) repurchase agreements, 5) money market mutual funds registered with and regulated by the Securities & Exchange Commission categorized as "Treasury" or "Government", and 6) eligible investment pools authorized by City Council and the Board of Directors. All direct security purchases are settled utilizing "delivery versus payment" procedures with the City's safekeeping agent (an independent third party to the transactions). Broker/Dealers are approved annually by the City's Finance Committee.

The City invests in two local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operate under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The local government investment pools are valued and reported at amortized cost, which approximates fair value.

The Texas Local Government Investment Pool (TexPool) is overseen by the State Comptroller of Public Accounts. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool and are qualified to advise the TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure.

The Texas Short Term Asset Reserve Program (TexSTAR) is governed by a Board of Directors. JP Morgan Investment Management, Inc. and Hilltop Securities, Inc. serve as co-administrators of TexSTAR under an agreement with the board of directors.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**2. Receivables and Payables**

The City believes that additional details of certain receivable and payable balances in the financial statements are needed to avoid the obscuring of significant components by aggregation. Therefore, disclosures are provided to disaggregate significant balances in detail notes on all funds (C).

There are no significant receivables which are not scheduled for collection within one year of year end.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities or restricted and unrestricted assets are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The trade accounts receivable allowance for uncollectibles is based on an aging of past due accounts and historical collections. The property tax receivable allowance is equal to 76% and 79% of outstanding taxes at September 30, 2020, for the General Fund and Debt Service Fund, respectively.

Property taxes are levied by October 1, and are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed. The City has entered into a contract with Angelina County Tax Assessor-Collector for the billing and collection of City property taxes.

The City is permitted by the City Charter (Article VI, Section 1) to levy taxes up to \$1.75 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services and the payment of principal and interest on long-term debt for the year ended September 30, 2020, was .531135 per \$100 of assessed valuation. The adjusted total tax levy for fiscal year 2020 was \$11,226,910, and \$11,027,270 was collected for a current collection rate of 98%.

**3. Inventories and Prepaid Items**

All inventories are valued at cost using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**4. Restricted Assets**

Restricted assets include cash and cash equivalents, investments, and receivables of the proprietary funds that are legally restricted as to their use. The primary restricted assets are related to debt retirement, renewal and replacement, and construction activity of the Water and Sewer Utility Fund, and renewal and replacement for the Solid Waste Disposal Fund.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, drainage systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and an initial, individual cost greater than or equal to \$5,000 for tangible personal property, \$50,000 for infrastructure and \$10,000 for improvements to buildings, machinery and equipment, and vehicles. Improvements to buildings must extend the useful life by ten years or be greater than ten percent of the original cost of the asset. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives that an asset is expected to remain active and productive:

ASSETS	YEARS
Buildings, improvements and fixed equipment	20-50
Vehicles and equipment	5-20

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. The City is prohibited from selling any pieces of the collection. The collection is capitalized as part of capital assets but not depreciated.

**6. Deferred Outflows and Inflows of Resources**

In addition to assets, the statements of financial position (the government-wide and proprietary fund statements of net position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

For the year ended September 30, 2020, the City has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The City reports the deferred outflows related to the deferred loss on refunding bonds issued in prior years on the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows and inflows related to the Texas Municipal Retirement System (TMRS) and the Firemen's Relief and Retirement Fund of Lufkin, Texas (Firemen's Fund) net pension liability and related to OPEB for TMRS are reported on the government-wide and proprietary fund statements of net position. The TMRS and Firemen's Fund deferred outflows and inflows are detailed in detail notes on all funds (K and L).

On the governmental funds balance sheet, unavailable revenue is reported as deferred inflows of resources. This revenue is recognized in the period in which the revenue becomes available. Those items are detailed in detail notes on all funds (H).

**7. Compensated Absences**

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. The current portion of compensated absences, if any, is liquidated by the fund.

**8. Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Interfund Activity**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal balances" line of the government-wide statement of net position.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**10. Fund Balances**

Fund balances of the governmental funds are classified as follows:

*Nonspendable* - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the City Council.

*Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the City Council or the City's finance committee may assign amounts for specific purposes.

*Unassigned* - all other spendable amounts.

As of September 30, 2020, fund balances are composed of the following:

	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Nonspendable:				
Inventories	\$ 277,373	\$ -	\$ -	\$ 277,373
Restricted:				
Public safety	-	-	167,411	167,411
Debt service	-	2,299,228	-	2,299,228
Capital projects	-	-	4,273,827	4,273,827
Other purposes	-	-	20,942	20,942
Committed:				
Financial operations	8,397,334	-	-	8,397,334
Other purposes	-	-	137,822	137,822
Assigned:				
Other purposes	-	-	1,907,677	1,907,677
Unassigned	4,080,082	-	-	4,080,082
Total Fund Balances	\$ 12,754,789	\$ 2,299,228	\$ 6,507,679	\$ 21,561,696

The City has adopted a set of financial policies to guide the financial operation of the City. Included in the policies are guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

At September 30, 2020, the City has accumulated the following amounts in support of these policies:

FUND	POLICY AMOUNT	FUND TOTAL
Governmental Funds:		
General Fund - 25%	\$ 8,397,334	\$ 12,754,789
Hotel/Motel Tax Fund - 12.5%	122,308	194,261
Recreation Fund - 12.5%	20,225	42,844
Total Policy Reserves and Fund Balances	\$ <u>8,539,867</u>	\$ <u>12,991,894</u>

**11. Net Position and Fund Balance Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**12. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**13. Statement of Cash Flows**

For the purpose of the statement of cash flows, the enterprise funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**14. Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**15. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of TMRS and the Firemen's Fund and additions to/deductions from both plans' fiduciary net position have been determined on the same basis as they are reported by TMRS and the Fireman's Fund. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position**

The governmental funds balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(46,422,115) are as follows:

Bonds payable	\$ (40,595,000)
Bond premiums	(2,349,669)
Deferred loss on refundings	1,372,998
Accrued interest payable	(191,074)
Compensated absences	<u>(4,659,370)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position of governmental activities	<u>\$ (46,422,115)</u>

**B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period." The details of this \$(541,698) difference are as follows:

Capital outlay	\$ 1,242,654
Depreciation expense	<u>(1,784,352)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (541,698)</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED**

Another element of that reconciliation explains that "Current year pension expenditures are reported on the fiscal year basis in the funds, but as actuarially determined on the measurement date in the statement of activities." The details of this \$(56,980) difference are as follows:

Fiscal year 2020 contributions before December 31, 2019	\$ 809,040
Fiscal year 2020 contributions after December 31, 2019	2,639,060
Amortization of deferred outflows and inflows of resources	258,323
Recognition of pension plan expense	<u>(3,763,403)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	\$ <u>(56,980)</u>

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Accounting**

The City follows these procedures (pursuant to Article V, Sections 2, 3 and 4 of the City Charter as amended) in establishing the budgetary data reflected in the financial statements:

- Forty-five (45) days prior to the end of each fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is displayed in a newspaper of general circulation within the City in order to obtain citizen comments.
- Prior to October 1, the budget is legally enacted through passage of an ordinance.
- The City Manager is authorized to transfer budgeted amounts between expenditure accounts within any department; however, any revisions that alter the total expenditures of any department (legal level of control) must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, budgeted special revenue funds (Hotel/Motel Tax, Zoo Building, Special Recreation, Court Security/Technology, Animal Control–Kurth Grant, Animal's Attic Gift Shop, Pines Theater, Main Street/Downtown Development), and Debt Service Fund. Appropriations for these funds lapse at year-end.
- Budgets presented for the General, special revenue and Debt Service funds were adopted on a basis consistent with generally accepted accounting principles applicable to government units. Budgeted amounts reflected in the financial statements are as originally adopted or as amended by City Council or the City Manager.
- The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control is the department level. During the year, City Council made budgetary amendments to the funds as needed.



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED**

**B. Excess Expenditures over Appropriations**

For the year ended September 30, 2020, total expenditures were under the budget in the General Fund by \$847,985. There were certain departments where expenditures exceeded appropriations as follows:

Department	Amount
City Administration	\$ 39,576
Tax	8,289
Information Technology	37,068
Police	140,889
Planning and Zoning	12,286

**C. Deficit Fund Balance or Fund Net Position of Individual Funds**

The following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits.

FUND NAME	DEFICIT AMOUNT	REMARKS
Police Grants Fund	\$ 2,900	The Police Grants Fund is due reimbursement in the next fiscal year for expenditures related to the Coronavirus.
Pines Theater Special Events Fund	71,860	The Pines Special Events Fund has been transferred to a different entity to better manage the cost of events. Supplemental appropriations are being transferred from other funds to cover the deficit balance.
Insurance Loss Fund	99,283	Reimbursements from insurances for losses are expected in the next fiscal year. Due to deductibles and payment for replacement or repair of items which may be greater than the insurance coverage, supplemental appropriations will be transferred from other funds to offset deficits as needed.
CARES Grant Fund	92,483	The CARES Grant Fund has a reimbursement due from the CARES ACT grant which should be received in the next fiscal year.

**D. Compliance with Debt Ordinances**

Debt ordinances on all general obligation bonds require that income from tax revenues be segregated and deposited into the Debt Service Fund annually. The amount required is the next anticipated bond interest and principal payment, but such annual deposits shall never be less than 2% of the original bond principal. The City satisfactorily complied with the bond ordinance requirements during the year ended September 30, 2020 and had restricted debt service fund balance of \$2,299,228 at year end.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**A. Deposits and Investments**

**1. Cash Deposits**

At September 30, 2020, the City's carrying amount for cash deposits including certificates of deposit was \$35,854,566 and the bank balance was \$36,903,530. The City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's agent bank in the City's name or letters of credit, except for \$6,256 which were uncollateralized.

**2. Investments**

The City is required by Government Code Chapter 2256, the Public Funds Investment Act, ("Act") to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual review of investment practices and controls over investments to be performed in conjunction with the annual financial audit. The City is in compliance with the requirements of the Act and with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) commercial paper and (11) interest-bearing accounts.

The City, including component units, categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value. It established a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities. Those three levels are as follows:

- Level 1 inputs are quoted prices (unadjusted) for identical assets and liabilities in active markets that the government can access at the measurement date.
- Level 2 inputs are inputs (other than quoted prices within Level 1) that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

For the City and its component units, investment pools are measured at amortized cost and are included in cash equivalents for financial reporting purposes.

GASB Statement No. 40 requires a determination as to whether the City and its component units are exposed to specific deposits and investment risks at year end and if so, the reporting of certain related disclosures. Non-negotiable certificates of deposit of \$26,245,000 are included in investments for financial reporting purposes, but are considered deposits for GASB 40; therefore, they are only included in custodial credit risk disclosures.

*Credit Risk:* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The rating of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City's investment policy limits its investments in investment pools to those that maintain a rating of a least AAA or AAAM. TexPool and TexSTAR are both rated AAAM as to credit quality by Standard & Poor's.

*Custodial Credit Risk - Deposits:* This is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City requires its deposits to be secured by pledged collateral with a fair value equal to or greater than 102% of the deposits, less any amount insured by the FDIC. At September 30, 2020, the City was not exposed to custodial credit risk for deposits, except for \$6,256 which was uncollateralized.

*Concentration of Credit Risk:* This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not limit the amount it may invest in any one issuer. Investments in external investment pools are excluded from this disclosure. At September 30, 2020, no issuers exceeded 5% of total investments.

*Interest Rate Risk:* This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity to changes in interest rates. The City's investment policy limits investment maturities for each fund type as follows: 1) for operating funds and the internal investment fund - the weighted average days to maturity is limited to less than 300 days with a maximum allowable maturity of two years, 2) for construction, bond and loan funds – maturity limited to the anticipated cash flow requirements of the projects or the "temporary period" as defined by federal tax law whichever is shorter, 3) for debt service and bond reserve funds – maturity limited to debt payment dates, and 4) for depreciation funds – maturity limited to anticipated cash flow requirements. The weighted average maturities at September 30, 2020 for TexPool and TexSTAR were 38 days and 45 days, respectively.

**B. Receivables**

Receivables as of September 30, 2020 for the City's governmental activities by individual major and nonmajor funds (governmental funds) and internal service funds in the aggregate, including the related allowances for uncollectible accounts are as follows:

	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR FUNDS	INTERNAL SERVICE FUNDS	TOTAL
Receivables:					
Taxes	\$ 603,222	\$ 252,677	\$ -	\$ -	\$ 855,899
Accounts	21,562,032	-	185,985	323,642	22,071,659
Other	163,411	30,868	340,461	67,222	601,962
Intergovernmental	2,677,980	-	92,483	-	2,770,463
Less allowance for uncollectibles	(19,435,402)	(200,361)	(179,404)	-	(19,815,167)
Total	\$ 5,571,243	\$ 83,184	\$ 439,525	\$ 390,864	\$ 6,484,816

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

At September 30, 2020, receivables for the City's business-type activities by major fund are as follows:

	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTAL
Receivables:			
Accounts	\$ 2,687,430	\$ 1,135,052	\$ 3,822,482
Notes	-	2,000,000	2,000,000
Interest	164,237	47,993	212,230
Other	4,132	-	4,132
Less allowance for uncollectibles	(584,854)	(260,696)	(845,550)
Total	<u>\$ 2,270,945</u>	<u>\$ 2,922,349</u>	<u>\$ 5,193,294</u>

For the City's component units, receivables at September 30, 2020, including the related allowances for uncollectible accounts, consisted of the following:

	EDC	LCVB	TOTAL
Receivables:			
Notes	\$ 262,990	\$ -	\$ 262,990
Taxes	101,685	-	101,685
Interest	-	10,987	10,987
Other	160,950	-	160,950
Less allowance for uncollectibles	-	-	-
Total	<u>\$ 525,625</u>	<u>\$ 10,987</u>	<u>\$ 536,612</u>

**C. Interfund Receivables, Payables and Transfers**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Amounts due from and to other funds at September 30, 2020 consisted of the following:

DUE FROM	DUE TO	AMOUNT	PURPOSE
	Special Revenue Funds:		
General Fund	Hotel/Motel Tax Fund	\$ 31,165	Short-term advances
General Fund	Pines Theater Special Events Fund	66,235	Short-term advances
General Fund	Insurance Loss Fund	96,144	Short-term advances
General Fund	CARES Grant Fund	92,483	Short-term advances
	Internal Service Funds:		
General Fund	Group Health Insurance Fund	241,998	Short-term advances
		<u>\$ 528,025</u>	

Transfers at September 30, 2020 consisted of the following:

TRANSFER OUT	TRANSFER IN					
	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	WATER AND SEWER UTILITY FUND	TOTAL
General Fund	\$ -	\$ -	\$ 35,000	\$ 165,000	\$ -	\$ 200,000
Nonmajor Governmental	178,368	-	30,000	-	850,934	1,059,302
Water and Sewer						
Utility Fund	363,334	3,578,752	-	-	2,144,957	6,087,043
Solid Waste Disposal						
Fund	183,333	57,200	697,884	-	-	938,417
Total	<u>\$ 725,035</u>	<u>\$ 3,635,952</u>	<u>\$ 762,884</u>	<u>\$ 165,000</u>	<u>\$ 2,995,891</u>	<u>\$ 8,284,762</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest become due 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations 3) move initial funding of the equipment acquisition and replacement program.

**D. Restricted Assets**

Restricted assets consist of cash and cash equivalents, investments, and other receivables and are limited to the payment of principal and interest on bonds, construction, and renewal and replacement of property, plant and equipment, customer refundable deposits and other receivables as follows:

	BOND RESERVE	CONSTRUCTION	RENEWAL AND REPLACEMENT	OPERATIONS	TOTAL
Cash and cash equivalents	\$ 1,717	\$ 1,047,661	\$ 1,917,550	\$ -	\$ 2,966,928
Investments	-	-	6,500,000	-	6,500,000
Investments - customer deposits	-	-	-	280,608	280,608
Interest receivable	22	13,273	106,637	-	119,932
Total Restricted Assets	\$ 1,739	\$ 1,060,934	\$ 8,524,187	\$ 280,608	\$ 9,867,468

**E. Capital Assets**

**1. Water Rights in Sam Rayburn Reservoir**

In order to secure a firm supply of 28,000 acre-feet of water annually from the Sam Rayburn Reservoir for municipal and industrial use, the City entered into a contract with the Lower Neches Valley Authority. Under the terms of the contract, the City agreed to pay the Authority \$16,189 annually for a period of forty-six years beginning December 1, 1968, whether or not the City withdraws any amounts of water from the Sam Rayburn Reservoir. The City did not withdraw any water during the year ended September 30, 2020.

In order to provide water rights in Sam Rayburn Reservoir, the City entered into a contract with the United States of America. Under the terms of the contract the City agrees to pay:

- The sum of \$220,000 in fifty consecutive annual installments in the amount of \$7,698 each, which commenced on the first day of January, 1970. Except for the first payment, which was applied solely to retirement of principal, all installments shall include accrued interest at the rate of 2.591% per annum on the unpaid balance.
- The sum of \$305,600 in forty consecutive annual installments in the amount of \$12,049 each, which commenced on the first day of January, 1976. Except for the first payment, which was applied solely to retirement of principal, all installments shall include accrued interest at the rate of 2.591% per annum on the unpaid balance.
- .692 percent of the annual experienced joint use costs of ordinary operation and maintenance of the Sam Rayburn Reservoir, which shall be applicable to the present water supply storage space.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

- .964 percent of the annual experienced joint use costs of ordinary operation and maintenance of the Sam Rayburn Reservoir, which shall be applicable to the future water supply storage space.
- 1.689 percent of the joint use cost of sedimentation resurveys when incurred.
- 1.689 percent of the joint use cost of major capital replacement when incurred.

The \$220,000 and \$305,600 have been capitalized and will be amortized when actual water usage from the Sam Rayburn Reservoir occurs.

The amounts capitalized under the contracts with the Lower Neches Valley Authority and United States of America for water rights in the Sam Rayburn Reservoir are as follows:

Capitalized payments for water supply	\$ 974,690
Capitalized Contract for Water Rights:	
50 year contract	220,000
40 year contract	305,600
Water Rights in Sam Rayburn Reservoir	<u>\$ 1,500,290</u>

**2. Water Rights in Kurth Lake and Groundwater**

During the year ended September 30, 2010, the City acquired Kurth Lake, water wells and other associated assets from Abitibi-Bowater Corporation for a purchase price of \$15,000,000. As a result of this acquisition, the City purchased the water rights to pump 19 million gallons per day from the Angelina River into Kurth Lake for \$1,810,770 and they purchased the water rights to 14 water wells to pump 8.3 million gallons from ground water for \$776,044.

**3. Infrastructure Capital Assets**

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its paving system (streets). Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of 1) an up-to-date inventory; 2) performs condition assessments and summarizes the results using a measurement scale; and 3) estimates annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

Capital asset activity for the year ended September 30, 2020 was as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Capital assets not being depreciated:				
Land	\$ 4,464,290	\$ -	\$ -	\$ 4,464,290
Infrastructure	68,732,135	-	-	68,732,135
Works of art	278,500	-	-	278,500
Construction in progress	978,054	1,010,437	(1,117,030)	871,461
Total capital assets not being depreciated	<u>74,452,979</u>	<u>1,010,437</u>	<u>(1,117,030)</u>	<u>74,346,386</u>
Capital assets being depreciated:				
Buildings	24,128,506	1,010,847	-	25,139,353
Improvements other than buildings	22,460,374	-	-	22,460,374
Machinery and equipment	16,797,807	559,627	(1,284,331)	16,073,103
Vehicles	15,477,728	2,001,078	(838,767)	16,640,039
Total capital assets being depreciated	<u>78,864,415</u>	<u>3,571,552</u>	<u>(2,123,098)</u>	<u>80,312,869</u>
Less accumulated depreciation for:				
Buildings	(9,182,138)	(515,906)	-	(9,698,044)
Improvements other than buildings	(9,530,971)	(711,696)	-	(10,242,667)
Machinery and equipment	(12,982,567)	(667,993)	1,284,331	(12,366,229)
Vehicles	(9,914,630)	(1,682,472)	834,655	(10,762,447)
Total accumulated depreciation	<u>(41,610,306)</u>	<u>(3,578,067)</u>	<u>2,118,986</u>	<u>(43,069,387)</u>
Total capital assets being depreciated, net	<u>37,254,109</u>	<u>(6,515)</u>	<u>(4,112)</u>	<u>37,243,482</u>
Governmental activities capital assets, net	<u>\$ 111,707,088</u>	<u>\$ 1,003,922</u>	<u>\$ (1,121,142)</u>	111,589,868
Governmental activities, capital related debt				<u>(40,595,000)</u>
Governmental activities, net investment in capital assets				<u>\$ 70,994,868</u>
 <u>BUSINESS-TYPE ACTIVITIES</u>	 <u>BEGINNING BALANCE</u>	 <u>INCREASES</u>	 <u>DECREASES</u>	 <u>ENDING BALANCE</u>
Capital assets not being depreciated:				
Land	\$ 4,392,785	\$ -	\$ -	\$ 4,392,785
Water rights	4,068,680	18,424	-	4,087,104
Construction in progress	1,844,418	3,518,700	(3,143,942)	2,219,176
Total capital assets not being depreciated	<u>10,305,883</u>	<u>3,537,124</u>	<u>(3,143,942)</u>	<u>10,699,065</u>
Capital assets being depreciated:				
Buildings	5,706,060	-	-	5,706,060
Improvements other than buildings	86,682,871	1,424,576	(14,038)	88,093,409
Machinery and equipment	18,965,528	1,719,366	-	20,684,894
Vehicles	1,385,143	-	-	1,385,143
Total capital assets being depreciated	<u>112,739,602</u>	<u>3,143,942</u>	<u>(14,038)</u>	<u>115,869,506</u>
Less accumulated depreciation for:				
Buildings	(3,025,503)	(120,422)	-	(3,145,925)
Improvements other than buildings	(38,350,387)	(1,767,693)	7,439	(40,110,641)
Machinery and equipment	(15,541,843)	(655,921)	-	(16,197,764)
Vehicles	(1,148,118)	(62,979)	-	(1,211,097)
Total accumulated depreciation	<u>(58,065,851)</u>	<u>(2,607,015)</u>	<u>7,439</u>	<u>(60,665,427)</u>
Total capital assets being depreciated, net	<u>54,673,751</u>	<u>536,927</u>	<u>(6,599)</u>	<u>55,204,079</u>
Business-type activities capital assets, net	<u>\$ 64,979,634</u>	<u>\$ 4,074,051</u>	<u>\$ (3,150,541)</u>	65,903,144
Business-type activities, capital related debt				<u>-</u>
Business-type activities, net investment in capital assets				<u>\$ 65,903,144</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

COMPONENTS UNITS	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets not being depreciated:				
Land and land improvements	\$ 4,361,190	\$ 1,658,438	\$ (871,750)	\$ 5,147,878
Construction in progress	1,745,209	2,807,493	-	4,552,702
Total capital assets not being depreciated	<u>6,106,399</u>	<u>4,465,931</u>	<u>(871,750)</u>	<u>9,700,580</u>
Component units capital assets, net	\$ <u>6,106,399</u>	\$ <u>4,465,931</u>	\$ <u>(871,750)</u>	9,700,580
Component units, capital related debt				<u>(4,500,000)</u>
Component units, net investment in capital assets				\$ <u>5,200,580</u>

Depreciation expense was charged to functions/programs of the City as follows:

	<u>TOTAL</u>
Governmental activities:	
General government	\$ 257,612
Public safety	493,857
Cultural and recreation	581,645
Public works	451,238
Capital assets held by the government's internal service funds are charged to activities based on their equipment rental	<u>1,793,715</u>
Total governmental activities	\$ <u>3,578,067</u>
Business-type activities:	
Water and sewer	\$ 2,505,076
Solid waste disposal	<u>101,939</u>
Total business-type activities	\$ <u>2,607,015</u>

**4. Construction and Other Commitments**

The government has active construction and maintenance projects as of September 30, 2020. The projects include utility construction in areas with newly developed housing, widening and construction of existing streets, the replacement of asbestos and old water lines, and various culture and recreation improvements.



