

**CITY OF LUFKIN, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended September 30, 2021**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	5
Organization Chart.....	9
List of Principal Officials.....	10
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	12
Management's Discussion and Analysis.....	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	27
Statement of Activities.....	28
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	30
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	31
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	33
Statement of Net Position - Proprietary Funds .....	34
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds .....	35
Statement of Cash Flows - Proprietary Funds.....	36
Notes to the Financial Statements .....	37
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual - General Fund .....	77
Condition Rating of the City's Street System.....	84
Comparison of Needed-to-Actual Maintenance/Preservation.....	85
Schedule of Changes in Net Position Liability and Related Ratios - Texas Municipal Retirement System .....	86
Schedule of Pension Contributions - Texas Municipal Retirement System .....	88
Notes to Schedule of Pension Contributions - Texas Municipal Retirement System.....	90
Schedule of Changes in Net Pension Liability and Related Ratios - Firemen's Relief and Retirement Fund of Lufkin, Texas .....	92
Schedule of Changes in Total OPEB Liability and Related Ratios - Texas Municipal Retirement System.....	94
Schedule of Changes in Total OPEB Liability and Related Ratios - Retiree Health Insurance Fund .....	95
Supplemental Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Statement of Net Position - Component Units .....	98
Combining Statement of Activities - Component Units.....	99
Combining Balance Sheet - Nonmajor Governmental Funds.....	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -Nonmajor Governmental Funds .....	101
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	106
Combining Balance Sheet - Nonmajor Capital Projects Funds .....	110
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds .....	112
Combining Statement of Net Position - Internal Service Funds .....	114
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds .....	115
Combining Statement of Cash Flows - Internal Service Funds .....	116
Schedule of Operating Expenses by Department:	
Water and Sewer Utility Enterprise Fund .....	117
Solid Waste Disposal Enterprise Fund.....	118
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual:	
Debt Service Fund .....	119
Hotel/Motel Tax - Special Revenue Fund .....	120
Zoo Building - Special Revenue Fund.....	121
Court Security/Technology - Special Revenue Fund.....	122

## TABLE OF CONTENTS - CONTINUED

	<u>PAGE</u>
<b>FINANCIAL SECTION - CONTINUED</b>	
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual - Continued:	
Special Recreation - Special Revenue Fund .....	123
Animal Control - Kurth Grant - Special Revenue Fund .....	124
Animal's Attic Gift Shop - Special Revenue Fund .....	125
Pines Theater Special Events - Special Revenue Fund .....	126
Main Street/Downtown Development Fund - Special Revenue Fund .....	127
Lufkin Convention & Visitors Bureau Fund - Special Revenue Fund .....	128
<b>STATISTICAL SECTION</b>	
Net Position by Component .....	130
Changes in Net Position .....	132
Governmental Activities Tax Revenues by Source .....	134
Fund Balances of Governmental Funds .....	135
Changes in Fund Balances of Governmental Funds .....	136
General Governmental Funds Tax Revenues by Source .....	138
Sales Tax Historical Information .....	139
Assessed Value and Estimated Actual Value of Taxable Property .....	140
Property Tax Rates - Direct and Overlapping Governments .....	141
Principal Property Taxpayers .....	142
Property Tax Levies and Collections .....	143
Ratios of Outstanding Debt by Type .....	144
Ratios of General Bonded Debt Outstanding .....	145
Direct and Overlapping Governmental Activities Debt .....	146
Legal Debt Margin Information .....	147
Pledged-Revenue Coverage .....	148
Demographic and Economic Statistics .....	149
Principal Employers .....	150
Full-time Equivalent City Government Employees by Function .....	151
Operating Indicators by Function .....	152
Capital Asset Statistics by Function .....	153
Water, Sewer and Sanitation Rates .....	154
Insurance Coverage .....	157
<b>COMPLIANCE SECTION</b>	
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 <i>Governmental Auditing Standards</i> .....	165
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	167
Schedule of Expenditures of Federal Awards .....	169
Notes to the Schedule of Expenditures of Federal Awards .....	170
Schedule of Findings and Questioned Costs .....	171

## **INTRODUCTORY SECTION**



300 East Shepherd  
P. O. Drawer 190  
Lufkin, Texas 75902-0190  
(936) 633-0212  
Fax: (936) 633-7501

September 13, 2022

**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, 2021 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, 2021. 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 have seen growth in Fiscal 2021 from 2020. As internet shopping trends increase, as well as population and disposable income growth, sales tax revenues continue to be positively 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. Higher property tax collections generated an increase in revenue in this category.

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 2010 census recorded populations of 35,067 and 86,771 for the City of Lufkin and Angelina County respectively. The 2015 census 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 2021, according to Texas Workforce statistics, is 6.0 percent compared to 8.3 percent the previous year. Economic activity within the City has seen growth with new businesses and population.

### **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)
  - Project activity began on the 2020 Capital Improvements Plan in early Fiscal 2021

- Utility Reconstruction and Expansion
  - Infiltration/Inflow sewer improvement projects (under construction)
  - Expansion of water and sewer services to a new business along Hwy 69 South (complete).
  - Relocation of water service along Hwy 59 South in the Burke area (complete).

## 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, 2021 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%	\$ 8,314,392	\$ 15,951,419
Hotel/Motel Tax Fund - 12.5%	90,597	318,395
Special Recreation Fund - 12.5%	32,216	(20,296)
	<u>8,437,205</u>	<u>16,249,518</u>
Proprietary Funds: (working capital)		
Water/Wastewater Fund - 12.5%	\$ 2,155,769	\$ 6,094,899
Solid Waste/Recycling Fund - 12.5%	853,472	3,560,319
	<u>3,009,241</u>	<u>9,655,218</u>

\* Please refer to footnotes regarding negative balance of Special Recreation Fund.

## Major Initiatives

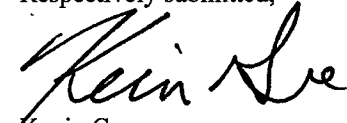
City management has completed comprehensive analysis of the rolling equipment stock, and developed a fleet services and replacement policy that has been adopted by City Council. This project resulted in developing a planned replacement schedule of the vehicles and equipment used in our daily operation. High cost, long life equipment such as fire trucks and road equipment will be funded separately. During FY 2021 the City purchased \$1,155,573 in new/replacement equipment and is planning to replace approximately \$3,961,308 of equipment in FY 2022.

## Awards and Acknowledgments

The City received the GFOA's Distinguished Budget Presentation Award for its annual budget document beginning October 1, 2020. 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 Transparency Stars for Traditional Finances, 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,