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

At September 30, 2020, the City's commitments on construction projects are as follows:

PROJECT	EXPENDED TO DATE	REMAINING COMMITMENT	FUNDING SOURCE
County-wide Radio System	\$ 339,048	\$ 65,070	Street Construction Fund
2019 CDBG Recon Casper	39,186	235,814	Street Construction Fund
Fire Truck Engine 2020	343,521	12,974	2012 Capital Improvement Fund
Public Training & EOC	950	1,189,050	2020 Capital Improvement Fund
Jones Lake Walking Trail	6,978	233,022	2020 Capital Improvement Fund
Whitehouse Dr West Ext	141,778	2,308,222	2020 Capital Improvement Fund
Twin Disc Building	5,490,179	21,667	Economic Development Projects Fund
US59/LP287 Moffett Utility	1,061,745	484,255	2013 Certificate of Obligation Fund
Analytics Now-Cognos Rep	19,300	13,840	Water/Wastewater Depreciation Fund
TAC A/C System Upgrade	28,465	46,535	Water/Wastewater Depreciation Fund
Fire Rescue Truck	63,262	142,203	Water/Wastewater Depreciation Fund
Blower Motor Unit #3	69,185	30,815	Water/Wastewater Depreciation Fund
Arena St Line Replacement	26,719	81	Water/Wastewater Depreciation Fund
US 59 Utility – Diboll	933,999	516,001	Water/Wastewater Depreciation Fund
Generator Trans Sw Wells	16,500	3,500	Water/Wastewater Depreciation Fund
Total	<u>\$ 8,580,815</u>	<u>\$ 5,303,049</u>	

**F. Current Liabilities**

**1. Accounts/Claims Payable and Accrued Liabilities**

Accounts/claims payable in the governmental activities are all for amounts due vendors. The governmental activities accrued liabilities are composed of accrued salaries and benefits of \$595,394 and other accrued liabilities of \$320,647. The business-type activities accounts/claims payable are all for amounts due vendors. The business-type activities payable from restricted assets includes accounts/claims payable of \$785,805 for amounts due vendors and \$280,608 for customer deposits. The business-type activities accrued liabilities are composed of accrued salaries and benefits of \$95,725 and other accrued liabilities of \$201,009.

**2. Compensated Absences**

The City recognizes liabilities for compensated absences related to unpaid vacation and sick leave when all the following conditions are met:

- Obligations are attributable to employees' services already rendered,
- Compensated absence rights vest or are accumulated,
- Payment of the compensated absences compensation is probable, and
- Amount can be reasonably estimated.

A liability for compensated absences is reported in the governmental funds only if they have matured.

**G. Long-term Debt**

**1. General Obligation Bonds Payable**

General obligation bonds payable at September 30, 2020 are comprised of the following individual issues:

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

\$9,680,000 Series 2011 General Obligation Refunding bonds due in annual installments of \$195,000 to \$1,125,000 through August 15, 2024; interest at 2.00% to 2.50%.	\$ 1,595,000
\$7,100,000 Series 2012 Water and Sewer Certificates of Obligation due in annual installments of \$300,000 to \$425,000 through August 15, 2034; interest at 1.00% to 2.25%.	4,925,000
\$5,100,000 Series 2013 Tax and Waterworks and Sewer System Revenue Certificates of Obligation due in annual installments of \$200,000 to \$335,000 through August 15, 2033; interest at 2.50% to 2.75%.	3,590,000
\$5,350,000 Series 2014 General Obligation Refunding bonds due in annual installments of \$405,000 to \$580,000 through August 15, 2025; interest at 2.00% to 3.00%.	2,695,000
\$4,900,000 Series 2015 General Obligation Refunding bonds due in annual installments of \$440,000 to \$650,000 through August 15, 2027; interest at 2.00% to 4.00%.	3,445,000
\$9,080,000 Series 2016 General Obligation Refunding Bonds due in annual installments of \$50,000 to \$1,105,000 through August 15, 2034; interest at 3.00% to 5.00%.	8,080,000
\$9,355,000 Series 2017 General Obligation Refunding Bonds due in annual installments of \$55,000 to \$1,290,000 through August 15, 2031; interest at 2.00% to 3.00%.	8,350,000
\$5,085,000 Series 2020 General Obligation Refunding Bonds due in annual installments of \$70,000 to \$1,800,000 through August 15, 2026; interest at 3.00% to 5.00%.	3,285,000
\$4,630,000 Series 2020 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation due in annual installments of \$145,000 to \$350,000 through August 15, 2040; interest at 3.00% to 4.00%.	<u>4,630,000</u>
Total general obligation bonds payable	<u>\$ 40,595,000</u>

The City expended \$1,146,387 for interest on general obligation bonds for the year ended September 30, 2020.

The principal and interest requirements for general obligation bonds are as follows:

YEAR ENDING SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2021	\$ 4,830,000	\$ 1,281,336	\$ 6,111,336
2022	3,940,000	1,081,995	5,021,995
2023	3,365,000	974,215	4,339,215
2024	3,435,000	879,570	4,314,570
2025	3,150,000	781,321	3,931,321
2026-2030	13,010,000	2,518,162	15,528,162
2031-2035	7,235,000	819,999	8,054,999
2036-2040	1,630,000	200,600	1,830,600
TOTAL	<u>\$ 40,595,000</u>	<u>\$ 8,537,198</u>	<u>\$ 49,132,198</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**2. Notes Payable**

The principal and interest requirements for notes payable are as follows:

YEAR ENDING SEPTEMBER 30,	COMPONENT UNITS		
	PRINCIPAL	INTEREST	TOTAL
2021	\$ 394,857	\$ 187,703	\$ 582,560
2022	422,421	177,552	599,973
2023	241,990	161,495	403,485
2024	251,803	151,682	403,485
2025	262,014	141,471	403,485
2026-2030	1,478,327	539,098	2,017,425
2031-2035	1,803,385	214,040	2,017,425
TOTAL	<u>\$ 4,854,797</u>	<u>\$ 1,573,041</u>	<u>\$ 6,427,838</u>

The EDC has entered into financing agreements with an industry. As a part of the agreement, the EDC has acquired notes for the improvements for this industry. The amount of this note payable at September 30, 2020 was \$354,797. The EDC has entered into an agreement to construct a building for a local business. As a part of this agreement, the EDC has obtained financing for the building. The construction notes payable at September 30, 2020 were \$2,500,000 and \$2,000,000, respectively. The construction notes are secured by the building and sales tax revenue. The \$2,000,000 note payable is with the City's Solid Waste Disposal Fund.

The City expended \$106,436 for interest on notes payable for the component units for the year ended September 30, 2020.

**3. Change in Long-term Liabilities**

**Primary Government**

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Bonds Payable:					
General obligation bonds	\$ 41,575,000	\$ 9,715,000	\$ (10,695,000)	\$ 40,595,000	\$ 4,830,000
Bond premiums	1,702,700	820,255	(173,286)	2,349,669	223,466
Compensated absences	4,646,824	12,546	-	4,659,370	1,596,192
Total	<u>\$ 47,924,524</u>	<u>\$ 10,547,801</u>	<u>\$ (10,868,286)</u>	<u>\$ 47,604,039</u>	<u>\$ 6,649,658</u>
BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Compensated absences	\$ 335,758	\$ 39,895	\$ -	\$ 375,653	\$ 142,516
Total	<u>\$ 335,758</u>	<u>\$ 39,895</u>	<u>\$ -</u>	<u>\$ 375,653</u>	<u>\$ 142,516</u>

**Component Units**

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Notes payable	\$ 868,660	\$ 5,146,604	\$ (1,160,467)	\$ 4,854,797	\$ 394,857
Compensated absences	18,553	-	(2,790)	15,763	15,763
Total	<u>\$ 887,213</u>	<u>\$ 5,146,604</u>	<u>\$ (1,163,257)</u>	<u>\$ 4,870,560</u>	<u>\$ 410,620</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**4. Defeased Debt**

There was no defeased debt outstanding at September 30, 2020.

**5. Debt Issuance Costs**

In accordance with Statement No. 65 of the Governmental Accounting Standards Board, debt issuance costs, except for any portion related to prepaid issuance costs, should be recognized as an expense in the period incurred.

**6. Deferred Loss on Refundings**

For current and advance refundings, resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as deferred outflows of resources and reported as a component of interest expense in a systematic and rational manner over the shorter of the remaining life of the old debt or the life of the new debt.

**7. Advance Refundings**

During the year, the City issued \$5,085,000 of general obligation refunding bonds to provide resources to purchase government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded bonds. The net proceeds of \$5,317,667 (after issuance costs of \$78,208 plus premium of \$310,875) were used to advance refund the General Obligation Refunding Bonds Series 2010 of \$2,895,000 and the Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2010 of \$2,355,000 with a total principal amount of \$5,250,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements.

This advance refunding was undertaken to reduce total debt service payments over the years by \$182,132 and resulted in an economic gain of approximately \$153,858.

**H. Deferred Inflows of Resources**

Deferred inflows of resources at September 30, 2020 on the governmental funds balance sheet consisted of the following:

	AMOUNT
Unavailable ad valorem taxes	\$ 199,640
Unavailable fines and forfeitures	736,770
Unavailable EMS/Ambulance charges	1,550,612
Unavailable miscellaneous billings	54,266
Unavailable interest income	265,198
Unavailable grant revenue	1,630,068
Total unavailable revenues	\$ <u>4,436,554</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**I. 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 purchases workers' compensation insurance coverage from Deep East Texas Self Insurance Fund (the Fund), a public entity risk pool, which is self-sustaining through member contributions. The Fund reinsures through commercial companies for claims in excess of \$1,000,000 per occurrence. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves. The City pays an annual premium to the Fund for its workers' compensation insurance coverage. By participating in the pool, the City is not responsible for its own paid claims; consequently, risks associated with workers' compensation are passed to the pool. The members of the Fund have no known premium liabilities for workers' compensation coverage in excess of their contracted annual premiums. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and as of the most recent audit, the Fund has adequate assets to cover its liabilities.

The City maintains insurance coverage covering liability and property risks of loss with Texas Municipal League Intergovernmental Risk Pool (the Pool), a self-insurance pool created by its members to provide various coverages to participating members. Excess insurance is purchased to provide additional financial stability to the Pool. Catastrophic losses that exceed the Pool's self-insured retention are secured by excess insurance purchased from domestic A-rated companies. The Pool's retention is \$10,000,000 per occurrence in excess of member deductibles for property and auto physical damage insurance and \$10,000,000 for liability insurance. City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed the coverage during each of the past three fiscal years.

The City has entered into agreements with outside firms to administer its employee health benefit plan for twelve (12) month periods. Under the terms of the agreement, the administrator (1) reviews claims for benefits under the plan and determines whether they have been properly filed and determines the amount, if any, which is due and payable with respect thereto, (2) on behalf of the City, disburses claim payments that it determines to be due in accordance with the provisions of the plan to the eligible individual or assignee of such eligible individual entitled thereto, and (3) takes all reasonable steps to process claims and disburse claim payments expeditiously.

The Plan provides coverage of up to \$125,000 for each individual. The City has reinsurance agreements for the plan years. Such agreements generally provide for a stop loss per individual. At September 30, 2020, the individual stop loss amount was \$125,000.

Under the terms of the plan, eligible claims and related expenses are paid from premiums paid by covered employees and the various funds of the City in which they are employed.

The City accounts for the transactions of the plan in the Group Health Insurance fund, an internal service fund. At September 30, 2020, the City had recorded a liability of \$159,940 for claims incurred but not paid at that date. This liability was based on an estimate of claims incurred but not reported provided by the outside claims administrator.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

Changes in the balance of claims payable are as follows:

FISCAL YEAR	CLAIMS PAYABLE OCTOBER 1,	CLAIMS INCURRED	CLAIMS PAID	CLAIMS PAYABLE SEPTEMBER 30,
2018	\$ 194,828	\$ 5,368,686	\$ 5,242,382	\$ 321,132
2019	321,132	6,340,861	6,290,723	371,270
2020	371,270	4,637,456	4,848,786	159,940

**J. Contingent Liabilities**

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**K. Defined Benefit Pension Plans**

**1. Texas Municipal Retirement System**

**A. Plan Description**

The City of Lufkin participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the City are required to participate in TMRS.

**B. Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.



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**DETAIL NOTES ON ALL FUNDS - CONTINUED**

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The contribution rate for the employees is 7%, and the City's matching percent is currently 2 to 1, both adopted by the governing body of the City.

***Employees Covered by Benefit Terms:***

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	246
Inactive employees entitled to but not yet receiving benefits	189
Active employees	354
	<hr/> 789 <hr/>

**C. Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lufkin were 16.34% and 16.17% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$2,766,399, and were equal to the required contributions.

**D. Net Pension Liability**

The City's net pension liability (NPL) was measured as of December 31, 2019, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

***Actuarial Assumptions:***

The TPL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**DETAIL NOTES ON ALL FUNDS – CONTINUED**

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas Mortality tables. Based on the size of the City, the rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APR) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	<u>100.0%</u>	

***Discount Rate***

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position (FNP) was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

***Changes in the Net Pension Liability***

The following table shows the changes in total pension liability, plan fiduciary net position and net pension liability for the period between the measurement dates.

	TOTAL PENSION LIABILITY (A)	INCREASE (DECREASE) PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A) - (B)
Balance at December 31, 2018	\$ 104,304,518	\$ 82,830,167	\$ 21,474,351
Changes for the year:			
Service cost	2,639,764	-	2,639,764
Interest	6,953,019	-	6,953,019
Change of benefit terms	-	-	-
Difference between expected and actual experience	(596,481)	-	(596,481)
Changes of assumptions	183,393	-	183,393
Contributions - Employer	-	2,790,024	(2,790,024)
Contributions - Employee	-	1,195,236	(1,195,236)
Net investment income	-	12,804,596	(12,804,596)
Benefit payments, including refunds of employee contributions	(5,233,433)	(5,233,433)	-
Administrative expense	-	(72,356)	72,356
Other changes	-	(2,174)	2,174
Net changes	3,946,262	11,481,893	(7,535,631)
Balance at December 31, 2019	\$ 108,250,780	\$ 94,312,060	\$ 13,938,720

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is 1% less than or 1% greater than the current rate:

	1% DECREASE IN DISCOUNT RATE (5.75%)	DISCOUNT RATE (6.75%)	1% INCREASE IN DISCOUNT RATE (7.75%)
Net pension liability	\$ 28,691,218	\$ 13,938,720	\$ 1,777,442

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained at [www.tmrs.com](http://www.tmrs.com).

***Financial Statement Breakdown***

The City's NPL at September 30, 2020 is included in the financial statements as follows:

Governmental activities	\$ 11,067,851
Business-type activities	2,767,129
Component units	103,740
Total	\$ 13,938,720

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

**E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2020, the City recognized pension expense of \$2,664,495.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 2,428	\$ 950,595
Changes in actuarial assumptions	135,132	-
Difference between projected and actual investment earnings	-	2,901,283
Contributions subsequent to the measurement date	2,104,950	-
Total	\$ 2,242,510	\$ 3,851,878

The City reported \$2,104,950 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

PLAN YEAR ENDED DECEMBER 31,	
2020	\$ (1,203,832)
2021	(1,193,730)
2022	125,955
2023	(1,442,711)
Total	\$ (3,714,318)

**2. Firemen's Relief and Retirement Fund of Lufkin, Texas**

**A. Plan Description**

The City sponsors the Firemen's Relief and Retirement Fund of Lufkin, Texas ("Plan"). The Plan is a single-employer defined benefit pension plan covering all employees of the City's Fire Department. The benefit provisions are authorized by the "Texas Local Fire Fighters Retirement Act" (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The Plan is administered by the Board of Trustees. The City does not have access to nor can it utilize the assets within the retirement plan trust. The Plan issues a publicly available financial report. That report can be obtained by writing to the Plan at 300 East Shepherd Street, Lufkin, Texas 75901 or on the Plan's website at [www.lufkinfirepension.com](http://www.lufkinfirepension.com).

**B. Benefits Provided**

The Plan provides retirement, disability, and death benefits. Benefit provisions are established by the Plan's Board of Trustees. The plan allows for retirement at various ages and years of service depending on the members date of hire. Members hired before September 1, 2005 are eligible to retire at age 50 with 10 years of services while members hired between September 1, 2005 and June 24, 2013 are eligible to retire at age 50 with 15 years of service. For members hired between June 25, 2013 and January 5, 2016, retirement age is 52 with 20 years of service. Members hired on or after January 6, 2016 are eligible to retire at age 55 with 20 years of service.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

At retirement, the benefit is calculated as a percentage of the member's highest 60-month salary plus an additional longevity benefit for years of service over 20 years.

***Employees Covered by Benefit Terms:***

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	2
Active employees	77
	<u>138</u>

**C. Contributions**

The contribution rates for member are determined by the members, and the City rate is 23.00% as adopted by the governing body of the City.

Members were required to contribute 14.20% of their annual gross earnings for calendar years 2019 and 2020. The contribution rate for the City was 23.00% for fiscal years 2019 and 2020. The City's contributions for the year ended September 30, 2020 were \$1,261,815 and were equal to the required contributions.

**D. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of December 31, 2018 and rolled forward to December 31, 2019.

***Actuarial Assumptions:***

The TPL in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Salary Increases	3.0%, per year plus promotion, step, and longevity increases that vary by service
Investment Rate of Return	7.5%, net of pension plan investment expense including inflation

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study for the period 2006 through 2014. Salary increases were based on historical comparison to similar plans; however, the Plan's Board of Trustees does not believe the actual rate increase to be substantially different from this assumption. Assumptions are reviewed annually. For the valuation as of December 31, 2018, the mortality assumption was based on the PubS-2010 (public safety) below-median income mortality tables for employees and retirees (sex distinct) projected for mortality improvement generationally using scale MP-2018.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently 4.59%) and by adding expected inflation (3.00%). In addition, the final 7.50% assumption was selected by rounding down. The target allocation and expected arithmetic net real rates of return for each major asset class as of December 31, 2018 actuarial valuation are summarized in the following table:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)</u>
Equities		
Large/all cap domestic	20.00%	5.77%
Small/mid cap domestic	11.00%	6.27%
International developed	14.00%	6.27%
Emerging markets	7.00%	7.77%
Specialty		
Income opportunity	5.00%	3.77%
Real estate	4.00%	4.27%
Master limited partnership	4.00%	7.77%
Global convertibles	5.00%	3.27%
Fixed Income		
Domestic core	15.00%	1.27%
Domestic high yield	7.00%	2.77%
Global	6.00%	1.77%
Cash	2.00%	0.00%
Total	<u>100.00%</u>	

***Discount Rate***

The discount rate used to measure the TPL was 7.50%. No projection of cash flows was used to determine the discount rate because the December 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 31 years. Because of the 31 year amortization period, the pension plan's Fiduciary Net Position (FNP) is expected to be available to make all projected future benefit payments of all current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

***Changes in the Net Pension Liability***

The following table shows the changes in total pension liability, plan fiduciary net position and net pension liability for the period between the measurement dates.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

	TOTAL PENSION LIABILITY (A)	INCREASE (DECREASE) PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A) - (B)
Balance at December 31, 2018	\$ 35,512,764	\$ 15,659,035	\$ 19,853,729
Changes for the year:			
Service cost	727,443	-	727,443
Interest	2,656,220	-	2,656,220
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - Employer	-	1,226,324	(1,226,324)
Contributions - Employee	-	757,122	(757,122)
Net investment income	-	3,041,687	(3,041,687)
Benefit payments, including refunds of employee contributions	(1,647,873)	(1,647,873)	-
Administrative expense	-	(60,545)	60,545
Other changes	-	-	-
Net changes	1,735,790	3,316,715	(1,580,925)
Balance at December 31, 2019	\$ 37,248,554	\$ 18,975,750	\$ 18,272,804

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the plan, calculated using the discount rate of 7.50%, as well as what the NPL would be if it were calculated using a discount rate that is 1% less than or 1% greater than the current rate:

	1% DECREASE IN DISCOUNT RATE (6.50%)	DISCOUNT RATE (7.50%)	1% INCREASE IN DISCOUNT RATE (8.50%)
Net pension liability	\$ 22,391,264	\$ 18,272,804	\$ 14,808,138

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued financial report. That report may be obtained on the Plan's website at [www.lufkinfirepension.com](http://www.lufkinfirepension.com).

***Financial Statement Breakdown***

The City's NPL at September 30, 2020 is included in just the governmental activities.

**E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2020, the City recognized pension expense of \$1,415,725.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ -	\$ 792,673
Changes in actuarial assumptions	138,539	288,908
Difference between projected and actual investment earnings	-	402,273
Contributions subsequent to the measurement date	975,518	-
Total	\$ <u>1,114,057</u>	\$ <u>1,483,854</u>

The City reported \$975,518 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

PLAN YEAR ENDED DECEMBER 31,	
2020	\$ (474,430)
2021	(480,963)
2022	15,283
2023	(405,205)
2024	-
Total	\$ <u>(1,345,315)</u>

**L. Other Postemployment Benefits (OPEB)**

**1. Retiree Health Insurance**

**A. Plan Description**

The City administers a single-employer defined benefit OPEB plan, the Retiree Health Insurance Fund (the Fund). In accordance with the ordinance enacted by the City Council, the Fund provides health benefits coverage for eligible retirees from the City. Benefit provisions are established and may be amended by the City as authorized by the local ordinance. The Fund does not issue a publicly available report. For financial reporting purposes, the Plan is accounted for in the Group Health Insurance Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**B. Benefits Provided**

The Fund provides healthcare benefits for eligible retirees. The benefit terms provide for the payment of a portion of the premiums for health insurance for retirees by the City. The Fund was closed to new entrants effective January 1, 2005.

***Employees covered by benefit terms***

At September 30, 2020, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>96</u>
	<u>120</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**C. Total OPEB Liability**

The City's total OPEB liability of \$4,100,728 was determined by an actuarial valuation as of September 30, 2020.

***Actuarial assumptions and other inputs***

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary scale	3.50%
Discount rate	2.25%
Healthcare cost trends	4.50% level
Retiree contributions	Retiree paying balance of premium after City subsidy
Mortality	RPH-2014 Total Table with Projection MP-2019
Turnover	Rates vary based on gender, age, and select and ultimate at 9 years.

The discount rate was based on the Bond Buyer GO-20 bond index which is an acceptable indices under GASB Statement No. 75. The discount rate changed from the prior measurement date. The discount rate for the September 30, 2019 measurement date was 2.66%. The turnover rates were developed from the withdrawal assumption used in the 2017 TMRS actuarial report while retirement rates were developed from the retirement assumption used in that same report. The retirement rates are gender specific and range from 18.00% to 32.00% for males and 14.00% to 27.00% for females.

***Changes in the Total OPEB liability***

	<u>TOTAL OPEB LIABILITY</u>
Balance October 1, 2019	\$ 4,736,504
Changes for the year:	
Service cost	86,944
Interest	126,109
Experience (gain)/loss	(180,646)
Changes in assumptions	(503,186)
Benefit payments	(165,000)
Rounding	3
Net changes	<u>(635,776)</u>
Balance at September 30, 2020	\$ <u>4,100,728</u>

***Sensitivity of the total OPEB liability to changes in the discount rate***

The following presents the total OPEB liability as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% less than or 1% greater than the current rate:

	1% DECREASE IN DISCOUNT RATE (1.25%)	DISCOUNT RATE (2.25%)	1% INCREASE IN DISCOUNT RATE (3.25%)
Total OPEB liability	\$ 4,318,213	\$ 4,100,728	\$ 3,886,912



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

***Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates***

The following represent the total OPEB liability, calculated using the assumed healthcare cost trend rate as well as what the total OPEB liability would be if it were calculated using a trend rate that is 1% less than or 1% greater than the current rate:

	1% DECREASE IN HEALTHCARE COST TREND RATE (3.50%)	CURRENT HEALTHCARE COST TREND RATE (4.50%)	1% INCREASE IN HEALTHCARE COST TREND RATE (5.50%)
Total OPEB liability	\$ 4,051,000	\$ 4,100,728	\$ 4,156,146

***Financial Statement Breakdown***

The City's total OPEB liability at September 30, 2020 is included in the financial statements as follows:

Governmental activities	\$ 3,451,446
Business-type activities	649,282
Component units	-
Total	<u>\$ 4,100,728</u>

**D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2020, the City recognized OPEB expense of \$94,064. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ -	\$ (136,586)
Changes in assumptions and other inputs	131,138	(377,428)
Total	<u>\$ 131,138</u>	<u>\$ (514,014)</u>

The amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

PLAN YEAR ENDED SEPTEMBER 30,	
2021	\$ (115,959)
2022	(115,959)
2023	(149,582)
2024	(1,376)
Total	<u>\$ (382,876)</u>



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

**2. Supplemental Death Benefits Fund**

**A. Plan Description**

The City also participates in the defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating cities may elect to provide group-term life insurance coverage for active employees including or not including retirees. The City has elected, by ordinance, to provide group-term life insurance coverage to both active employees and retirees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. Since the SDBF does not meet the definition of a trust under GASB Statement No. 75, it is considered to be a single-employer defined benefit OPEB plan.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

***Benefits Provided***

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retirees are insured for \$7,500. The benefit payments are paid to designated beneficiaries upon receipt of an approved application for payment by TMRS.

***Employees covered by benefit terms***

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	190
Inactive employees entitled to but not yet receiving benefits	41
Active employees	354
	<u>585</u>

**B. Total OPEB Liability**

The City's total OPEB liability of \$1,322,409 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

***Actuarial assumptions and other inputs***

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Projected salary increases	3.50% to 11.50% including inflation
Discount rate	2.75%
Retirees' share of benefit-related costs	\$0

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the gender-distinct 2019 Municipal Retirees of Texas Mortality tables. Based on the size of the City, the rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2019.

***Changes in the Total OPEB liability***

	<u>TOTAL OPEB LIABILITY</u>
Balance December 31, 2018	\$ 1,242,924
Changes for the year:	
Service cost	40,980
Interest	46,683
Difference between expected and actual experience	(206,789)
Changes in assumptions or other inputs	208,856
Benefit payments	(10,245)
Net changes	79,485
Balance at December 31, 2019	\$ 1,322,409

***Sensitivity of the total OPEB liability to changes in the discount rate***

The following represent the total OPEB liability, calculated using the discount rate of 2.75%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% less than or 1% greater than the current rate:

	1% DECREASE IN DISCOUNT RATE (1.75%)	DISCOUNT RATE (2.75%)	1% INCREASE IN DISCOUNT RATE (3.75%)
Total OPEB liability	\$ 1,598,486	\$ 1,322,409	\$ 1,107,975

***Financial Statement Breakdown***

The City's total OPEB liability at September 30, 2020 is included in the financial statements as follows:

Governmental activities	\$ 1,035,863
Business-type activities	264,524
Component units	22,022
Total	\$ 1,322,409

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2020**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

**C. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2020 the City recognized OPEB expense of \$113,489. At September 30, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Differences between expected and actual economic experience	\$ 78,234	166,401
Changes in assumptions and other inputs	206,279	48,520
Contributions made subsequent to the measurement date	28,639	-
Total	\$ <u>313,152</u>	\$ <u>214,921</u>

The City reported \$28,639 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>PLAN YEAR ENDED DECEMBER 31,</u>	
2020	\$ 25,826
2021	25,826
2022	14,625
2023	3,268
2024	47
Total	\$ <u>69,592</u>

**M. Tax Abatements**

The City participated in multiple agreements during fiscal year 2020 which resulted in the abatement of tax revenue. The City has concluded that the dollar amounts of these tax abatements are immaterial to the financial statements; therefore, the City has elected not to present a full disclosure as required by GASB Statement No. 77, *Tax Abatements* since it states that the provisions of the statement need not be applied to immaterial items.

**N. Risks and Uncertainties**

The COVID-19 pandemic developed rapidly early in 2020. Measures taken by various governments to contain the virus have affected economic activity. Various safety and health measures have been implemented by the City to monitor and mitigate the effects of the virus on its citizens and employees. During the year, the City closed its offices to the public at various times. Basic City services and operations continued throughout the year. Some of the City's revenues such as franchise taxes, hotel taxes, other taxes, fines and forfeitures and charges for services were impacted by COVID-19. City revenues for franchise tax declined by \$202,844, hotel taxes declined by \$253,946, other taxes declined by \$21,864, fines and forfeitures declined by \$309,736 and charges for services declined by \$69,338 from the prior year. The City also incurred additional costs due to COVID-19 during the year.

As of the date that these financial statements were available to be issued, the COVID-19 pandemic is ongoing in the United States as well as around the world. As the spread of COVID-19 continues, the potential impact is difficult to assess.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Taxes:				
Property	\$ 8,324,499	\$ 8,284,499	\$ 8,379,749	\$ 95,250
Sales	13,761,707	13,495,648	14,020,794	525,146
Franchise	2,425,500	2,373,207	2,333,361	(39,846)
Other	100,340	100,340	83,736	(16,604)
Total Taxes	24,612,046	24,253,694	24,817,640	563,946
Licenses and Permits:				
Building permits and inspections	300,000	325,000	553,862	228,862
Plumbing permits and inspections	18,000	7,000	8,265	1,265
Electric permits and inspections	15,000	7,500	8,845	1,345
Heat and vent permits	17,000	5,500	9,280	3,780
Other permits	17,950	54,111	138,205	84,094
Licenses	2,600	2,566	2,156	(410)
Total Licenses and Permits	370,550	401,677	720,613	318,936
Fines and Forfeitures:				
Municipal court fines and forfeitures	723,000	559,008	424,795	(134,213)
Parking fines	50	20	15	(5)
Total Fines and Forfeitures	723,050	559,028	424,810	(134,218)
Charges for Services:				
Emergency medical services	2,400,000	2,400,000	2,556,111	156,111
Emergency medical services - County	250,000	250,444	250,444	-
Other	27,075	103,471	28,682	(74,789)
Total Charges for Services	2,677,075	2,753,915	2,835,237	81,322
Investment earnings	100,000	175,000	311,112	136,112
Intergovernmental:				
Grant revenues	-	96,877	71,672	(25,205)
General and administrative services	5,099,315	5,099,315	5,099,315	-
Total Intergovernmental	5,099,315	5,196,192	5,170,987	(25,205)

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Other Revenues:				
Parks	26,000	12,500	13,447	947
Library	17,500	10,000	5,823	(4,177)
Animal shelter fees	65,450	65,925	64,883	(1,042)
Zone change fees	2,500	2,200	1,800	(400)
Zoo admission fees	103,000	107,584	107,584	-
Rent on city property	36,260	30,260	66,168	35,908
Salvage and auction	-	168,535	4,856	(163,679)
Miscellaneous	100,300	109,968	238,814	128,846
Salary reimbursements	-	11,528	16,966	5,438
Total Other Revenue	351,010	518,500	520,341	1,841
 Total Revenues	 33,933,046	 33,858,006	 34,800,740	 942,734
Expenditures:				
Current:				
General Government:				
City Council/City Secretary:				
Payroll costs	146,710	145,444	144,107	1,337
Supplies	19,450	14,150	11,841	2,309
Miscellaneous services	95,215	76,215	66,891	9,324
Sundry charges	111,970	105,970	93,090	12,880
Total City Council/City Secretary	373,345	341,779	315,929	25,850
 City Administration:				
Payroll costs	479,607	638,039	683,154	(45,115)
Supplies	12,820	9,213	9,869	(656)
Miscellaneous services	28,945	23,955	17,920	6,035
Sundry charges	500	500	340	160
Total City Administration	521,872	671,707	711,283	(39,576)
 Finance:				
Payroll costs	585,933	570,561	569,311	1,250
Supplies	28,850	18,891	18,090	801
Maintenance	29,425	38,675	32,460	6,215
Miscellaneous services	158,270	168,875	138,779	30,096
Total Finance	802,478	797,002	758,640	38,362

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Legal:				
Supplies	3,250	2,350	1,251	1,099
Miscellaneous services	106,459	40,960	36,779	4,181
Total Legal	109,709	43,310	38,030	5,280
Tax:				
Miscellaneous services	221,500	221,500	229,789	(8,289)
Total Tax	221,500	221,500	229,789	(8,289)
Human Resources:				
Payroll costs	369,091	370,101	371,238	(1,137)
Supplies	8,760	7,100	4,375	2,725
Miscellaneous services	32,015	27,915	20,606	7,309
Sundry charges	34,320	30,000	28,457	1,543
Total Human Resources	444,186	435,116	424,676	10,440
Building Services:				
Payroll costs	90,327	92,233	85,878	6,355
Supplies	22,600	21,900	21,639	261
Maintenance	75,750	92,100	77,638	14,462
Miscellaneous services	133,150	122,000	97,835	24,165
Capital outlay	-	56,000	56,000	-
Total Building Services	321,827	384,233	338,990	45,243
Information Technology:				
Payroll costs	671,948	666,347	735,335	(68,988)
Supplies	78,142	90,747	89,739	1,008
Maintenance	166,466	156,886	144,561	12,325
Miscellaneous services	166,030	167,915	149,328	18,587
Total Information Technology	1,082,586	1,081,895	1,118,963	(37,068)

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Non-departmental:				
Payroll costs	5,000	-	27,040	(27,040)
Supplies	4,000	4,000	3,450	550
Maintenance	87,756	85,618	95,336	(9,718)
Miscellaneous services	271,747	272,474	230,863	41,611
Capital outlay	-	-	168	(168)
Total Non-departmental	368,503	362,092	356,857	5,235
Total General Government	4,246,006	4,338,634	4,293,157	45,477
Public Safety:				
Municipal Court:				
Payroll costs	351,212	345,215	336,741	8,474
Supplies	16,995	11,535	9,558	1,977
Miscellaneous services	42,535	35,935	35,761	174
Total Municipal Court	410,742	392,685	382,060	10,625
Police:				
Payroll costs	8,935,121	8,781,829	9,167,586	(385,757)
Supplies	327,742	397,235	291,072	106,163
Maintenance	188,600	204,655	120,423	84,232
Miscellaneous services	688,820	661,420	609,787	51,633
Sundry charges	1,000	500	-	500
Capital outlay	-	40,000	37,660	2,340
Total Police	10,141,283	10,085,639	10,226,528	(140,889)
Fire:				
Payroll costs	7,707,132	7,680,654	7,614,922	65,732
Supplies	460,265	435,268	370,674	64,594
Maintenance	176,959	181,198	174,688	6,510
Miscellaneous services	533,139	519,342	501,629	17,713
Total Fire	8,877,495	8,816,462	8,661,913	154,549
Emergency Management:				
Supplies	2,288	1,600	804	796
Miscellaneous services	73,042	55,942	47,627	8,315
Total Emergency Management	75,330	57,542	48,431	9,111



**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Animal Control:				
Payroll costs	590,491	583,983	566,092	17,891
Supplies	69,800	67,800	62,136	5,664
Maintenance	18,000	16,020	13,596	2,424
Miscellaneous services	110,315	101,230	92,575	8,655
Total Animal Control	788,606	769,033	734,399	34,634
City Marshall:				
Payroll costs	77,203	61,973	62,118	(145)
Supplies	3,640	2,500	1,000	1,500
Maintenance	1,200	1,000	4	996
Miscellaneous services	4,510	4,760	4,303	457
Total City Marshall	86,553	70,233	67,425	2,808
Total Public Safety	20,380,009	20,191,594	20,120,756	70,838
Cultural and Recreation:				
Parks:				
Payroll costs	1,228,748	1,394,067	1,280,587	113,480
Supplies	111,205	98,395	87,469	10,926
Maintenance	117,300	99,850	69,456	30,394
Miscellaneous services	438,800	400,964	317,852	83,112
Sundry charges	80	80	-	80
Total Parks	1,896,133	1,993,356	1,755,364	237,992
Zoo:				
Payroll costs	1,336,250	1,265,131	1,230,310	34,821
Supplies	205,210	202,010	191,558	10,452
Maintenance	3,750	2,950	1,795	1,155
Miscellaneous services	199,323	187,523	157,488	30,035
Total Zoo	1,744,533	1,657,614	1,581,151	76,463
Library:				
Payroll costs	555,380	557,134	551,843	5,291
Supplies	19,950	15,800	13,473	2,327
Maintenance	36,250	35,520	29,746	5,774
Miscellaneous services	75,450	66,455	56,418	10,037
Total Library	687,030	674,909	651,480	23,429
Total Cultural and Recreation	4,327,696	4,325,879	3,987,995	337,884

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Public Works:				
Engineering:				
Payroll costs	570,392	528,096	520,155	7,941
Supplies	12,260	8,445	6,433	2,012
Maintenance	20,070	18,870	17,391	1,479
Miscellaneous services	71,885	65,159	51,808	13,351
Sundry charges	-	151	231	(80)
Total Engineering	674,607	620,721	596,018	24,703
Inspection:				
Payroll costs	448,723	449,892	451,151	(1,259)
Supplies	16,510	12,000	10,044	1,956
Maintenance	1,500	1,500	1,227	273
Miscellaneous services	45,974	40,424	38,039	2,385
Total Inspection	512,707	503,816	500,461	3,355
Planning and Zoning:				
Payroll costs	194,472	148,956	165,388	(16,432)
Supplies	5,630	2,830	1,776	1,054
Maintenance	1,700	900	-	900
Miscellaneous services	15,500	9,900	7,708	2,192
Total Planning and Zoning	217,302	162,586	174,872	(12,286)
Street:				
Payroll costs	1,714,092	1,652,489	1,638,266	14,223
Supplies	199,270	170,110	129,258	40,852
Maintenance	1,113,900	1,000,900	739,555	261,345
Miscellaneous services	1,040,592	991,049	962,203	28,846
Total Street	4,067,854	3,814,548	3,469,282	345,266
Fleet Management:				
Payroll costs	458,593	422,860	426,039	(3,179)
Supplies	22,476	19,676	17,474	2,202
Maintenance	8,100	6,128	4,113	2,015
Miscellaneous services	14,319	13,419	12,652	767
Sundry charges	-	-	(13,485)	13,485
Total Fleet Management	503,488	462,083	446,793	15,290
Total Public Works	5,975,958	5,563,754	5,187,426	376,328

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Debt Service:				
Principal	15,746	15,746	-	15,746
Interest	1,712	1,712	-	1,712
Total Debt Service	17,458	17,458	-	17,458
Total Expenditures	34,947,127	34,437,319	33,589,334	847,985
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	(1,014,081)	(579,313)	1,211,406	1,790,719
Other Financing Sources (Uses):				
Transfers in	558,368	725,035	725,035	-
Transfers out	(200,000)	(200,000)	(200,000)	-
Total Other Financing Sources (Uses)	358,368	525,035	525,035	-
Net Change in Fund Balance	(655,713)	(54,278)	1,736,441	1,790,719
Fund Balance - Beginning	11,018,348	11,018,348	11,018,348	-
Fund Balance - Ending	\$ 10,362,635	\$ 10,964,070	\$ 12,754,789	\$ 1,790,719

**CITY OF LUFKIN, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
CONDITION RATING OF THE CITY'S STREET SYSTEM  
SEPTEMBER 30, 2020**

The City performed a complete inventory and condition assessment during the fiscal year 2020. This condition assessment will be performed every two years. Each street was assigned a physical condition based on nineteen potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The following conditions were defined:

CONDITION	RATING
Excellent to Good	80-100
Fair to Good	56-79
Substandard	0-55

The detail condition of the City's street system for the past three complete assessments are as follows:

CONDITION	PERCENTAGE OF STREETS		
	2020	2018	2016
Excellent to Good	36%	30%	27%
Fair to Good	36%	42%	39%
Substandard	28%	28%	30%

	PERCENTAGE OF LANE-MILES IN EXCELLENT TO VERY GOOD CONDITION		
	2020	2018	2016
Collector Streets	42%	52%	55%
Residential Streets	32%	31%	29%

	PERCENTAGE OF LANE-MILES IN SUBSTANDARD CONDITION		
	2020	2018	2016
Collector Streets	16%	20%	13%
Residential Streets	27%	24%	19%

The average rating for the City's streets at September 30, 2020 was 77.675; this rating increased from the previous assessment.

Note: The condition of road pavement is measured using the Paver 4.2 Pavement Management System, which is based on a weighted average of 19 distress factors found in pavement surfaces dependent upon the type of road material (concrete or asphalt). The Paver 4.2 Pavement Management System uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good to excellent condition (80-100) fair condition (56-79), and substandard condition (less than 55). The City's policy is to achieve an average rating of at least a 56 condition index of its street system. No more than 10% should be in substandard condition. Condition assessments are determined bi-annually.

**CITY OF LUFKIN, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**COMPARISON OF NEEDED-TO-ACTUAL MAINTENANCE/PRESERVATION**  
**SEPTEMBER 30, 2020**

The City's streets are constantly deteriorating resulting from traffic using the streets, the sun's ultra-violet rays drying out and breaking down the top layer of pavement, trenching operations for repair work on water and sewer lines and water damage from natural precipitation. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching and street sweeping. A schedule of estimated annual amounts and actual expenditures for street maintenance for the past five years is as follows (in thousands):

<u>FISCAL YEAR</u>		<u>BUDGET</u>		<u>ACTUAL</u>
2020	\$	3,815	\$	3,469
2019		3,787		3,697
2018		3,850		3,881
2017		4,248		4,071
2016		4,133		3,679



**CITY OF LUFKIN, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

	2020	2019	2018	2017
<b>Total Pension Liability</b>				
Service cost	\$ 2,639,764	\$ 2,586,703	\$ 2,582,456	\$ 2,515,515
Interest (on the total pension liability)	6,953,019	6,711,583	6,388,272	6,052,902
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(596,481)	(979,881)	(48,701)	83,312
Change of assumptions	183,393	-	-	-
Benefit payments, including refunds of employee contributions	(5,233,433)	(4,302,780)	(3,965,957)	(3,467,542)
Net change in total pension liability	3,946,262	4,015,625	4,956,070	5,184,187
Total pension liability - beginning	104,304,518	100,288,893	95,332,823	90,148,636
Total pension liability - ending (a)	<u>\$ 108,250,780</u>	<u>\$ 104,304,518</u>	<u>\$ 100,288,893</u>	<u>\$ 95,332,823</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 2,790,024	\$ 2,776,942	\$ 2,732,648	\$ 2,520,598
Contributions - employee	1,195,236	1,168,189	1,152,313	1,122,282
Net investment income	12,804,596	(2,570,224)	10,461,909	4,771,526
Benefit payments, including refunds of employee contributions	(5,233,433)	(4,302,780)	(3,965,957)	(3,467,542)
Administrative expense	(72,356)	(49,678)	(54,219)	(53,883)
Other	(2,174)	(2,595)	(2,748)	(2,903)
Net change in plan fiduciary net position	11,481,893	(2,980,146)	10,323,946	4,890,078
Plan fiduciary net position - beginning	82,830,167	85,810,313	75,486,367	70,596,289
Plan fiduciary net position - ending (b)	<u>\$ 94,312,060</u>	<u>\$ 82,830,167</u>	<u>\$ 85,810,313</u>	<u>\$ 75,486,367</u>
Net pension liability - ending (a) - (b)	<u>\$ 13,938,720</u>	<u>\$ 21,474,351</u>	<u>\$ 14,478,580</u>	<u>\$ 19,846,456</u>
Plan fiduciary net position as a percentage of total pension liability	87.12%	79.41%	85.56%	79.18%
Covered payroll	\$ 17,074,796	\$ 16,688,409	\$ 16,448,764	\$ 16,032,603
Net pension liability as a percentage of covered payroll	81.63%	128.68%	88.02%	123.79%

The amount presented for each fiscal year were determined as of the measurement date which is December 31 of the prior year.

Note: Only six years of data are presented in accordance with GASB No. 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."



	2016		2015
\$	2,299,919	\$	2,123,077
	5,894,713		5,650,445
	-		-
	(192,026)		(776,242)
	948,593		-
	(3,725,580)		(3,466,727)
	5,225,619		3,530,553
	84,923,017		81,392,464
\$	90,148,636	\$	84,923,017

\$	2,509,431	\$	2,486,016
	1,086,453		1,034,606
	104,308		3,824,460
	(3,725,580)		(3,466,727)
	(63,532)		(39,929)
	(3,138)		(3,283)
	(92,058)		3,835,143
	70,688,347		66,853,204
\$	70,596,289	\$	70,688,347
\$	19,552,347	\$	14,234,670

78.31% 83.24%

\$ 15,446,063 \$ 14,772,880

126.58% 96.36%

**CITY OF LUFKIN, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

	2020	2019	2018	2017
Actuarially determined contribution	\$ 2,766,399	\$ 2,783,374	\$ 2,779,508	\$ 2,668,749
Contributions in relation to the actuarially determined contribution	(2,766,399)	(2,783,374)	(2,779,508)	(2,668,749)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 17,061,271	\$ 16,964,478	\$ 16,708,530	\$ 16,261,675
Contributions as a percentage of covered payroll	16.21%	16.41%	16.64%	16.41%

Note: GASB 68, paragraph 46 requires that the data in this schedule be presented as of the City's current fiscal year as opposed to the time period covered by the measurement date of January 1, 2019 - December 31, 2019.

Note: Only six years of data are presented in accordance with GASB No. 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

2016		2015	
<hr/>		<hr/>	
\$	2,606,843	\$	2,507,504
 (2,606,843)		 (2,507,504)	
<hr/>		<hr/>	
\$	-	\$	-
<hr/>		<hr/>	
\$	16,454,792	\$	15,328,570
 15.84%		 16.36%	

**CITY OF LUFKIN, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SEPTEMBER 30, 2020**

**Valuation Date**

Actuarially determined contribution rates are calculated as of December 31, and become effective in January thirteen months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Based on the 2019 Municipal Retirees of Texas Mortality tables. Based on the size of the City, the rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements.

**Other Information**

There were no benefit changes during the year.



**CITY OF LUFKIN, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**FIREMEN'S RELIEF AND RETIREMENT FUND OF LUFKIN, TEXAS**  
**LAST TEN FISCAL YEARS**

	2020	2019	2018	2017
<b>Total Pension Liability</b>				
Service cost	\$ 727,443	\$ 766,457	\$ 744,133	\$ 717,504
Interest (on the total pension liability)	2,656,220	2,547,901	2,429,092	2,502,453
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(424,667)	-	(1,480,396)
Change of assumptions	-	209,041	-	(836,604)
Administrative expense	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,647,873)	(1,583,037)	(1,639,827)	(2,175,654)
Net change in total pension liability	1,735,790	1,515,695	1,533,398	(1,272,697)
Total pension liability - beginning	35,512,764	33,997,069	32,463,671	33,736,368
Total pension liability - ending (a)	\$ 37,248,554	\$ 35,512,764	\$ 33,997,069	\$ 32,463,671
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 1,226,324	\$ 1,181,244	\$ 1,178,934	\$ 1,112,799
Contributions - employee	757,122	729,289	727,352	718,762
Net investment income	3,041,687	(1,079,360)	1,877,559	982,695
Benefit payments, including refunds of employee contributions	(1,647,873)	(1,583,037)	(1,639,827)	(2,175,654)
Administrative expense	(60,545)	(33,643)	(35,273)	(25,850)
Other	-	-	-	-
Net change in plan fiduciary net position	3,316,715	(785,507)	2,108,745	612,752
Plan fiduciary net position - beginning	15,659,035	16,444,542	14,335,797	13,723,045
Plan fiduciary net position - ending (b)	\$ 18,975,750	\$ 15,659,035	\$ 16,444,542	\$ 14,335,797
Net pension liability - ending (a) - (b)	\$ 18,272,804	\$ 19,853,729	\$ 17,552,527	\$ 18,127,874
Plan fiduciary net position as a percentage of total pension liability	50.90%	44.10%	48.40%	44.20%
Covered payroll	\$ 5,331,845	\$ 5,135,838	\$ 5,122,197	\$ 5,061,704
Net pension liability as a percentage of covered payroll	342.70%	386.60%	342.70%	358.10%

The amount presented for each fiscal year were determined as of the measurement date which is December 31 of the prior year.

Note: Only six years of data are presented in accordance with GASB No. 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Notes to Schedule:

Actual covered employee payroll is estimated using firefighter contributions divided by the contribution percentage.

The ending total pension liability for 2020, 2018 and 2016 was determined from the beginning of year total pension liability, using the roll forward procedures allowed by GASB 68.

2016	2015
\$ 696,606	\$ 648,006
2,373,987	2,282,146
-	-
-	227,196
-	-
-	421,584
(1,974,776)	(1,437,981)
1,095,817	2,140,951
32,640,551	30,499,600
\$ 33,736,368	\$ 32,640,551

\$ 1,146,462	\$ 1,094,156
666,247	627,405
(336,255)	714,645
(1,974,776)	(1,437,981)
(43,114)	(28,082)
-	-
(541,436)	970,143
14,264,481	13,294,338
\$ 13,723,045	\$ 14,264,481

\$ 20,013,323	\$ 18,376,070
---------------	---------------

40.70% 43.70%

\$ 5,047,326 \$ 4,753,068

396.50% 386.60%



**CITY OF LUFKIN, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 40,980	\$ 46,728	\$ 41,122
Interest (on the total OPEB liability)	46,683	37,682	36,976
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(206,789)	125,364	-
Change of assumptions	208,856	(77,750)	87,631
Benefit payments	(10,245)	(8,344)	(8,224)
Net change in total OPEB liability	79,485	123,680	157,505
Total OPEB liability - beginning	1,242,924	1,119,244	961,739
Total OPEB liability - ending	<u>\$ 1,322,409</u>	<u>\$ 1,242,924</u>	<u>\$ 1,119,244</u>
 Covered-employee payroll	 \$ 17,074,796	 \$ 16,688,409	 \$ 16,448,764
 Total OPEB liability as a percentage of covered-employee payroll	 7.74%	 7.45%	 6.80%

The amounts presented for each fiscal year were determined as of the measurement date which is December 31 of the prior year.

Note: Only three years of data are presented in accordance with GASB No. 75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Notes to Schedule:

*Changes in benefit terms:* There were no benefit changes during the year.

*Other information:* No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75, paragraph 4.

**CITY OF LUFKIN, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**RETIREE HEALTH INSURANCE FUND**  
**LAST TEN FISCAL YEARS**

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 86,944	\$ 86,944	\$ 83,552
Interest (on the total OPEB liability)	126,109	178,935	174,999
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(180,646)	-	-
Change of assumptions	(503,186)	232,796	-
Benefit payments	(165,000)	(165,000)	(165,000)
Net change in total OPEB liability	(635,779)	333,675	93,551
Total OPEB liability - beginning	4,736,504	4,402,829	4,309,278
Total OPEB liability - ending	<u>\$ 4,100,725</u>	<u>\$ 4,736,504</u>	<u>\$ 4,402,829</u>
 Covered-employee payroll	 \$ 7,379,883	 \$ 7,719,774	 \$ 6,824,675
 Total OPEB liability as a percentage of covered-employee payroll	 55.57%	 61.36%	 64.51%

The amounts presented for each fiscal year were determined as of the measurement date.

Note: Only three years of data are presented in accordance with GASB No. 75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Notes to Schedule:

*Changes in benefit terms:* There were no benefit changes during the year.

*Other information:* No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75, paragraph 4.

## **SUPPLEMENTAL INFORMATION**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Hotel/Motel Tax Fund - To account for the maintenance of the Civic Center and its major financing from Hotel/Motel Tax.

Zoo Building Fund - To account for admission fees and donations and their expenditures.

Main Street/Downtown Development Fund - To account for revenues and expenditures applicable to the Downtown Development.

Police Seized Fund - To account for seized drug funds and their disposition.

Home Investment Program Fund - To account for revenues and expenditures related to the Home Investment Grant Program.

Court Security/Technology Fund - To account for certain fees assessed on fines.

Police Grants Fund - To account for certain grants received by the Police Department requiring separate funds.

Special Recreation Fund - To account for tuition for recreational classes and related expenditures.

Insurance Loss Fund - To account for sales tax revenues reserved by the City Council for paying insurance losses in the property, liability and Group Health Insurance Funds.

Animal Control - Kurth Grant Fund - To account for revenues and expenditures from the Kurth Grant.

Pines Theater Special Events Fund - To account for Pines Theater operations.

FEMA Grant Fund - To account for FEMA Grant.

Police DARE Contribution Grant Fund - To account for support to the school anti-drug program.

Animal's Attic Gift Shop Fund - To account for the revenues and expenditures of the gift shop in the City's Animal Control Shelter.

Fire Grants Fund - To account for certain grants received by the Fire Department requiring separate funds.

CARES Act Fund - To account for revenues and expenditures for grants to local businesses by the City from the City's CARES Act grant funds.

### **CAPITAL PROJECTS FUNDS**

Street Construction Fund - To account for projects financed directly by the General Fund.

Drainage Mitigation Fund - To account for projects related mitigation of drainage issues within the City.

Texas Capital Grant Fund - To account for the Texas Capital Grant activity.

Convention Center Fund - To account for costs associated with the feasibility study for a new convention center.

2010 Capital Improvement Fund - To account for the issuance of the 2010 Certificates of Obligation.

2012 Capital Improvement Fund - To account for the issuance of the 2012 Certificates of Obligation.

2020 Capital Improvement Fund - To account for the issuance of the 2020 Certificates of Obligation.

### **INTERNAL SERVICE FUNDS**

Equipment Acquisition and Replacement Fund - To account for the rental of equipment and motor vehicles to other departments, the purchase of new equipment and related costs.

Group Health Insurance Fund - To account for employer contributions, employee premiums and the cost of health expenditures for employees, retirees and dependents.

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**SEPTEMBER 30, 2020**

	ECONOMIC DEVELOPMENT CORPORATION	LUFKIN CONVENTION AND VISITORS BUREAU	TOTAL COMPONENT UNITS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,970,539	\$ 867,242	\$ 3,837,781
Receivables - net	262,635	10,987	273,622
Notes receivable	262,990	-	262,990
Capital assets (net of accumulated depreciation)			
Land and improvements	5,147,878	-	5,147,878
Construction in progress	4,552,702	-	4,552,702
Total Assets	<u>13,196,744</u>	<u>878,229</u>	<u>14,074,973</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	339	24,234	24,573
Deferred OPEB outflows	2,720	2,141	4,861
Total Deferred Outflows of Resources	<u>3,059</u>	<u>26,375</u>	<u>29,434</u>
<b>LIABILITIES</b>			
Accounts/claims payable	277,020	129	277,149
Accrued interest	37,369	-	37,369
Accrued liabilities	4,727	2,858	7,585
Noncurrent liabilities:			
Due within one year	405,332	5,288	410,620
Due in more than one year	4,459,940	-	4,459,940
Total OPEB liability	8,944	13,078	22,022
Net pension liability	34,339	69,401	103,740
Total Liabilities	<u>5,227,671</u>	<u>90,754</u>	<u>5,318,425</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	22,514	40,064	62,578
Deferred OPEB inflows	2,023	1,199	3,222
Total Deferred Inflows of Resources	<u>24,537</u>	<u>41,263</u>	<u>65,800</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,200,580	-	5,200,580
Unrestricted	2,747,015	772,587	3,519,602
Total Net Position	<u>\$ 7,947,595</u>	<u>\$ 772,587</u>	<u>\$ 8,720,182</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FUNCTIONS/PROGAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	ECONOMIC DEVELOPMENT CORPORATION	LUFKIN CONVENTION AND VISITORS BUREAU	TOTAL
Economic Development Corporation	\$ 1,627,836	\$ -	\$ -	\$ (1,627,836)	\$ -	\$ (1,627,836)
Lufkin Convention and Visitors Bureau	233,352	-	-	-	(233,352)	(233,352)
Total	\$ 1,861,188	\$ -	\$ -	(1,627,836)	(233,352)	(1,861,188)
General Revenues:						
Sales taxes				1,275,271	-	1,275,271
Other taxes				-	280,214	280,214
Unrestricted investment earnings				66,301	14,422	80,723
Loss on retirement of capital asset				(225,332)	-	(225,332)
Miscellaneous revenues				20,000	27,573	47,573
Total General Revenues				1,136,240	322,209	1,458,449
Change in Net Position				(491,596)	88,857	(402,739)
Net Position - Beginning				8,439,191	683,730	9,122,921
Net Position - Ending				\$ 7,947,595	\$ 772,587	\$ 8,720,182

**CITY OF LUFKIN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2020**

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,465,075	\$ 1,550,800	\$ 3,015,875
Investments	1,000,000	2,750,000	3,750,000
Receivables:			
Accounts	185,985	-	185,985
Intergovernmental	92,483	-	92,483
Other	285,950	54,511	340,461
Allowance for uncollectibles	(179,404)	-	(179,404)
Total assets	<u>\$ 2,850,089</u>	<u>\$ 4,355,311</u>	<u>\$ 7,205,400</u>
<b>LIABILITIES</b>			
Accounts/claims payable	\$ 175,609	\$ 27,000	\$ 202,609
Accrued liabilities	8,482	-	8,482
Due to other funds	286,027	-	286,027
Customer deposits	15,845	-	15,845
Total Liabilities	<u>485,963</u>	<u>27,000</u>	<u>512,963</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	130,274	54,484	184,758
Total Deferred Inflows of Resources	<u>130,274</u>	<u>54,484</u>	<u>184,758</u>
<b>FUND BALANCES</b>			
Restricted	188,353	4,273,827	4,462,180
Committed	137,822	-	137,822
Assigned	1,907,677	-	1,907,677
Total Fund Balances	<u>2,233,852</u>	<u>4,273,827</u>	<u>6,507,679</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,850,089</u>	<u>\$ 4,355,311</u>	<u>\$ 7,205,400</u>



**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:			
Other taxes	\$ 901,273	\$ -	\$ 901,273
Charges for services	563,394	-	563,394
Investment earnings	66,319	5,712	72,031
Intergovernmental	657,430	37,275	694,705
Other revenues	334,010	220,164	554,174
Total Revenues	<u>2,522,426</u>	<u>263,151</u>	<u>2,785,577</u>
Expenditures:			
Current:			
General government	728,534	-	728,534
Public safety	261,092	-	261,092
Cultural and recreation	1,520,108	-	1,520,108
Debt Service:			
Bond issuance costs	-	139,379	139,379
Capital outlay:			
General government	-	9,340	9,340
Public safety	-	683,519	683,519
Cultural and recreation	-	42,954	42,954
Public works	-	180,964	180,964
Total Expenditures	<u>2,509,734</u>	<u>1,056,156</u>	<u>3,565,890</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,692</u>	<u>(793,005)</u>	<u>(780,313)</u>
Other Financing Sources (Uses):			
Certificates of obligation proceeds	-	4,630,000	4,630,000
Certificates of obligation premium	-	509,380	509,380
Transfers in	30,000	732,884	762,884
Transfers out	(208,368)	(850,934)	(1,059,302)
Total Other Financing Sources (Uses)	<u>(178,368)</u>	<u>5,021,330</u>	<u>4,842,962</u>
Net Change in Fund Balances	(165,676)	4,228,325	4,062,649
Fund Balances - Beginning	<u>2,399,528</u>	<u>45,502</u>	<u>2,445,030</u>
Fund Balances - Ending	<u><u>\$ 2,233,852</u></u>	<u><u>\$ 4,273,827</u></u>	<u><u>\$ 6,507,679</u></u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**September 30, 2020**

	HOTEL/ MOTEL TAX FUND	ZOO BUILDING FUND	MAIN STREET/ DOWNTOWN DEVELOPMENT FUND	POLICE SEIZED FUND
<b>ASSETS</b>				
Cash and cash equivalents	\$ 400	\$ 902,890	\$ 35,283	\$ 226,461
Investments	-	1,000,000	-	-
Receivables:				
Accounts	-	-	-	-
Intergovernmental	-	-	-	-
Other	253,856	24,239	447	2,911
Allowance for uncollectibles	-	-	-	-
Total Assets	<u>\$ 254,256</u>	<u>\$ 1,927,129</u>	<u>\$ 35,730</u>	<u>\$ 229,372</u>
<b>LIABILITIES</b>				
Accounts/claims payable	\$ 11,537	\$ 1,128	\$ 38	\$ 148,854
Accrued liabilities	5,758	667	-	-
Due to other funds	31,165	-	-	-
Customer deposits	11,535	-	-	-
Total Liabilities	<u>59,995</u>	<u>1,795</u>	<u>38</u>	<u>148,854</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	-	24,107	447	2,869
Total Deferred Inflows of Resources	<u>-</u>	<u>24,107</u>	<u>447</u>	<u>2,869</u>
<b>FUND BALANCES</b>				
Restricted	-	-	-	77,649
Committed	194,261	-	-	-
Assigned	-	1,901,227	35,245	-
Total Fund Balances	<u>194,261</u>	<u>1,901,227</u>	<u>35,245</u>	<u>77,649</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 254,256</u>	<u>\$ 1,927,129</u>	<u>\$ 35,730</u>	<u>\$ 229,372</u>

HOME INVESTMENT PROGRAM FUND	COURT SECURITY/ TECHNOLOGY FUND	POLICE GRANTS FUND	PINES THEATER SPECIAL EVENTS FUND	SPECIAL RECREATION FUND	INSURANCE LOSS FUND
\$ 4	\$ 79,074	\$ 629	\$ -	\$ 47,015	\$ -
-	-	-	-	-	-
-	185,985	-	-	-	-
-	-	-	-	-	-
-	1,002	8	689	594	2
-	(179,404)	-	-	-	-
<u>\$ 4</u>	<u>\$ 86,657</u>	<u>\$ 637</u>	<u>\$ 689</u>	<u>\$ 47,609</u>	<u>\$ 2</u>
\$ -	\$ 95	\$ 3,529	\$ 2,004	\$ 2,125	\$ 3,141
-	-	-	-	2,057	-
-	-	-	66,235	-	96,144
-	-	-	4,310	-	-
<u>-</u>	<u>95</u>	<u>3,529</u>	<u>72,549</u>	<u>4,182</u>	<u>99,285</u>
-	7,583	8	-	583	-
<u>-</u>	<u>7,583</u>	<u>8</u>	<u>-</u>	<u>583</u>	<u>-</u>
4	78,979	(2,900)	-	-	-
-	-	-	-	42,844	(99,283)
-	-	-	(71,860)	-	-
<u>4</u>	<u>78,979</u>	<u>(2,900)</u>	<u>(71,860)</u>	<u>42,844</u>	<u>(99,283)</u>
<u>\$ 4</u>	<u>\$ 86,657</u>	<u>\$ 637</u>	<u>\$ 689</u>	<u>\$ 47,609</u>	<u>\$ 2</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING BALANCE SHEET - CONTINUED**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**September 30, 2020**

	ANIMAL CONTROL - KURTH GRANT FUND	POLICE DARE CONTRIBUTION GRANT FUND	ANIMAL'S ATTIC GIFT SHOP FUND	FIRE GRANTS FUND
<b>ASSETS</b>				
Cash and cash equivalents	\$ 87,692	\$ 109	\$ 46,114	\$ 13,683
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Intergovernmental	-	-	-	-
Other	1,119	-	584	173
Allowance for uncollectibles	-	-	-	-
Total Assets	<u>\$ 88,811</u>	<u>\$ 109</u>	<u>\$ 46,698</u>	<u>\$ 13,856</u>
<b>LIABILITIES</b>				
Accounts/claims payable	\$ -	\$ -	\$ 3,158	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Customer deposits	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>3,158</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	1,111	-	584	173
Total Deferred Inflows of Resources	<u>1,111</u>	<u>-</u>	<u>584</u>	<u>173</u>
<b>FUND BALANCES</b>				
Restricted	87,700	-	-	13,683
Committed	-	-	-	-
Assigned	-	109	42,956	-
Total Fund Balances	<u>87,700</u>	<u>109</u>	<u>42,956</u>	<u>13,683</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 88,811</u>	<u>\$ 109</u>	<u>\$ 46,698</u>	<u>\$ 13,856</u>

FEMA GRANT FUND	CARES GRANT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ 25,721	\$ -	\$ 1,465,075
-	-	1,000,000
-	-	185,985
-	92,483	92,483
326	-	285,950
-	-	(179,404)
<u>\$ 26,047</u>	<u>\$ 92,483</u>	<u>\$ 2,850,089</u>
\$ -	\$ -	\$ 175,609
-	-	8,482
-	92,483	286,027
-	-	15,845
<u>-</u>	<u>92,483</u>	<u>485,963</u>
326	92,483	130,274
<u>326</u>	<u>92,483</u>	<u>130,274</u>
25,721	(92,483)	188,353
-	-	137,822
-	-	1,907,677
<u>25,721</u>	<u>(92,483)</u>	<u>2,233,852</u>
<u>\$ 26,047</u>	<u>\$ 92,483</u>	<u>\$ 2,850,089</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	HOTEL/ MOTEL TAX FUND	ZOO BUILDING FUND	MAIN STREET/ DOWNTOWN DEVELOPMENT FUND	POLICE SEIZED FUND
Revenues:				
Other taxes	\$ 901,273	\$ -	\$ -	\$ -
Charges for services	96,880	244,072	-	-
Investment earnings	5,843	47,276	1,003	4,551
Intergovernmental	-	-	-	-
Other revenues	-	41,091	4,343	47,112
Total Revenues	<u>1,003,996</u>	<u>332,439</u>	<u>5,346</u>	<u>51,663</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	19,592
Cultural and recreation	978,462	246,578	9,166	-
Total Expenditures	<u>978,462</u>	<u>246,578</u>	<u>9,166</u>	<u>19,592</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>25,534</u>	<u>85,861</u>	<u>(3,820)</u>	<u>32,071</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(30,000)	(28,599)	-	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(28,599)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(4,466)	57,262	(3,820)	32,071
Fund Balances - Beginning	<u>198,727</u>	<u>1,843,965</u>	<u>39,065</u>	<u>45,578</u>
Fund Balances - Ending	<u>\$ 194,261</u>	<u>\$ 1,901,227</u>	<u>\$ 35,245</u>	<u>\$ 77,649</u>

HOME INVESTMENT PROGRAM FUND	COURT SECURITY/ TECHNOLOGY FUND	POLICE GRANTS FUND	PINES THEATER SPECIAL EVENTS FUND	SPECIAL RECREATION FUND	INSURANCE LOSS FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	75,605	146,837	-
-	1,709	228	-	2,628	-
-	-	10,167	-	4,500	-
-	18,310	690	557	-	187,022
-	20,019	11,085	76,162	153,965	187,022
-	-	-	-	-	228,534
-	1,317	31,654	-	-	-
-	-	-	99,428	161,800	-
-	1,317	31,654	99,428	161,800	228,534
-	18,702	(20,569)	(23,266)	(7,835)	(41,512)
-	-	-	30,000	-	-
-	-	-	-	(59,769)	-
-	-	-	30,000	(59,769)	-
-	18,702	(20,569)	6,734	(67,604)	(41,512)
4	60,277	17,669	(78,594)	110,448	(57,771)
\$ 4	\$ 78,979	\$ (2,900)	\$ (71,860)	\$ 42,844	\$ (99,283)

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - CONTINUED**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	ANIMAL CONTROL - KURTH GRANT FUND	POLICE DARE CONTRIBUTION GRANT FUND	ANIMAL'S ATTIC GIFT SHOP FUND	FIRE GRANTS FUND
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Investment earnings	1,388	-	1,060	-
Intergovernmental	144,744	-	-	90,502
Other revenues	-	-	34,885	-
Total Revenues	<u>146,132</u>	<u>-</u>	<u>35,945</u>	<u>90,502</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	8,965	-	-	199,564
Cultural and recreation	-	-	24,674	-
Total Expenditures	<u>8,965</u>	<u>-</u>	<u>24,674</u>	<u>199,564</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>137,167</u>	<u>-</u>	<u>11,271</u>	<u>(109,062)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(90,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	47,167	-	11,271	(109,062)
Fund Balances - Beginning	<u>40,533</u>	<u>109</u>	<u>31,685</u>	<u>122,745</u>
Fund Balances - Ending	<u>\$ 87,700</u>	<u>\$ 109</u>	<u>\$ 42,956</u>	<u>\$ 13,683</u>



FEMA GRANT FUND	CARES GRANT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ 901,273
-	-	563,394
633	-	66,319
-	407,517	657,430
-	-	334,010
<u>633</u>	<u>407,517</u>	<u>2,522,426</u>
-	500,000	728,534
-	-	261,092
-	-	1,520,108
<u>-</u>	<u>500,000</u>	<u>2,509,734</u>
<u>633</u>	<u>(92,483)</u>	<u>12,692</u>
-	-	30,000
<u>-</u>	<u>-</u>	<u>(208,368)</u>
<u>-</u>	<u>-</u>	<u>(178,368)</u>
633	(92,483)	(165,676)
<u>25,088</u>	<u>-</u>	<u>2,399,528</u>
<u>\$ 25,721</u>	<u>\$ (92,483)</u>	<u>\$ 2,233,852</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**SEPTEMBER 30, 2020**

	STREET CONSTRUCTION FUND	DRAINAGE MITIGATION FUND	TEXAS CAPITAL GRANT FUND
<b>ASSETS</b>			
Cash and cash equivalents	\$ 40,985	\$ 27,284	\$ 53
Investments	-	-	-
Receivables:			
Other	519	346	-
Total Assets	<u>\$ 41,504</u>	<u>\$ 27,630</u>	<u>\$ 53</u>
<b>LIABILITIES</b>			
Accounts/claims payable	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	519	346	-
Total Deferred Inflows of Resources	<u>519</u>	<u>346</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted	40,985	27,284	53
Total Fund Balances	<u>40,985</u>	<u>27,284</u>	<u>53</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 41,504</u>	<u>\$ 27,630</u>	<u>\$ 53</u>

CONVENTION CENTER FUND	2010 CAPITAL IMPROVEMENT FUND	2012 CAPITAL IMPROVEMENT FUND	2020 CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
\$ 29,767	\$ 55,329	\$ 16,059	\$ 1,381,323	\$ 1,550,800
-	-	-	2,750,000	2,750,000
377	701	230	52,338	54,511
<u>\$ 30,144</u>	<u>\$ 56,030</u>	<u>\$ 16,289</u>	<u>\$ 4,183,661</u>	<u>\$ 4,355,311</u>
\$ -	\$ -	\$ -	\$ 27,000	\$ 27,000
-	-	-	27,000	27,000
377	701	203	52,338	54,484
<u>377</u>	<u>701</u>	<u>203</u>	<u>52,338</u>	<u>54,484</u>
29,767	55,329	16,086	4,104,323	4,273,827
<u>29,767</u>	<u>55,329</u>	<u>16,086</u>	<u>4,104,323</u>	<u>4,273,827</u>
<u>\$ 30,144</u>	<u>\$ 56,030</u>	<u>\$ 16,289</u>	<u>\$ 4,183,661</u>	<u>\$ 4,355,311</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	STREET CONSTRUCTION FUND	DRAINAGE MITIGATION FUND	TEXAS CAPITAL GRANT FUND
Revenues:			
Investment earnings	\$ -	\$ 548	\$ -
Intergovernmental	37,275	-	-
Other revenues	7,751	7,537	-
Total Revenues	<u>45,026</u>	<u>8,085</u>	<u>-</u>
Expenditures:			
Debt service:			
Bond issuance costs	-	-	-
Capital outlay:			
General government	9,340	-	-
Public safety	339,048	-	-
Cultural and recreation	-	-	-
Public works	39,186	-	-
Total Expenditures	<u>387,574</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(342,548)</u>	<u>8,085</u>	<u>-</u>
Other Financing Sources (Uses):			
Certificates of obligation proceeds	-	-	-
Certificates of obligation premium	-	-	-
Transfers in	508,403	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>508,403</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	165,855	8,085	-
Fund Balances - Beginning	<u>(124,870)</u>	<u>19,199</u>	<u>53</u>
Fund Balances - Ending	<u>\$ 40,985</u>	<u>\$ 27,284</u>	<u>\$ 53</u>

CONVENTION CENTER FUND	2010 CAPITAL IMPROVEMENT FUND	2012 CAPITAL IMPROVEMENT FUND	2020 CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
\$ 57	\$ 1,404	\$ 3,703	\$ -	\$ 5,712
-	-	-	-	37,275
-	-	-	204,876	220,164
57	1,404	3,703	204,876	263,151
-	-	-	139,379	139,379
-	-	-	-	9,340
-	-	343,521	950	683,519
-	-	-	42,954	42,954
-	-	-	141,778	180,964
-	-	343,521	325,061	1,056,156
57	1,404	(339,818)	(120,185)	(793,005)
-	-	-	4,630,000	4,630,000
-	-	-	509,380	509,380
-	-	224,481	-	732,884
-	-	-	(850,934)	(850,934)
-	-	224,481	4,288,446	5,021,330
57	1,404	(115,337)	4,168,261	4,228,325
29,710	53,925	131,423	(63,938)	45,502
\$ 29,767	\$ 55,329	\$ 16,086	\$ 4,104,323	\$ 4,273,827

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2020**

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TOTAL
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,334,951	\$ 1,232,539	\$ 2,567,490
Investments	1,500,000	1,250,000	2,750,000
Accounts receivable (net of allowance for uncollectibles)	323,642	-	323,642
Interest receivable	35,917	31,305	67,222
Total Current Assets	<u>3,194,510</u>	<u>2,513,844</u>	<u>5,708,354</u>
Noncurrent Assets:			
Capital Assets:			
Machinery and equipment	-	4,331,646	4,331,646
Vehicles	-	12,727,378	12,727,378
Less accumulated depreciation	-	(10,314,299)	(10,314,299)
Total Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>6,744,725</u>	<u>6,744,725</u>
Total Assets	<u>3,194,510</u>	<u>9,258,569</u>	<u>12,453,079</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts/claims payable	159,940	-	159,940
Due to other funds	241,998	-	241,998
Total Current Liabilities	<u>401,938</u>	<u>-</u>	<u>401,938</u>
Total Liabilities	<u>401,938</u>	<u>-</u>	<u>401,938</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	6,744,725	6,744,725
Unrestricted	2,792,572	2,513,844	5,306,416
Total Net Position	<u>\$ 2,792,572</u>	<u>\$ 9,258,569</u>	<u>\$ 12,051,141</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TOTAL
Operating Revenues:			
Employee premiums	\$ 1,241,384	\$ -	\$ 1,241,384
Employer premiums	3,517,500	-	3,517,500
Equipment rental	-	2,348,067	2,348,067
Miscellaneous	1,115,046	3	1,115,049
Total Operating Revenues	<u>5,873,930</u>	<u>2,348,070</u>	<u>8,222,000</u>
Operating Expenses:			
Insurance claims and related expenses	5,763,848	24,686	5,788,534
Depreciation and amortization	-	1,793,715	1,793,715
Total Operating Expenses	<u>5,763,848</u>	<u>1,818,401</u>	<u>7,582,249</u>
Operating Income (Loss)	<u>110,082</u>	<u>529,669</u>	<u>639,751</u>
Nonoperating Revenues (Expenses):			
Investment earnings	49,951	39,867	89,818
Gain on sale of assets	-	539,653	539,653
Total Nonoperating Revenues (Expenses)	<u>49,951</u>	<u>579,520</u>	<u>629,471</u>
Income (Loss) Before Transfers	160,033	1,109,189	1,269,222
Transfers in	<u>165,000</u>	<u>-</u>	<u>165,000</u>
Change in Net Position	325,033	1,109,189	1,434,222
Net Position - Beginning	<u>2,467,539</u>	<u>8,149,380</u>	<u>10,616,919</u>
Net Position - Ending	<u>\$ 2,792,572</u>	<u>\$ 9,258,569</u>	<u>\$ 12,051,141</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2020**

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TOTAL
Cash Flows From Operating Activities:			
Receipts from customers and users	\$ 2,342,554	\$ -	\$ 2,342,554
Receipts from interfund services provided	3,517,500	2,348,067	5,865,567
Payments to suppliers	(5,975,178)	(24,659)	(5,999,837)
Net Cash Provided (Used) by Operating Activities	<u>(115,124)</u>	<u>2,323,408</u>	<u>2,208,284</u>
Cash Flows From Noncapital Financing Activities:			
Transfer from other funds	165,000	-	165,000
Net Cash Provided by Noncapital Financing Activities	<u>165,000</u>	<u>-</u>	<u>165,000</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(2,390,062)	(2,390,062)
Proceeds from sale of capital assets	-	543,765	543,765
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(1,846,297)</u>	<u>(1,846,297)</u>
Cash Flows From Investing Activities:			
Purchases of investments	(1,039,933)	(727,953)	(1,767,886)
Investment maturities	2,039,933	1,227,953	3,267,886
Investment earnings received	66,841	55,211	122,052
Net Cash Provided by Investing Activities	<u>1,066,841</u>	<u>555,211</u>	<u>1,622,052</u>
Net Increase in Cash and Cash Equivalents	1,116,717	1,032,322	2,149,039
Cash and Cash Equivalents - Beginning	218,234	200,217	418,451
Cash and Cash Equivalents - Ending	<u>\$ 1,334,951</u>	<u>\$ 1,232,539</u>	<u>\$ 2,567,490</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income	\$ 110,082	\$ 529,669	\$ 639,751
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and amortization	-	1,793,715	1,793,715
(Increase) in accounts receivable	(13,876)	-	(13,876)
Decrease in prepaid items	-	24	24
(Decrease) in accounts/claims payable	(211,330)	-	(211,330)
Total Adjustments	<u>(225,206)</u>	<u>1,793,739</u>	<u>1,568,533</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (115,124)</u>	<u>\$ 2,323,408</u>	<u>\$ 2,208,284</u>



**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT**  
**WATER AND SEWER UTILITY ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Utility Collections:	
Payroll costs	\$ 567,797
Supplies	96,788
Maintenance of equipment	24,200
Miscellaneous services	202,307
Total Utility Collections	<u>891,092</u>
Water/Sewer Utilities	
Payroll costs	1,840,699
Supplies	180,005
Maintenance of equipment	888,740
Miscellaneous services	468,538
Total Water/Sewer Utilities	<u>3,377,982</u>
Wastewater Treatment Plant:	
Payroll costs	1,065,011
Supplies	324,123
Maintenance of equipment	172,876
Miscellaneous services	596,086
Total Wastewater Treatment Plant	<u>2,158,096</u>
Water Production:	
Payroll costs	80,472
Supplies	307,866
Maintenance of equipment	132,613
Miscellaneous services	1,189,115
Total Water Production	<u>1,710,066</u>
Depreciation and amortization	2,505,076
General and administrative	2,895,062
Non-departmental	440,306
Total Operating Expenses	<u>\$ 13,977,680</u>

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT**  
**SOLID WASTE DISPOSAL ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Sanitation:	
Payroll costs	\$ 1,424,007
Supplies	327,816
Maintenance of equipment	214,588
Miscellaneous services	1,870,071
Total Sanitation	<u>3,836,482</u>
Recycling:	
Payroll costs	172,668
Supplies	24,443
Maintenance of equipment	14,282
Miscellaneous services	124,509
Total Recycling	<u>335,902</u>
Depreciation and amortization	101,939
General and administrative	2,302,475
Non-departmental	36,291
Total Operating Expenses	<u><u>\$ 6,613,089</u></u>

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Revenues:				
Property taxes	\$ 3,004,647	\$ 2,964,647	\$ 2,994,487	\$ 29,840
Investment earnings	25,000	50,000	101,236	51,236
Total Revenues	<u>3,029,647</u>	<u>3,014,647</u>	<u>3,095,723</u>	<u>81,076</u>
Expenditures:				
Debt service:				
Principal:				
2010 general obligation refunding bonds	1,315,000	1,315,000	-	(1,315,000)
2010 certificates of obligation	425,000	425,000	-	(425,000)
2011 general obligation refunding bonds	1,125,000	1,125,000	1,125,000	-
2012 certificates of obligation	325,000	325,000	325,000	-
2013 certificates of obligation	225,000	225,000	225,000	-
2014 general obligation refunding bonds	460,000	460,000	460,000	-
2015 general obligation refunding bonds	515,000	515,000	515,000	-
2016 general obligation refunding bonds	230,000	230,000	230,000	-
2017 general obligation refunding bonds	765,000	765,000	765,000	-
2020 general obligation refunding bonds	-	-	1,800,000	(1,800,000)
Total Principal	<u>5,385,000</u>	<u>5,385,000</u>	<u>5,445,000</u>	<u>(3,540,000)</u>
Interest:				
2010 general obligation refunding bonds	94,200	94,200	47,100	47,100
2010 certificates of obligation	115,800	115,800	57,900	57,900
2011 general obligation refunding bonds	57,800	57,800	57,800	-
2012 certificates of obligation	107,563	107,563	107,563	-
2013 certificates of obligation	121,033	121,033	121,032	1
2014 general obligation refunding bonds	90,050	90,050	90,050	-
2015 general obligation refunding bonds	126,950	126,950	126,950	-
2016 general obligation refunding bonds	266,450	266,450	266,450	-
2017 general obligation refunding bonds	228,775	228,775	228,775	-
2020 general obligation refunding bonds	-	-	42,767	(42,767)
Paying agent fees	6,350	6,350	6,050	300
Total Interest and Fiscal Charges	<u>1,214,971</u>	<u>1,214,971</u>	<u>1,152,437</u>	<u>62,534</u>
Bond issuance costs	-	-	76,986	(76,986)
Total Expenditures	<u>6,599,971</u>	<u>6,599,971</u>	<u>6,674,423</u>	<u>(3,554,452)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,570,324)</u>	<u>(3,585,324)</u>	<u>(3,578,700)</u>	<u>(3,473,376)</u>
Other Financing Sources (Uses):				
Refunding bond proceeds	-	-	5,085,000	(5,085,000)
Refunding bond premium	-	-	310,875	(310,875)
Payment to refunded bond escrow agent	-	-	(5,317,667)	5,317,667
Transfers in	3,635,952	3,635,952	3,635,952	-
Total Other Financing Sources (Uses)	<u>3,635,952</u>	<u>3,635,952</u>	<u>3,714,160</u>	<u>(78,208)</u>
Net Change in Fund Balances	65,628	50,628	135,460	84,832
Fund Balances - Beginning	<u>2,163,768</u>	<u>2,163,768</u>	<u>2,163,768</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,229,396</u>	<u>\$ 2,214,396</u>	<u>\$ 2,299,228</u>	<u>\$ 84,832</u>

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**HOTEL/MOTEL TAX - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Other taxes	\$ 1,050,000	\$ 1,050,086	\$ 901,273	\$ (148,813)
Charges for services	201,400	154,106	96,880	(57,226)
Investment earnings	2,000	3,000	5,843	2,843
Total Revenues	<u>1,253,400</u>	<u>1,207,192</u>	<u>1,003,996</u>	<u>(203,196)</u>
Expenditures:				
Current:				
Cultural and recreation	1,159,004	1,108,465	978,462	130,003
Total Expenditures	<u>1,159,004</u>	<u>1,108,465</u>	<u>978,462</u>	<u>130,003</u>
Other Financing Sources (Uses):				
Transfers out	(30,000)	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net Change in Fund Balances	64,396	68,727	(4,466)	(333,199)
Fund Balances - Beginning	<u>198,727</u>	<u>198,727</u>	<u>198,727</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 263,123</u>	<u>\$ 267,454</u>	<u>\$ 194,261</u>	<u>\$ (333,199)</u>

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**ZOO BUILDING - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ 329,820	\$ 129,455	\$ 244,072	\$ 114,617
Investment earnings	14,000	24,000	47,276	23,276
Other revenues	4,500	3,100	41,091	37,991
Total Revenues	<u>348,320</u>	<u>156,555</u>	<u>332,439</u>	<u>175,884</u>
Expenditures:				
Current:				
Cultural and recreation	320,217	360,118	246,578	113,540
Total Expenditures	<u>320,217</u>	<u>360,118</u>	<u>246,578</u>	<u>113,540</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,103</u>	<u>(203,563)</u>	<u>85,861</u>	<u>289,424</u>
Other Financing Sources (Uses):				
Transfers out	(28,599)	(28,599)	(28,599)	-
Total Other Financing Sources (Uses)	<u>(28,599)</u>	<u>(28,599)</u>	<u>(28,599)</u>	<u>-</u>
Net Change in Fund Balances	(496)	(232,162)	57,262	289,424
Fund Balances - Beginning	<u>1,843,965</u>	<u>1,843,965</u>	<u>1,843,965</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,843,469</u>	<u>\$ 1,611,803</u>	<u>\$ 1,901,227</u>	<u>\$ 289,424</u>

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**COURT SECURITY/TECHNOLOGY - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 400	\$ 950	\$ 1,709	\$ 759
Other revenues	29,000	18,000	18,310	310
Total Revenues	29,400	18,950	20,019	1,069
Expenditures:				
Current:				
Public safety	6,750	4,800	1,317	3,483
Total Expenditures	6,750	4,800	1,317	3,483
Net Change in Fund Balances	22,650	14,150	18,702	4,552
Fund Balances - Beginning	60,277	60,277	60,277	-
Fund Balances - Ending	\$ 82,927	\$ 74,427	\$ 78,979	\$ 4,552

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**SPECIAL RECREATION - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ 381,200	\$ 168,241	\$ 146,837	\$ (21,404)
Investment earnings	1,000	1,500	2,628	1,128
Intergovernmental	-	-	4,500	4,500
Other revenues	1,000	(2,500)	-	2,500
Total Revenues	<u>383,200</u>	<u>167,241</u>	<u>153,965</u>	<u>(13,276)</u>
Expenditures:				
Current:				
Cultural and recreation	<u>340,336</u>	<u>229,140</u>	<u>161,800</u>	<u>67,340</u>
Total Expenditures	<u>340,336</u>	<u>229,140</u>	<u>161,800</u>	<u>67,340</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>42,864</u>	<u>(61,899)</u>	<u>(7,835)</u>	<u>54,064</u>
Other Financing Sources (Uses):				
Transfers out	<u>(59,769)</u>	<u>(59,769)</u>	<u>(59,769)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(59,769)</u>	<u>(59,769)</u>	<u>(59,769)</u>	<u>-</u>
Net Change in Fund Balances	(16,905)	(121,668)	(67,604)	54,064
Fund Balances - Beginning	<u>110,448</u>	<u>110,448</u>	<u>110,448</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 93,543</u>	<u>\$ (11,220)</u>	<u>\$ 42,844</u>	<u>\$ 54,064</u>

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**ANIMAL CONTROL - KURTH GRANT - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 500	\$ 625	\$ 1,388	\$ 763
Intergovernmental revenue	90,000	90,000	144,744	54,744
Total Revenues	90,500	90,625	146,132	55,507
Expenditures:				
Current:				
Public safety	-	1,600	8,965	(7,365)
Total Expenditures	-	1,600	8,965	(7,365)
Excess (Deficiency) of Revenues Over (Under) Expenditures	90,500	89,025	137,167	48,142
Other Financing Sources (Uses):				
Transfers out	(90,000)	(90,000)	(90,000)	-
Total Other Financing Sources (Uses)	(90,000)	(90,000)	(90,000)	-
Net Change in Fund Balances	500	(975)	47,167	48,142
Fund Balances - Beginning	40,533	40,533	40,533	-
Fund Balances - Ending	\$ 41,033	\$ 39,558	\$ 87,700	\$ 48,142



**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**ANIMAL'S ATTIC GIFT SHOP - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 400	\$ 600	\$ 1,060	\$ 460
Other revenues	18,000	32,816	34,885	2,069
Total Revenues	18,400	33,416	35,945	2,529
Expenditures:				
Current:				
Cultural and recreation	-	33,754	24,674	9,080
Total Expenditures	-	33,754	24,674	9,080
Net Change in Fund Balances	18,400	(338)	11,271	11,609
Fund Balances - Beginning	31,685	31,685	31,685	-
Fund Balances - Ending	\$ 50,085	\$ 31,347	\$ 42,956	\$ 11,609

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**PINES THEATER SPECIAL EVENTS - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ 135,300	\$ 122,200	\$ 75,605	\$ (46,595)
Investment earnings	25	-	-	-
Other revenue	1,700	(147)	557	704
Total Revenues	<u>137,025</u>	<u>122,053</u>	<u>76,162</u>	<u>(45,891)</u>
Expenditures:				
Current:				
Cultural and recreation	191,095	176,050	99,428	76,622
Total Expenditures	<u>191,095</u>	<u>176,050</u>	<u>99,428</u>	<u>76,622</u>
Other Financing Sources (Uses):				
Transfers in	30,000	30,000	30,000	-
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balances	(24,070)	(23,997)	6,734	(122,513)
Fund Balances - Beginning (deficit)	<u>(78,594)</u>	<u>(78,594)</u>	<u>(78,594)</u>	<u>-</u>
Fund Balances - Ending (deficit)	<u>\$ (102,664)</u>	<u>\$ (102,591)</u>	<u>\$ (71,860)</u>	<u>\$ (122,513)</u>

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**MAIN STREET/DOWNTOWN DEVELOPMENT - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 400	\$ 550	\$ 1,003	\$ 453
Other revenue	12,300	5,000	4,343	(657)
Total Revenues	12,700	5,550	5,346	(204)
Expenditures:				
Current:				
Cultural and recreation	19,450	11,100	9,166	1,934
Total Expenditures	19,450	11,100	9,166	1,934
Net Change in Fund Balances	(6,750)	(5,550)	(3,820)	1,730
Fund Balances - Beginning	39,065	39,065	39,065	-
Fund Balances - Ending	\$ 32,315	\$ 33,515	\$ 35,245	\$ 1,730

## **STATISTICAL SECTION**

**CITY OF LUFKIN, TEXAS**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(amounts expressed in thousands)**

	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental Activities										
Net investment in capital assets	\$ 70,995	\$ 70,132	\$ 65,211	\$ 60,323	\$ 56,575	\$ 51,434	\$ 38,764	\$ 43,330	\$ 76,984	\$ 30,728
Restricted	6,762	2,710	2,424	2,488	2,263	5,016	6,604	7,133	5,789	8,564
Unrestricted	(16,985)	(20,771)	(19,005)	(14,959)	(14,553)	(11,680)	15,691	7,863	(29,381)	10,486
Total Governmental Activities	<u>\$ 60,772</u>	<u>\$ 52,071</u>	<u>\$ 48,630</u>	<u>\$ 47,852</u>	<u>\$ 44,285</u>	<u>\$ 44,770</u>	<u>\$ 61,059</u>	<u>\$ 58,326</u>	<u>\$ 53,392</u>	<u>\$ 49,778</u>
Business-type activities										
Net investment in capital assets	\$ 65,903	\$ 64,980	\$ 65,020	\$ 66,302	\$ 67,655	\$ 67,005	\$ 67,260	\$ 65,900	\$ 31,354	\$ 66,072
Restricted	8,801	9,456	10,675	9,582	8,583	1,294	1,308	2,419	7,729	9,285
Unrestricted	5,840	5,715	6,016	5,543	6,946	14,873	16,603	14,075	45,344	8,060
Total Business-Type Activities	<u>\$ 80,544</u>	<u>\$ 80,151</u>	<u>\$ 81,711</u>	<u>\$ 81,427</u>	<u>\$ 83,184</u>	<u>\$ 83,172</u>	<u>\$ 85,171</u>	<u>\$ 82,394</u>	<u>\$ 84,427</u>	<u>\$ 83,417</u>
Primary government										
Net investment in capital assets	\$ 136,898	\$ 135,112	\$ 130,231	\$ 126,625	\$ 124,230	\$ 118,439	\$ 106,024	\$ 109,230	\$ 108,339	\$ 96,800
Restricted	15,563	12,166	13,099	12,070	11,629	6,310	7,912	9,552	13,518	17,849
Unrestricted	(11,145)	(15,056)	(12,989)	(9,416)	(8,390)	3,193	32,294	21,938	15,963	18,546
Total Primary Government	<u>\$ 141,316</u>	<u>\$ 132,222</u>	<u>\$ 130,341</u>	<u>\$ 129,279</u>	<u>\$ 127,469</u>	<u>\$ 127,942</u>	<u>\$ 146,230</u>	<u>\$ 140,720</u>	<u>\$ 137,819</u>	<u>\$ 133,195</u>

Source: City of Lufkin accounting records.

**CITY OF LUFKIN, TEXAS**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(amounts expressed in thousands)**

	FISCAL YEAR				
	2020	2019	2018	2017	2016
Expenses:					
Governmental Activities:					
General government	\$ 5,185	\$ 4,899	\$ 5,086	\$ 5,086	\$ 4,509
Public safety	20,611	21,592	21,558	20,990	21,465
Cultural and recreation	6,050	7,062	6,110	6,424	6,475
Planning and community development	-	-	444	455	528
Public works	5,557	6,209	5,496	5,717	5,447
Interest and fiscal charges	1,355	1,300	1,463	1,839	2,094
Total Governmental Activities	<u>38,758</u>	<u>41,062</u>	<u>40,157</u>	<u>40,511</u>	<u>40,518</u>
Business-Type Activities:					
Water and sewer	13,978	13,966	13,645	14,211	13,450
Solid waste disposal	6,613	6,907	6,556	6,484	6,247
Total Business-Type Activities	<u>20,591</u>	<u>20,873</u>	<u>20,201</u>	<u>20,695</u>	<u>19,697</u>
Total Primary Government	<u>\$ 59,349</u>	<u>\$ 61,935</u>	<u>\$ 60,358</u>	<u>\$ 61,206</u>	<u>\$ 60,215</u>
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 2,346	\$ 2,263	\$ 2,642	\$ 2,452	\$ 2,386
Public safety	4,285	3,596	4,326	4,809	3,627
Cultural and recreation	564	1,049	1,013	1,109	1,091
Planning and community development	-	-	-	40	39
Public works	2,716	2,591	1,866	1,479	1,461
Operating grants and contributions	2,359	320	423	274	248
Capital grants and contributions	37	-	268	(31)	965
Total Governmental Activities	<u>12,307</u>	<u>9,819</u>	<u>10,538</u>	<u>10,132</u>	<u>9,817</u>
Business-type activities:					
Charges for services:					
Water and sewer	17,766	16,983	17,991	16,774	16,880
Solid waste disposal	7,023	6,724	6,864	6,646	6,236
Capital grants and contributions	-	-	-	3	104
Total Business-Type Activities	<u>24,789</u>	<u>23,707</u>	<u>24,855</u>	<u>23,423</u>	<u>23,220</u>
Total Primary Government	<u>\$ 37,096</u>	<u>\$ 33,526</u>	<u>\$ 35,393</u>	<u>\$ 33,555</u>	<u>\$ 33,037</u>
Net (expense)/revenue:					
Governmental Activities	\$ (26,451)	\$ (31,243)	\$ (29,619)	\$ (30,379)	\$ (30,701)
Business-Type Activities	4,198	2,834	4,654	2,728	3,523
Total Primary Government	<u>\$ (22,253)</u>	<u>\$ (28,409)</u>	<u>\$ (24,965)</u>	<u>\$ (27,651)</u>	<u>\$ (27,178)</u>
General Revenues and Transfers:					
Governmental Activities:					
Taxes:					
Property taxes	\$ 11,339	\$ 10,953	\$ 10,749	\$ 10,713	\$ 10,685
Sales taxes	14,021	14,009	13,643	13,130	13,270
Franchise taxes	2,333	2,536	2,366	2,359	2,383
Hotel tax	901	1,155	1,087	972	1,151
Other	84	106	99	97	117
Unrestricted investment earnings	493	571	354	240	252
Gain on retirement of capital assets	544	19	96	25	75
Miscellaneous revenues	1,407	418	740	1,758	1,014
Transfers	4,030	4,917	4,145	4,652	3,723
Total Governmental Activities	<u>35,152</u>	<u>34,684</u>	<u>33,279</u>	<u>33,946</u>	<u>32,670</u>
Business-Type Activities:					
Unrestricted investment earnings	226	462	270	167	168
Gain on retirement of capital assets	(1)	61	-	-	43
Miscellaneous revenues	-	-	-	-	-
Transfers	(4,030)	(4,917)	(4,145)	(4,652)	(3,723)
Total Business-Type Activities	<u>(3,805)</u>	<u>(4,394)</u>	<u>(3,875)</u>	<u>(4,485)</u>	<u>(3,512)</u>
Total Primary Government	<u>\$ 31,347</u>	<u>\$ 30,290</u>	<u>\$ 29,404</u>	<u>\$ 29,461</u>	<u>\$ 29,158</u>
Change in Net Position:					
Governmental Activities	\$ 8,701	\$ 3,441	\$ 3,660	\$ 3,567	\$ 1,969
Business-type activities	393	(1,560)	779	(1,757)	11
Total Primary Government	<u>\$ 9,094</u>	<u>\$ 1,881</u>	<u>\$ 4,439</u>	<u>\$ 1,810</u>	<u>\$ 1,980</u>

Source: City of Lufkin accounting records.

FISCAL YEAR				
2015	2014	2013	2012	2011
\$ 2,786	\$ 1,789	\$ 2,069	\$ 2,706	\$ 2,114
19,892	20,712	20,204	19,673	17,812
6,381	6,259	7,113	6,472	5,740
97	487	359	944	406
1,678	3,368	4,285	3,681	4,992
2,323	2,654	2,467	1,374	2,870
<u>33,157</u>	<u>35,269</u>	<u>36,497</u>	<u>34,850</u>	<u>33,934</u>
12,277	13,635	13,229	12,619	12,676
5,751	5,882	5,477	5,025	6,032
18,028	19,517	18,706	17,644	18,708
<u>\$ 51,185</u>	<u>\$ 54,786</u>	<u>\$ 55,203</u>	<u>\$ 52,494</u>	<u>\$ 52,642</u>
\$ 2,940	\$ 3,065	\$ 4,896	\$ -	\$ -
3,748	3,607	2,017	4,022	3,989
1,311	1,285	1,293	738	624
-	-	117	-	-
-	-	681	-	16
410	-	-	452	750
702	-	-	170	909
<u>9,111</u>	<u>7,957</u>	<u>9,004</u>	<u>5,382</u>	<u>6,288</u>
16,172	15,493	16,316	16,256	16,255
6,374	6,221	6,137	6,199	6,198
102	-	-	-	-
<u>22,648</u>	<u>21,714</u>	<u>22,453</u>	<u>22,455</u>	<u>22,453</u>
<u>\$ 31,759</u>	<u>\$ 29,671</u>	<u>\$ 31,457</u>	<u>\$ 27,837</u>	<u>\$ 28,741</u>
\$ (24,046)	\$ (27,312)	\$ (27,493)	\$ (29,468)	\$ (27,646)
4,620	2,197	3,747	4,811	3,745
<u>\$ (19,426)</u>	<u>\$ (25,115)</u>	<u>\$ (23,746)</u>	<u>\$ (24,657)</u>	<u>\$ (23,901)</u>
\$ 10,802	\$ 10,768	\$ 9,535	\$ 9,981	\$ 9,963
12,909	12,054	12,286	11,841	11,350
2,480	2,513	2,322	2,388	2,423
926	877	1,171	4,780	3,201
93	95	661	76	95
108	143	145	195	429
98	94	471	77	92
461	752	-	-	-
4,023	253	5,835	3,745	(6,426)
<u>31,900</u>	<u>27,549</u>	<u>32,426</u>	<u>33,083</u>	<u>21,127</u>
55	81	48	136	181
35	57	7	-	44
-	131	-	-	-
(4,023)	(253)	(5,835)	(3,742)	6,426
(3,933)	16	(5,780)	(3,606)	6,651
<u>\$ 27,967</u>	<u>\$ 27,565</u>	<u>\$ 26,646</u>	<u>\$ 29,477</u>	<u>\$ 27,778</u>
\$ 7,854	\$ 237	\$ 4,933	\$ 3,615	\$ (6,519)
687	2,213	(2,033)	1,205	10,396
<u>\$ 8,541</u>	<u>\$ 2,450</u>	<u>\$ 2,900</u>	<u>\$ 4,820</u>	<u>\$ 3,877</u>

**CITY OF LUFKIN, TEXAS**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(amounts expressed in thousands)**

FISCAL YEAR	PROPERTY TAXES	SALES TAXES	FRANCHISE TAXES	MIXED BEVERAGE TAXES	HOTEL TAXES	TOTAL
2020	\$ 11,339	\$ 14,021	\$ 2,333	\$ 84	\$ 901	\$ 28,678
2019	10,953	14,009	2,536	106	1,155	28,759
2018	10,749	13,643	2,366	99	1,087	27,944
2017	10,713	13,130	2,359	97	972	27,271
2016	10,685	13,270	2,383	117	1,151	27,606
2015	10,802	12,909	2,480	93	926	27,210
2014	10,768	12,055	2,513	94	877	26,307
2013	9,894	12,286	2,322	57	661	25,220
2012	9,867	11,841	2,388	78	809	24,983
2011	9,813	11,350	2,423	95	848	24,529

Source: City of Lufkin accounting records



**CITY OF LUFKIN, TEXAS**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(amounts expressed in thousands)**

	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund:										
Nonspendable	\$ 278	\$ 313	\$ 295	\$ 251	\$ 214	\$ 253	\$ 249	\$ 199	\$ 212	\$ 208
Restricted	-	-	-	-	-	-	-	-	-	9
Committed	8,397	8,324	8,332	8,330	8,148	7,733	7,645	7,841	7,416	7,267
Assigned	-	656	690	704	428	-	-	398	720	774
Unassigned	4,080	1,725	1,305	1,158	1,690	3,183	2,411	1,190	1,343	3,207
Total General Fund	<u>\$ 12,755</u>	<u>\$ 11,018</u>	<u>\$ 10,622</u>	<u>\$ 10,443</u>	<u>\$ 10,480</u>	<u>\$ 11,169</u>	<u>\$ 10,305</u>	<u>\$ 9,628</u>	<u>\$ 9,691</u>	<u>\$ 11,465</u>
All Other Governmental Funds:										
Nonspendable:										
Special Revenue Funds	\$ -	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:										
Debt Service Fund	2,299	2,164	1,829	1,828	1,407	1,811	1,991	2,280	2,022	1,612
Special Revenue Funds	188	312	300	368	217	309	484	440	155	594
Capital Project Funds	4,274	234	296	292	639	1,501	2,165	4,413	1,806	6,347
Committed:										
Special Revenue Funds	138	252	184	212	49	1,786	92	104	1,789	1,698
Capital Project Funds	-	-	-	136	980					
Assigned:										
Special Revenue Funds	1,908	1,836	1,750	1,675	1,455	(52)	1,871	1,879	411	189
Unassigned:										
Special Revenue Funds	-	-	(112)	-	-	-	-	-	-	-
Capital Project Funds	-	(189)	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 8,807</u>	<u>\$ 4,609</u>	<u>\$ 4,247</u>	<u>\$ 4,511</u>	<u>\$ 4,747</u>	<u>\$ 5,355</u>	<u>\$ 6,603</u>	<u>\$ 9,116</u>	<u>\$ 6,183</u>	<u>\$ 10,440</u>

Source: City of Lufkin accounting records

**CITY OF LUFKIN, TEXAS**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(amounts expressed in thousands)**

	FISCAL YEAR			
	2020	2019	2018	2017
Revenues:				
Taxes	\$ 28,713	\$ 28,727	\$ 27,929	\$ 27,328
Licenses and permits	721	440	388	330
Fines and forfeitures	425	735	992	1,107
Charges for services	3,399	3,468	3,589	3,875
Investment earnings	484	302	225	146
Intergovernmental	5,866	5,200	5,473	4,473
Other revenues	1,074	683	1,090	1,560
Total Revenues	40,682	39,555	39,686	38,819
Expenditures:				
General government	5,022	4,532	4,773	4,430
Public safety	20,382	19,673	20,337	19,711
Cultural and recreation	5,508	5,983	5,823	5,812
Planning and community development	-	-	224	429
Public works	5,187	5,475	4,989	5,221
Debt service:				
Principal	5,445	5,265	5,205	4,685
Interest and fiscal charges	1,152	1,358	1,476	1,815
Bond issuance costs	216	-	-	122
Capital outlay	917	1,263	864	1,483
Total Expenditures	43,829	43,549	43,691	43,708
Excess of Revenues Over (Under) Expenditures	(3,147)	(3,994)	(4,005)	(4,889)
Other Financing Sources (Uses):				
Capital lease proceeds	-	-	-	-
Bond proceeds	-	-	-	-
Refunding bonds proceeds	5,085	-	-	9,355
Loss on refunding	-	-	-	-
Premiums	820	-	-	464
Insurance recovery	-	-	-	-
Bonds/Certificates of Obligations issued	4,630	-	-	-
Payment to refunded bond escrow agent	(5,318)	-	-	(9,690)
Transfers in	5,124	5,325	4,460	4,941
Transfers out	(1,259)	(573)	(540)	(454)
Total Other Financing Sources (Uses)	9,082	4,752	3,920	4,616
Net Change In Fund Balances	\$ 5,935	\$ 758	\$ (85)	\$ (273)
Debt service as a percentage of noncapital expenditures	15.88%	15.66%	15.60%	15.68%

Source: City of Lufkin accounting records

FISCAL YEAR					
2016	2015	2014	2013	2012	2011
\$ 27,557	\$ 26,816	\$ 25,961	\$ 25,220	\$ 24,983	\$ 24,528
322	298	319	287	285	292
1,064	1,048	1,192	1,186	1,157	1,213
3,905	3,606	3,386	3,227	2,945	3,022
110	90	127	141	174	242
5,353	5,126	6,577	4,992	4,211	4,999
1,039	875	1,063	1,174	1,353	523
39,350	37,859	38,625	36,227	35,108	34,819
4,195	4,071	3,843	3,522	3,903	3,888
19,543	18,726	18,177	17,148	16,881	16,721
6,445	5,721	5,597	5,410	5,056	4,770
421	390	431	473	437	376
4,788	4,345	4,570	4,575	4,494	4,546
4,535	5,054	5,010	4,334	13,758	6,572
1,926	2,193	2,455	2,448	2,451	2,678
233	131	104	100	174	382
2,153	1,568	4,569	6,107	6,787	5,611
44,239	42,199	44,756	44,117	53,941	45,544
(4,889)	(4,340)	(6,131)	(7,890)	(18,833)	(10,725)
-	-	-	-	-	140
-	151	5,259	-	-	-
9,080	-	-	-	9,680	12,130
-	-	-	-	(375)	(74)
898	-	-	48	125	968
-	-	-	-	50	168
-	-	-	7,100	-	9,660
(9,893)	-	-	-	-	-
4,956	4,191	4,717	4,752	7,482	3,702
(1,450)	(725)	(5,681)	(1,141)	(4,160)	(10,070)
3,591	3,617	4,295	10,759	12,802	16,624
\$ (1,298)	\$ (723)	\$ (1,836)	\$ 2,869	\$ (6,031)	\$ 5,899
15.91%	18.11%	23.21%	23.15%	17.87%	17.99%

**CITY OF LUFKIN, TEXAS**  
**GENERAL GOVERNMENTAL FUNDS TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**

FISCAL YEAR	PROPERTY TAXES	SALES TAXES	FRANCHISE TAXES	MIXED BEVERAGE TAXES	HOTEL TAXES	TOTAL
2020	\$ 11,374	\$ 14,021	\$ 2,333	\$ 84	\$ 901	\$ 28,713
2019	10,921	14,009	2,536	106	1,155	28,727
2018	10,734	13,643	2,366	99	1,087	27,929
2017	10,770	13,160	2,359	97	972	27,358
2016	10,637	13,270	2,383	117	1,151	27,558
2015	10,408	12,909	2,480	93	926	26,816
2014	10,422	12,055	2,513	94	877	25,961
2013	9,894	12,286	2,322	57	661	25,220
2012	9,867	11,841	2,388	78	809	24,983
2011	9,813	11,350	2,423	95	848	24,529

Source: City of Lufkin accounting records

**CITY OF LUFKIN, TEXAS**  
**SALES TAX HISTORICAL INFORMATION**  
**LAST TEN FISCAL YEARS**

FISCAL YEAR	TAX RATE				# OF OUTLETS		SALES INFORMATION			
	REGULAR RATE	PROPERTY TAX RELIEF RATE	ECONOMIC/ INDUSTRIAL DEV SEC 4B RATE	TOTAL RATE	AVERAGE OUTLETS	% CHANGE PRIOR YEAR	GROSS SALES (000's)	TAXABLE SALES (000's)	% CHANGE PRIOR YEAR TAX SALES	TAXABLE SALES AS % OF GROSS SALES
2020	1.000%	0.375%	0.125%	1.500%	1,583	0.89%	\$ 3,279,202	\$ 899,117	(0.90)%	27.42%
2019	1.000%	0.375%	0.125%	1.500%	1,569	(0.51)%	3,280,397	907,285	1.90%	27.66%
2018	1.000%	0.375%	0.125%	1.500%	1,577	(3.87)%	3,267,495	890,349	5.47%	27.25%
2017	1.000%	0.375%	0.125%	1.500%	1,641	0.29%	3,006,669	844,194	(2.88)%	28.08%
2016	1.000%	0.375%	0.125%	1.500%	1,636	2.47%	3,298,349	869,218	0.62%	26.35%
2015	1.000%	0.375%	0.125%	1.500%	1,596	5.80%	3,200,576	863,900	(0.41)%	26.99%
2014	1.000%	0.375%	0.125%	1.500%	1,509	(1.54)%	3,299,928	867,456	4.67%	26.29%
2013	1.000%	0.375%	0.125%	1.500%	1,532	1.39%	3,134,183	828,784	4.99%	26.44%
2012	1.000%	0.375%	0.125%	1.500%	1,511	3.07%	2,995,077	789,429	5.75%	26.36%
2011	1.000%	0.375%	0.125%	1.500%	1,466	#DIV/0!	2,928,866	746,515	#DIV/0!	25.49%

**TAXABLE SALES BY INDUSTRY**  
**LAST TEN FISCAL YEARS**

FISCAL YEAR	TAXABLE SALES BY INDUSTRY						
	MANUFACTURING (000's)	RETAIL TRADE (000's)	ACCOMMODATION FOOD SERVICE (000's)	WHOLESALE TRADE (000's)	INFORMATION (000's)	MISC <sup>(1)</sup> (000's)	
2020	\$ 21,100	\$ 539,113	\$ 136,499	\$ 50,599	\$ 60,167	\$ 91,639	
2019	35,763	511,999	143,245	50,753	63,889	101,636	
2018	28,416	507,145	138,222	51,051	63,181	102,334	
2017	20,768	495,452	132,118	41,734	63,598	90,524	
2016	25,236	506,108	130,113	51,875	67,801	88,087	
2015	38,485	495,129	127,784	47,615	67,931	86,955	
2014	73,552	483,795	117,845	40,916	66,761	84,587	
2013	51,024	474,307	113,450	44,725	63,670	81,607	
2012	40,310	454,266	108,829	49,519	64,671	71,834	
2011	29,789	445,324	100,934	37,583	62,636	70,249	

(1) Miscellaneous includes construction, transportation/warehousing, education, finance/insurance, and other industries

Source: Texas Comptroller Public Accounts website

**CITY OF LUFKIN, TEXAS**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(amounts expressed in thousands)**

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FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		LESS: TAX EXEMPT REAL PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE	ESTIMATED ACTUAL TAXABLE VALUE	ASSESSED VALUE AS A PERCENTAGE OF ACTUAL VALUE
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	PERSONAL PROPERTY	MINERALS					
2020	\$ 886,464	\$ 992,735	\$ 528,589	\$ -	\$ 219,720	\$ 2,188,068	0.531135	\$ 2,407,788	90.87%
2019	839,971	996,903	482,050	-	209,819	2,109,105	0.531135	\$ 2,318,924	90.95%
2018	777,456	960,502	502,659	-	195,258	2,045,359	0.531135	\$ 2,240,617	91.29%
2017	740,765	974,620	533,422	-	197,027	2,051,780	0.529942	2,248,907	91.23%
2016	768,569	936,793	568,133	-	224,415	2,049,080	0.523800	2,273,494	90.13%
2015	758,004	935,930	533,785	-	214,697	2,013,023	0.523800	2,227,720	90.36%
2014	764,341	927,495	550,627	-	227,004	2,015,459	0.050380	2,242,462	89.88%
2013	773,305	883,472	541,395	-	208,709	1,989,464	0.050380	2,198,174	90.51%
2012	776,165	875,537	512,846	-	201,141	1,936,207	0.051380	2,164,348	89.46%
2011	787,785	881,832	466,059	-	198,699	1,936,977	0.051380	2,135,676	90.70%

Source: Angelina County Appraisal District

**CITY OF LUFKIN, TEXAS  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

FISCAL YEAR	CITY OF LUFKIN			LUFKIN INDEPENDENT SCHOOL DISTRICT			
	OPERATING MILLAGE	DEBT SERVICE MILLAGE	TOTAL CITY MILLAGE	OPERATING MILLAGE	DEBT SERVICE MILLAGE	TOTAL SCHOOL MILLAGE	
2020	0.38114	0.15000	0.53114	1.06830	0.25000	1.31830	
2019	0.38114	0.15000	0.53114	1.17000	0.28000	1.45000	
2018	0.38114	0.15000	0.53114	1.17000	0.04300	1.21300	
2017	0.37994	0.15000	0.52994	1.17000	0.04300	1.21300	
2016	0.37380	0.15000	0.52380	1.17000	0.04300	1.21300	
2015	0.36380	0.16000	0.52380	1.04000	0.17300	1.21300	
2014	0.33380	0.17000	0.50380	1.04000	0.16700	1.20700	
2013	0.33380	0.17000	0.50380	1.04000	0.17000	1.21000	
2012	0.33380	0.18000	0.51380	1.04000	0.16500	1.20500	
2011	0.33380	0.18000	0.51380	1.04000	0.16000	1.20000	
FISCAL YEAR	ANGELINA COUNTY			ANGELINA COLLEGE			TOTAL ESTIMATED MILLAGE
	OPERATING MILLAGE	DEBT SERVICE MILLAGE	TOTAL COUNTY MILLAGE	OPERATING MILLAGE	DEBT SERVICE MILLAGE	TOTAL COLLEGE MILLAGE	
2020	0.41954	0.01758	0.43712	0.14276	0.02819	0.17096	2.45751
2019	0.41716	0.01996	0.43712	0.14156	0.03943	0.18099	2.59925
2018	0.43832	0.02048	0.45880	0.13971	0.04128	0.18099	2.38393
2017	0.44081	0.02104	0.46185	0.13496	0.04420	0.17916	2.38395
2016	0.41400	0.04229	0.45629	0.12744	0.04446	0.17190	2.36499
2015	0.42160	0.04380	0.46540	0.12610	0.04580	0.17190	2.37410
2014	0.42300	0.04390	0.46690	0.12240	0.04828	0.17068	2.34838
2013	0.41630	0.04560	0.46190	0.12240	0.04828	0.17068	2.34638
2012	0.41930	0.03290	0.45220	0.11880	0.04820	0.16700	2.33800
2011	0.40380	0.04370	0.44750	0.11000	0.04900	0.15900	2.32030

Source: Angelina County Tax Assessor's Office  
Tax rates per 100 dollars of value

**CITY OF LUFKIN, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**  
**(amounts expressed in thousands)**

TAXPAYER	2020			2011		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Pilgrim Industries Inc.	\$ 35,467	1	1.62%	\$ 17,822	8	0.95%
Oncor Electric Delivery Co	28,729	2	1.31%	19,456	5	1.03%
Lufkin Industries LLC	27,128	3	1.24%	68,104	1	3.61%
Brookshire Brothers Inc.	26,522	4	1.21%	27,521	4	1.46%
Lufkin GKD Partners LP	13,933	5	0.64%	18,219	7	0.97%
Pineywoods Health Care Systems LP	13,268	6	0.61%	19,300	6	1.02%
BVMC Lufkin LLC	13,000	7	0.59%		-	
Consolidated Comm of Texas Co	12,733	8	0.58%	31,175	3	1.65%
ARC LMLUFTEX	12,645	9	0.58%			
Georgia Pacific Chemicals	12,152	10	0.56%			
Aspen Power LLC				35,034	2	1.86%
Pineywoods Health Care				13,759	9	0.73%
Keystone Southloop of Lufkin LLC				13,382	10	0.71%

Source: Angelina County Appraisal District



**CITY OF LUFKIN, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**(amounts expressed in thousands)**

FISCAL YEAR	TOTAL TAX LEVY FOR		COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE		
	FISCAL YEAR	AMOUNT	PERCENTAGE OF LEVY	AMOUNT		PERCENTAGE OF LEVY		
2020	\$	11,325	\$	11,027	97.37%	\$	11,197	98.87%
2019		10,935		10,664	97.52%		10,774	98.53%
2018		10,652		10,447	98.08%		10,591	99.43%
2017		10,615		10,428	98.24%		10,542	99.31%
2016		10,552		10,307	97.68%		10,546	99.94%
2015		10,311		10,103	97.97%		10,205	98.97%
2014		9,927		9,734	98.06%		9,801	98.73%
2013		9,893		9,552	96.55%		9,727	98.32%
2012		9,874		9,493	96.14%		9,675	97.98%
2011		9,726		9,478	97.45%		9,573	98.43%

Source: Angelina County Tax Assessor's Office

**CITY OF LUFKIN, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(amounts expressed in thousands, except per capita amount)**

FISCAL YEAR	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES			TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME <sup>1</sup>	PER CAPITA <sup>1</sup>
	GENERAL OBLIGATION BONDS	CERTIFICATES OF OBLIGATION	CAPITAL LEASES	NOTES PAYABLE	WATER WORKS AND SEWER SYSTEM BONDS	NOTES PAYABLE	CAPITAL LEASES			
2020	\$ 27,450	\$ 13,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,595	5.06%	1,188.97
2019	30,155	11,420	-	-	-	-	-	41,575	5.06%	1,170.80
2018	32,915	13,925	-	-	-	8	-	46,848	5.61%	1,318.96
2017	36,830	15,215	-	-	-	15	-	52,060	6.35%	1,439.75
2016	30,560	26,040	-	-	-	22	-	56,622	6.72%	1,558.42
2015	26,460	34,985	-	-	-	29	-	61,474	8.03%	1,700.95
2014	21,670	44,425	-	-	-	48	-	66,143	8.65%	1,832.98
2013	24,430	41,400	-	147	1,070	66	-	67,113	8.53%	1,863.78
2012	27,085	35,800	-	364	1,135	83	-	64,467	8.95%	1,819.82
2011	24,100	42,705	-	514	1,195	83	-	68,597	9.62%	1,956.17

<sup>1</sup> See the Schedule of Demographic and Economic Statistics for income and population data.

**CITY OF LUFKIN, TEXAS**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**(amounts expressed in thousands, except per capita amount)**

<u>FISCAL YEAR</u>	<u>GENERAL OBLIGATION BONDS</u>	<u>LESS: AMOUNTS AVAILABLE IN DEBT SERVICE FUND</u>	<u>TOTAL</u>	<u>PERCENTAGE OF ESTIMATED ACTUAL TAXABLE VALUE <sup>1</sup> OF PROPERTY</u>	<u>PER CAPITA <sup>2</sup></u>
2020	\$ 27,450	\$ 2,299	\$ 25,151	1.04%	736.64
2019	30,155	2,164	27,991	1.21%	788.26
2018	32,915	1,829	31,086	1.39%	875.19
2017	36,830	1,828	35,002	1.56%	968.00
2016	30,560	1,407	29,153	1.28%	802.38
2015	26,480	1,811	24,669	1.11%	682.58
2014	21,670	1,991	19,679	0.88%	545.35
2013	24,430	2,280	22,150	1.01%	615.12
2012	27,085	2,022	25,063	1.16%	707.49
2011	24,100	1,612	22,488	1.05%	641.29

<sup>1</sup> See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

<sup>2</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.

**CITY OF LUFKIN, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**SEPTEMBER 30, 2020**  
**(amounts expressed in thousands)**

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE <sup>1</sup>	ESTIMATED SHARE OF OVERLAPPING DEBT
Direct:			
City of Lufkin	\$ 40,595	100.00%	\$ 40,595
Overlapping:			
Angelina County	2,130	50.77%	1,081
Angelina College	11,931	50.14%	5,982
Hudson Independent School District	12,362	14.17%	1,752
Lufkin Independent School District	96,555	80.07%	77,312
Total Overlapping	122,978		86,127
Total Direct and Overlapping Debt	\$ 163,573		\$ 126,722

Sources: Angelina County, Angelina College, Hudson ISD, Lufkin ISD and City of Lufkin accounting records.

Assessed value data used to estimate applicable percentages provided by Tax Assessor-Collector and Appraisal District.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the taxable assessed value and dividing it by the total taxable assessed value.

**CITY OF LUFKIN, TEXAS**  
**LEGAL DEBT MARGIN INFORMATION**  
**SEPTEMBER 30, 2020**

As a Home Rule City, the City of Lufkin is not limited by law in the amount of debt it may issue.

The City's Charter (Section 6) states:

"The city shall have the power to borrow money on the credit of the city and to issue general obligation bonds for permanent public improvements or for any other public purpose not prohibited by the constitution of the State of Texas and to issue refunding bonds to refund outstanding bonds of the city previously issued. All such bonds shall be issued in conformity with the laws of the State of Texas."

Article 11, Section 5 of the State of Texas Constitution states in part:

"... but no tax for any purpose shall ever be lawful for one year, which shall exceed two and one-half percent of the taxable property of such city."

The tax rate at September 30, 2020 is \$ 0.531135 per \$100 of assessed valuation with assessed valuation being 100% of appraised value.

**CITY OF LUFKIN, TEXAS**  
**PLEDGED-REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(amounts expressed in thousands)**

<u>FISCAL YEAR</u>	<u>WATER AND SEWER CHARGES AND OTHER</u>	<u>LESS: OPERATING EXPENSES <sup>1</sup></u>	<u>NET AVAILABLE REVENUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>COVERAGE</u>
2020	\$ 17,766	\$ 11,473	\$ 6,293	\$ -	\$ -	\$ -
2019	17,368	11,461	5,907	-	-	-
2018	18,142	11,151	6,991	-	-	-
2017	16,879	11,813	5,066	-	-	-
2016	17,025	11,075	5,950	-	-	-
2015	15,865	12,006	3,859	-	-	-
2014	15,616	11,165	4,451	-	-	-
2013	16,320	10,882	5,438	65	53	46.08
2012	16,256	10,234	6,022	65	49	52.82
2011	16,294	10,016	6,278	60	52	56.05

Source: City of Lufkin accounting records.

<sup>1</sup> Excludes depreciation

**CITY OF LUFKIN, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

147	FISCAL YEAR	POPULATION <sup>1</sup>	PERSONAL INCOME <sup>1</sup> (AMOUNTS EXPRESSED IN THOUSANDS)	PER CAPITA PERSONAL INCOME	MEDIAN AGE	EDUCATION LEVEL IN YEARS OF FORMAL SCHOOLING	SCHOOL ENROLLMENT <sup>2</sup>	UNEMPLOYMENT RATE <sup>1</sup>
	2020	34,143	801,985	23.49	34.0	13.1	7,963	8.3
	2019	35,510	821,488	23.13	34.0	13.1	8,171	3.7
	2018	35,519	834,981	23.51	34.0	13.1	7,953	4.3
	2017	36,159	820,484	22.69	34.0	13.1	8,176	4.6
	2016	36,333	842,054	23.18	34.0	13.1	8,348	6.4
	2015	36,141	765,611	21.18	34.0	13.1	8,271	3.8
	2014	36,085	764,425	21.18	34.0	13.1	8,271	3.8
	2013	36,009	787,013	21.86	35.4	13.1	8,325	7.1
	2012	35,425	720,580	20.34	34.0	13.1	8,448	7.2
	2011	35,067	713,298	20.34	34.0	13.1	8,514	8.5

Data Sources

- <sup>1</sup> Texas Workforce Solutions
- <sup>2</sup> Lufkin Independent School District

Note: Population, median age, and education level information are estimates after fiscal year 2015 and are based on growth estimates. School enrollment is based on the census at the start of the school year.

**CITY OF LUFKIN, TEXAS  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND FIVE YEARS AGO**

EMPLOYER	2020			2015		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Lufkin ISD	1000+	1	3.92%	1000+	1	4.26%
Pilgrim's Pride	1000+	2	3.65%	1000+	2	3.60%
Lufkin State Supported Living Center	1000+	3	3.46%	1000+	4	3.05%
Brookshire Brothers	500-999	4	2.61%	1000+	3	3.05%
CHI St. Lukes Health Memorial	500-999	5	2.26%	1000+	5	3.00%
Angelina College	500-999	6	1.82%	-	-	-
Woodland Heights Medical Center	500-999	7	1.77%	500-999	7	1.57%
Walmart	400-500	8	1.31%	500-999	10	1.25%
Lockheed Martin	400-500	9	1.23%	-	-	-
City of Lufkin	400-500	10	1.20%	500-999	9	1.27%
Lufkin Industries	-	-	-	500-999	6	2.22%
Georgia Pacific	-	-	-	500-999	8	1.51%

Source: Lufkin Economic Development



**CITY OF LUFKIN, TEXAS**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

FUNCTION	FULL-TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General government	32	30	32	32	31	31	27	27	26	26
Public Safety:										
Police:										
Officers	77	77	77	77	79	78	76	76	76	76
Civilians	43	42	49	49	39	37	39	39	41	40
Fire:										
Officers	83	79	79	79	79	79	79	79	79	79
Civilians	2	1	1	1	2	2	2	2	2	4
Cultural and recreation	70	69	70	69	69	69	67	66	64	61
Community development	4	4	7	10	10	10	11	11	11	10
Public works	59	57	48	50	58	58	58	58	57	57
Water	32	32	32	33	33	33	33	33	33	31
Sewer	38	40	40	38	37	38	38	38	38	40
Solid waste	30	34	34	33	33	33	34	34	33	33
Total	<u>470</u>	<u>465</u>	<u>469</u>	<u>471</u>	<u>470</u>	<u>468</u>	<u>464</u>	<u>463</u>	<u>460</u>	<u>457</u>

Source: City of Lufkin Budget Document

Note: Beginning FY 2017 - Inspections was added to Public Safety.

Beginning FY 2019 - Inspections (Public Safety) & Planning & Zoning (Community Dev) is now part of Public Works.

**CITY OF LUFKIN, TEXAS**  
**OPERATING INDICATORS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Police										
Physical arrests	1,438	1,484	1,809	1,678	1,534	1,589	1,779	1,770	1,663	1,995
Parking violations	5	9	47	199	37	25	178	26	44	533
Traffic violations	2,991	4,317	5,614	6,892	5,905	6,708	9,481	8,401	10,793	12,298
Fire										
Number of calls answered <sup>(1)</sup>	13,431	12,932	13,722	11,972	12,975	13,181	12,465	11,969	8,283	2,546
Inspections	301	850	727	276	517	337	375	458	672	314
Highways and streets										
Street resurfacing (miles)	3.63	3.50	3.95	5.02	3.75	3	3	3	3	3
Potholes repaired	612	855	566	625	525	661	568	580	617	948
Sanitation										
Refuse collected (cu yd/day)	980	511	511	511	510	417	511	407	564	707
Recyclables collected (tons/day)	48	12	12	12	12	12	12	12	11	11
Cultural and recreation										
Community center rentals	242	242	242	242	242	242	283	252	253	491
Water										
New connections	218	111	113	118	59	125	27	110	136	107
Water mains breaks	387	408	585	599	475	460	414	465	456	598
Average daily consumption (thousands of gallons)	7,578	7,163	7,726	11,460	11,910	10,571	7,354	6,192	7,649	8,540
Wastewater										
Average daily sewage treatment (thousands of gallons)	5,829	5,974	5,330	5,474	5,667	4,964	5,175	5,463	5,226	4,959

Source: Various city departments

(1) Starting FY2013 the methodology for measuring number of Fire calls answered include EMS and Fire calls.

**CITY OF LUFKIN, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

FUNCTION	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	22	22	22	22	22	22	19	20	19
Fire:										
Fire stations	4	4	4	4	4	4	5	5	5	4
Sanitation:										
Collection trucks	19	19	19	19	19	19	19	19	19	19
Highways and Streets:										
Streets (miles)	208.9	208.9	211.4	211.4	211.4	211.4	211.4	208.8	208.8	208.9
Streetlights	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,641
Traffic signals	3	3	3	3	3	3	3	3	3	3
Cultural and Recreation:										
Parks acreage	650.0	650.0	650.0	650.0	650.0	650.0	653.0	653.0	653.0	655.0
Parks	16	16	16	16	16	16	16	16	16	16
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	11	11	11	11	11	13	13	13	13	13
Community centers	2	2	2	2	2	2	2	2	2	2
Water:										
Water mains (miles)	704	702	698	697	694	685	685	685	685	685
Fire hydrants	1,965	1,958	1,948	1,931	1,770	1,770	1,770	1,759	1,758	1,694
Maximum daily capacity in thousands of gallons	19,000	19,000	19,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Sewer:										
Sanitary sewers (miles)	275.1	274.6	274.2	276.0	273.5	272.7	272.7	272.5	270.8	270.8
Storm sewers (miles)	17.8	17.1	17.1	17.0	17.0	16.9	16.9	16.9	16.9	16.9
Maximum daily treatment capacity in thousands of gallons	11,300	11,300	13,000	11,300	11,300	11,300	11,300	11,300	17,100	17,100

Sources: Various city departments.

**CITY OF LUFKIN, TEXAS**  
**WATER, SEWER AND SANITATION RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Approved Rates

The monthly billing rates for water, sewer, and sanitation services as approved by the City Council effective October 1, 2019 were as follows:

Water Rates

Residential per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	\$ 13.53
Next 8,000 gallons	3.47 per thousand
Above 10,000 gallons	4.01 per thousand

Commercial per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	13.53
Next 48,000 gallons	3.47 per thousand
Above 50,000 gallons	4.01 per thousand

Irrigation per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	13.53
Next 8,000 gallons	3.47 per thousand
Above 10,000 gallons	4.01 per thousand

Residential per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	20.29
Next 8,000 gallons	5.20 per thousand
Above 10,000 gallons	6.02 per thousand

Commercial per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	20.29
Next 48,000 gallons	5.20 per thousand
Above 50,000 gallons	6.02 per thousand

Irrigation per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	20.29
Next 8,000 gallons	5.20 per thousand
Above 10,000 gallons	6.02 per thousand

Residential per thousand gallons Burke Water:

First 2,000 gallons (minimum)	22.99
Next 8,000 gallons	5.92 per thousand
Above 10,000 gallons	6.81 per thousand

Commercial per thousand gallons Burke Water:

First 2,000 gallons (minimum)	22.99
Next 48,000 gallons	5.92 per thousand
Above 50,000 gallons	6.81 per thousand

Irrigation per thousand gallons Burke Water:

First 2,000 gallons (minimum)	22.99
Next 8,000 gallons	5.92 per thousand
Above 10,000 gallons	6.81 per thousand

Industrial per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	320.04
Above 2,000 gallons	2.26 per thousand

Industrial per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	480.05
Above 2,000 gallons	3.47 per thousand

Wholesale per thousand gallons:

First 2,000 gallons (minimum)	11.46
Above 2,000 gallons	1.99 per thousand

**CITY OF LUFKIN, TEXAS**  
**WATER, SEWER AND SANITATION RATES - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Untreated Wholesale per thousand gallons:

First 2,000 gallons (minimum)	11.46
Above 2,000 gallons	1.21 per thousand

Water rates, including the minimum charge and gallonage cost, for other residential and commercial customers within the extraterritorial limits of the City of Lufkin, Texas shall be one and one-half (1 ½) times that rate inside the city limits.

Water rates, including the minimum charge and gallonage cost, for those residential and commercial customers outside the extraterritorial limits of the City of Lufkin, Texas shall be two (2) times that rate inside the city limits.

Sewer Rates

General Sewer Rates for Residential:

The Residential and Commercial rates are based on the following formulas:

User charge for water usage < 2,000 gallons = Cc  
User charge for water usage >2,000 gallons = (V-2000 x Cv) + Cc  
Where Cc = Customer charge, \$ 12.23  
V = metered water use above 2,000 gallons, in 1,000 gallons  
Cv = user charge for volume per 1,000 gallons

Residential:	Consumption in 1000 X	3.96	+12.23 Stops at 20,000
Commercial:	Consumption in 1000 X	4.38	+12.23 Does not stop

The following Commercial sewer rates are based on the following formula:

User charge = (V x Cv) + Cc  
Where Cc = Customer charge, \$ 12.23  
V = metered water use in 1,000 gallons  
Cv = user charge for volume per 1,000 gallons

General:	Consumption in 1000 X	4.38	+12.23 Does not stop
Restaurant:	Consumption in 1000 X	8.63	+12.23 Does not stop

Multi-unit dwellings shall be charged on a per unit basis by dividing the total water use on the master meter by the number of units in the dwelling. This average consumption per unit will be used to calculate the wastewater user charge for each unit. Then the average charge per unit, times the number of units, equals the total user charge for that meter.

Outside the city limits, the rate shall be equivalent to two (2) times that rate inside the city limits.

Outside the City's extraterritorial limits, the rate shall be equivalent to two and one-half (2 ½) times that rate inside the city limits.

Change in method of charging residential customers (single and double units) is to be based on an average of consumption taken for the months of December, January, and February on a yearly basis.

If the customer does not have all three months consumption, the sewer charge is to be based on monthly consumption until such average is attainable.

**CITY OF LUFKIN, TEXAS  
WATER, SEWER AND SANITATION RATES - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Commercial and Industrial Users Rates:

The rates for commercial and industrial customers shall be determined by the following equation:

$$\text{User charge} = C_c + V (C_v + (C_b \times \text{BOD}) + (C_s \times \text{TSS}))$$

Where:  $C_c$  = Customer charge, \$ 12.23

$V$  = Metered water use or measured wastewater discharge, 1,000 gallons

$C_v$  = User charge for volume per 1,000 gallons

$C_b$  = User charge for BOD per mg/1 X 1,000 gallons

BOD = Biochemical oxygen demand, mg/1

$C_s$  = User charge for TSS per mg/1 X 1,000 gallons

TSS = Total suspended solids, mg/1

$$\text{Formula: } 12.23 + V (2.41 + (.004150 \times \text{BOD}) + (.002271 \times \text{TSS}))$$

Sanitation Rates:

Residential:	\$	16.48	plus sales tax
2 container resident		21.48	plus sales tax
Each additional container		5.00	plus sales tax
Commercial:		20.00	plus sales tax
		5.94	per cubic yard
		10.26	per non-compacted cubic yard
		10.26	per compacted cubic yard
		2.64	per cubic yard recycling

System Connections

<u>At September 30, 2020:</u>	<u>Water</u>	<u>Sewer</u>
Number of metered customers	15,469	13,750
Gallons of water pumped	2,766,117,000	-
Gallons of water sold	2,232,899,050	-

**CITY OF LUFKIN, TEXAS  
INSURANCE COVERAGE  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Ohio Casualty Insurance Company	Crime-Public Dishonesty		\$ 10,000
	Crime Forgery & Alteration		10,000
	Crime, Theft, Disappearance & Destruction		10,000
	Crime Coverage-Fraud		10,000
Texas Municipal League	Boiler and Machinery	10-1-19 to	3,000,000
	Deductible	9-30-20	2,500
	Auto Liability	10-1-19 to	1,000,000
	Deductible	9-30-20	500
	Law Enforcement Liability	10-1-19 to	1,000,000
	Deductible	9-30-20	10,000
	Errors and Omissions Liability	10-1-19 to	1,000,000
	Deductible	9-30-20	10,000
	General Liability	10-1-19 to	1,000,000
	Deductible	9-30-20	10,000
	Real and Personal	10-1-19 to	
	Deductible	9-30-20	2,500
	City Hall/Police		7,658,093
	City Hall/Police contents		1,529,004
	Civic Center		10,576,551
	Civic Center contents		1,400,000
	City Hall Annex		436,380
	City Hall Annex contents		25,000
	Fine Arts		513,450
	Sewer Treatment Plant		840,778
	Recycling Building		676,756
	Recycling Building contents		500,000
	Wastewater Administration Building		393,498
	Administration Building contents-WW		50,000
	Waterworks Plants/Buildings		1,021,412
	Sewer Treatment Buildings		661,965
	Solid Waste Building		561,835
	Solid Waste Building contents		680,000
	Fleet Office/Maint Shop/Extras		1,410,654
	Animal Control		1,024,285
	Animal Control contents		155,000
	Kurth Memorial Library		7,046,352
	Kurth Memorial Library contents		3,000,000
	Police Radio Antenna		139,421
	Animal Control Barn		35,008
	Animal Control contents		45,000
	Computer Equipment -Contents value		2,500,000
	Community Center Building - Keltys		251,123
	Community Center Building - Keltys - contents		6,000
	Community Center Building - Pershing		269,532
	Community Center Building - Pershing contents		6,000
	Downtown Center		1,312,226
	Downtown Center contents		33,000
	Fire Station 1		702,507
	Fire Station 1 contents		115,000

**CITY OF LUFKIN, TEXAS**  
**INSURANCE COVERAGE - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Fire Station 2		5,549,401
	Fire Station 2 contents		29,600
	Fire Station 3		1,767,121
	Fire Station 3 contents		125,000
	Fire Station 4		1,054,718
	Fire Station 4 contents		124,000
	Fire Station 5		1,302,121
	Fire Station 5 contents		100,000
	Fire Building -2815 S John Redditt Dr		319,650
	Fire Station-1112 Atkinson (bldg & content)		356,430
	Fire Communication Tower -Trailwood Blvd		49,586
	Fire Station 5-Poles & Sign		15,554
	Fire-Storage Bldg 111 E. Shepherd Ave		114,177
	Fire Tower/Equipment		53,204
	Ellis Ave Building Police		311,989
	Ellis Ave Building contents		80,000
	Southbase Police Office- contents		80,000
	Small Animal Building - Zoo		321,353
	Small Animal Building - Zoo (Content)		50,000
	Entrance Gift/Food Concession Zoo		109,175
	Entrance Gift/Food Concession Content		75,000
	Hippo Pool Zoo		106,408
	Large Cat Exhibit Zoo		114,814
	Large Cat Exhibit Zoo Content		3,500
	Office/Residence Zoo		127,690
	Office/Residence Zoo Content		8,000
	Clinic/Isolation Zoo		115,027
	Clinic/Isolation Zoo Content		110,000
	Necropsy/Freezer Zoo		61,291
	Necropsy/Freezer Zoo Content		35,000
	Giraffe/Rhino Exhibit Zoo		170,040
	Giraffe/Rhino Exhibit Zoo Content		15,000
	Admissions/Restroom		141,204
	Admissions/Restroom Content		8,000
	Entrance Cover/Zoo Circle		3,724
	Hippoquarium Building		103,003
	Hippoquarium Building Content		20,000
	Zoo-African Area Restroom/Extra		97,151
	Zoo-African Area Restroom/Extra-Contents		3,000
	Zoo-Animal Exhibit/Holding w/Pool		34,795
	Zoo-Animal Exhibit/Holding w/Pool		4,000
	Zoo-Educational Bldg/Offices		1,223,269
	Zoo-Educational Bldg/Offices-contents		173,000
	Zoo-Komodo Dragon		48,948
	Zoo-Komodo Dragon contents		1,000
	Asia Building		98,960
	Asia Building-Contents		3,000
	Rotary Parrot Exhibits		31,390
	Vet Shed-Contents		9,000
	Zoo-entrance gates		38,308
	Hay Storage		51,927
	Maintenance Building		174,084
	Memorial Shelter-Zoo		24,155
	Zoo Protective Awning		10,854
	Zoo Fiber Optic Cable		85,127



**CITY OF LUFKIN, TEXAS**  
**INSURANCE COVERAGE - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Zoo-Sign Front Entrance		14,713
	Zoo Commissary/Generator		701,832
	Zoo Commissary/Generator contents		40,000
	Old City Hall 210 E. Lufkin Ave.		703,571
	Offices/3Bay Garage		444,148
	Offices/3Bay Garage Content		300,000
	Spray Play/Canopy/Sail		34,051
	Spray Play - Chambers		108,536
	Spray Play - Kiwanis		108,536
	Spray Play - Jones Park		108,536
	Basketball/Tennis Court Pavillion		575,456
	Concession/Restroom/MTC/Pavilion		350,509
	Concession/Restroom - contents		50,000
	(8 Fields) of Light Poles		851,266
	Concession- Windsor		72,996
	(5 Fields) of Lights		532,041
	Parking Lot Lights		106,408
	Storage Building		107,366
	Storage Building-Contents		30,000
	Parks Restrooms- Boys complex		117,687
	Parks Equipment/Maint Old Moffett & Morris Frank Park		33,093
	Parks Pavillion Boys Complex		45,011
	Parks Kurth Lake Lodge		176,850
	Kurth Lake Lodge contents		10,000
	Kurth Lake Caretaker's House/Engineering		124,072
	Restroom -Girl's Complex MFP		130,456
	Restroom-500 Pershing Ave		51,821
	Restroom-200 Mott Dr		80,338
	Restrooms-Jones Park		66,824
	Restrooms-1117 S Timberland Dr		56,822
	Restrooms/Concessions-420 Jack St		39,797
	30ft Flag Poles		29,794
	3 SB Fields w/10 Light Poles		138,331
	Restroom-Jones Park		61,291
	Control Bldg-Spray Park 1501 MLK Blvd @ Jones Park		12,556
	Control Bldg-Spray Park 1117 S. Timberland Kiwanis Park		11,173
	Concession/Restroom 513 Windsor @ Morris Frank Park		133,329
	Parks Restrooms/storage Old Moffet & Kit McConnico		125,987
	Parks Restrooms/storage Old Moffet & Kit McConnico-contents		20,000
	Parks Pavilion #2 @ Ellen Trout Zoo		83,743
	Park Pavilions -various		875,019
	Morris Frank Girls Baseball Storage Building		17,983
	Parks & Rec Maintenance @ Windsor		35,966
	Parks Bleacher Covers		127,371
	Parks Batting Cage		24,900
	Parks Gazebo		67,037
	Parks Gazebo @ Grace Dunn Richardson		28,092
	Office (Log Cabin) Chambers Park		26,602
	Umpire Changing Station @ Kit McConnico		24,793
	Parks varios signs (14x8x3)		118,113
	Parks Dugouts @ Morris Frank Park		14,898
	Amphitheatre with Mural		117,049
	Brandon Parks signs		8,513
	City Business park signs		15,961
	City Business Park Flag Poles (3)		4,788

**CITY OF LUFKIN, TEXAS**  
**INSURANCE COVERAGE - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	City Business Park Signs		12,769
	Brandon Park Pavillion		29,794
	Jones Park Floating Dock		41,519
	Ellen Trout Park Restrooms		129,746
	Chambers Park Light Poles 6@ Tennis Court		12,655
	Kurth Lake Lodge Pier		43,057
	Kurth Lake Lodge Board Ramp		16,403
	Lift Station 701		266,021
	Lift Station 702		186,214
	Lift Station 704		26,602
	Lift Station 705		10,641
	Lift Station 706		53,204
	Lift Station 710		51,899
	Lift Station 711		53,204
	Lift Station 713		53,204
	Lift Station 714		26,602
	Lift Station 716		26,602
	Lift Station 722		53,204
	Lift Station 724		53,204
	Lift Station 715S		26,602
	Lift Station 719S		5,320
	Lift Station 720S		5,320
	Lift Station 725		15,961
	Lift Station 727		10,641
	Water Well 3		53,204
	Water Well 5		53,204
	Water Well 6		53,204
	Water Well 7		53,204
	Water Well 9		53,204
	Water Well 10		53,204
	Water Well 11		53,204
	Water Well 12		212,816
	Water Well 13		212,816
	Water Well 14		212,816
	Water Well 15		212,816
	Pump Station Lab/office		142,055
	Chlorination Bldg		51,395
	Pump Station Office		50,012
	Chlorination Bldg		29,262
	200hp Blower #6		63,845
	Sludge Transfer Pumps		37,243
	Warehouse 305 Davis		336,250
	Office/Extras 305 Davis		839,774
	Vehicle Storage 305 Davis		137,692
	Washbay		7,768
	Fuel Station 305 Davis		32,455
	Sewer Rehab Building		37,136
	Recycling Warehouse		169,508
	Fuel Station 500 S Park		7,555
	Intake Structure(River)/Pump Station		2,128,164
	Intake Structure/Pump Station (Rivercrest Red)		2,128,164
	Pumping Station -N. Davisville Rd		2,128,164
	2M gal Elevated Water Tank		1,360,110
	2M gal Elevated Water Tank		1,360,110
	Water Well #21		53,204

**CITY OF LUFKIN, TEXAS  
INSURANCE COVERAGE - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Water Well #23		53,204
	Water Well #24		53,204
	Water Well #25		53,204
	Water Well #28		53,204
	Water Well #29		53,204
	Water Well #30		53,204
	Water Well #31		53,204
	Water Well #32		53,204
	Water Well #33		53,204
	Water Well #34		53,204
	Water Plant #2-Generator 600kw		105,095
	Vehicle /Equipment Shelter #1&2 @ 305 Davis		86,936
	12K gal Unleaded Gas Tank - Davis St.		42,563
	12K gal Unleaded Gas Tank - Davis St. Contents		20,000
	12K gal Diesel Tank - Davis St.		42,563
	12K gal Diesel Tank - Davis St. Contents		20,000
	12k gal Unleaded Gasoline Tank - S. Park		42,563
	12K gal Unleaded Gasoline Tank - S. Park Contents		20,000
	12K gal Diesel Tank - 500 S. Park		42,563
	12K gal Diesel Tank - 500 S. Park Contents		20,000
	Pines Theatre		1,596,123
	Pines Theatre - Contents		75,000
	Animal Control - 1901 Hill St		158,974
	Animal Control - Contents		12,000
	Lift Station-Sewer		26,602
	Digester #1 - 3510 Southwood		3,192,246
	Digester #2 - 3510 Southwood		3,192,246
	Digester #3 - 3510 Southwood		3,192,246
	500K gal Elevated Water Tank - 2020 Wood Ave		1,301,266
	500K gal Elevated Water Tank - 1010 Kiln Ave		1,500,569
	1M gal Elevated Water Tank - 321 Ellen St		2,198,394
	Lift Station-Sewer 1805 Copeland St		53,204
	Generator - Water Plant		74,486
	2M gal Ground Water Tank		1,360,110
	1M gal Elevated Water Tank - 321 Ellen St		800,722
	500 KW Generator - WWTP		159,612
	Solid Waste Facility Signs & Flag Poles		11,705
	Oil Storage Building		10,109
	Blower Building		34,263
	Pump House/3Pumps/SCADA		744,238
	Chlorine Building @ WP#3		221,065
	1M gal Ground Water Tank#2		800,722
	1M gal Ground Water Tank#3		800,722
	1M gal Ground Water Tank#4		800,722
	Communication Towers		108,005
	Courthouse		1,344,054
	Rental Building-Armory Dr		579,925
	Street-Wash Bay		126,113
	Restroom @ Brandon Park-1612 Keltys St		50,625
	Zoo Boat Storage-402 Zoo Circle		27,338
	Zoo Fishing Pier-402 Zoo Circle		43,538
	Metal Covering on Shooting Range-Southwood		51,800
	Recreation Center -Montrose		3,500,000

**CITY OF LUFKIN, TEXAS**  
**INSURANCE COVERAGE - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Coverage Extensions		
	Deductible		2,500
	Valuable Papers & Records		10,000
	Accounts Receivable		10,000
	Loss of Revenues		50,000
	Personal Property - Employees		5,000
	Leasehold Interest		5,000
	Outdoors Trees & Shrubs		10,000
	(\$250.00 each)		
	Supplemental Sewage Backup		
	Deductible		500
	each structure		25,000
	each occurrence		50,000
	Mobile Equipment	10-1-19 to	
	Deductible	9-30-20	2,500
	Mustang Cat Motorgrader		151,064
	John Deere Tractor		23,415
	Gradall Excavator		223,536
	John Deere Skid Steer Loader		27,600
	John Deere 2000 LC		156,308
	John Deere Backhoe		70,651
	Case 586G Forklift -2008		45,374
	John Deere 310SJ Backhoe-2004		57,838
	John Deere 35C Compacted Excavator		35,483
	John Deere 200LC Excavator		128,950
	John Deere 450 Bulldozer		61,050
	Caterpillar CB434D Compactor		101,500
	John Deere Cab Tractor w/Mower		59,044
	John Deere 50 D Excavator		53,760
	Polaris 800 HD ATV		11,805
	John Deere 332D Loader		32,819
	John Deere Backhoe (Water/Sewer)		66,088
	Toyota Forklift (Recycling)		30,552
	John Deere Excavator (Sewer)		35,915
	John Deere Backhoe (Water/Sewer)		74,542
	John Deere Backhoe (Street)		83,900
	2012 Wirtgen Milling Machine W120fl		418,370
	2012 Wirtgen Asphalt Paver 5103-2		320,464
	2013 John Deere 310SK Backhoe-Water/Sewer Dept.		81,100
	2012 John Deere Model 326 Skid Steer-Recycling Dept.		33,380
	2013 John Deere Model 450J Crawler/Dozer- Street Dept.		77,975
	2014 Broce CRT350-Street Dept.		55,443
	2014 Kubota L6400HST Tractor-Water Production		24,514
	2014 Gradall Excavator		303,524
	2014 Bomag Roller-Street		69,545
	2015 Kubota Tractor Loader-Parks		19,146
	2015 John Deere Backhoe/loader-W/S		85,500
	2015 John Deere Excavator W/S		61,032
	2016 John Deere 310SL Backhoe Sewer		90,053
	2016 John Deere 310SL Backhoe Sewer		87,030
	2016 John Deere Skid- 328E Skid-Steer Loader		42,695
	2016 John Deere Backhoe W/S		105,000
	2016 John Deere 324 K Wheel Loader		94,654
	2016 John Deere Boom Mower		98,673
	2016 John Deere 5065E Utility Tractor		24,172

**CITY OF LUFKIN, TEXAS**  
**INSURANCE COVERAGE - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	2017 Peterbilt Model 337 Pro Patch Truck		164,837
	2018 Peterbilt Model 348 Asphalt Distributor		212,596
	2018 John Deere Tractor-5065E -Street		25,400
	2018 Kioti Tractor-DK5510 -Parks/Maint		27,325
	Fogger Sprayer-Parks & Rec		6,975
	2018 John Deere 450K Bulldozer-Street		85,000
	2018 Polaris Utility Vehicle-Fire		10,481
	2018 Kioti Tractor-Parks & Rec		27,325
	2018 Sullair Compressor		52,693
	2018 Kawasaki All Terrain		8,239
	2014 Yamaha Golf Cart		3,850
	2018 Cushman Utility Vehicle		10,000
	2019 Grasshopper Mower		9,576
	2019 John Deere Gator		9,495
	Auto Physical Damage	10-1-19 to	
	Deductible each vehicle	9-30-20	500
	Deductible per occurrence		10,000
Deep East Texas Self Insurance Fund	Workers' Compensation		Statutory

## **COMPLIANCE SECTION**

Glenda J. Hiers, CPA  
Richard A. Rudel, CPA  
Yvette Sidnell, CPA  
Jennifer L. Webster, CPA  
Susan L. Murrell, CPA



4000 S. Medford Drive  
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Wilbur E. Alexander, CPA  
(1940-2009)  
Ted A. Lankford, CPA  
(Retired)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENTAL AUDITING STANDARDS**

To the Honorable Mayor and Members of  
the City Council  
City of Lufkin, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lufkin, Texas (City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 16, 2021.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENTAL AUDITING STANDARDS - CONTINUED**

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ALEXANDER, LANKFORD & HIERS, INC.  
Certified Public Accountants

Lufkin, Texas  
September 16, 2021



Glenda J. Hiers, CPA  
Richard A. Rudel, CPA  
Yvette Sidnell, CPA  
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(Retired)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and Members of  
The City Council  
City of Lufkin, Texas

**Report on Compliance for Each Major Federal Program**

We have audited City of Lufkin, Texas' (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Lufkin, Texas' major federal programs for the year ended September 30, 2020. City of Lufkin, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Lufkin, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Lufkin, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Lufkin, Texas' compliance.

***Opinion on Each Major Federal Program***

In our opinion, City of Lufkin, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - CONTINUED**

**Report on Internal Control over Compliance**

Management of City of Lufkin, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Lufkin, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Lufkin, Texas' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ALEXANDER, LANKFORD & HIERS, INC.  
Certified Public Accountants

Lufkin, Texas  
September 16, 2021

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

GRANT/CONTRACT	CFDA NUMBER	PASS THROUGH GRANTOR NUMBER	PASSED THROUGH TO SUBRECIPIENTS	EXPENDITURES
U.S. Department of Homeland Security:				
Passed through Texas Office of the Governor Homeland Security Grants Division:				
Homeland Security Grant Program	97.067	3719801	\$ -	\$ 32,684
Total U.S. Department of Homeland Security			-	32,684
U.S. Department of Justice:				
Direct:				
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	-	31,654
Bulletproof Vest Partnership Program	16.607	N/A	-	4,861
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	10,167
Total U.S. Department of Justice			-	46,682
U.S. Department of Housing and Urban Development:				
Passed through Texas Department of Agriculture:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	7219250	-	39,186
Total U.S. Department of Housing and Urban Development			-	39,186
U.S. Department of the Treasury:				
Passed through Texas Department of Emergency Management:				
Coronavirus Relief Fund	21.019	Project #510	-	2,037,585
Total U.S. Department of the Treasury			-	2,037,585
Total Federal Awards			\$ -	\$ 2,156,137

See independent auditor's report on schedule of expenditures of federal awards.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2020**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Lufkin, Texas (City) under programs of the federal governments for the year ended September 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City. Therefore, some amounts may differ from amounts presented in, or used in the preparation of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the Schedule.

**Summary of Significant Accounting Policies**

Expenditures on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Indirect Cost Rate**

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Relationship to Financial Statements**

Amounts reflected in the financial reports filed with grantor agencies for the programs and in the Schedule may be different because of program year ends and accruals that will be reflected in the next report filed with the agencies.

**CITY OF LUFKIN, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**A. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: **UNMODIFIED**

Internal control over financial reporting:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Significant deficiencies identified?	<u>      </u> Yes	<u>  X  </u> None Reported

Noncompliance material to financial statements noted?

<u>      </u> Yes	<u>  X  </u> No
-------------------	-----------------

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Significant deficiencies identified?	<u>      </u> Yes	<u>  X  </u> None Reported

Type of auditor's report issued on compliance for major programs: **UNMODIFIED**

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?

<u>      </u> Yes	<u>  X  </u> No
-------------------	-----------------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B federal programs: \$750,000

Auditee qualified as low-risk auditee for federal awards        Yes   X   No

**B. Financial Statements Findings**

None

**C. Federal Awards Findings and Questioned Costs**

None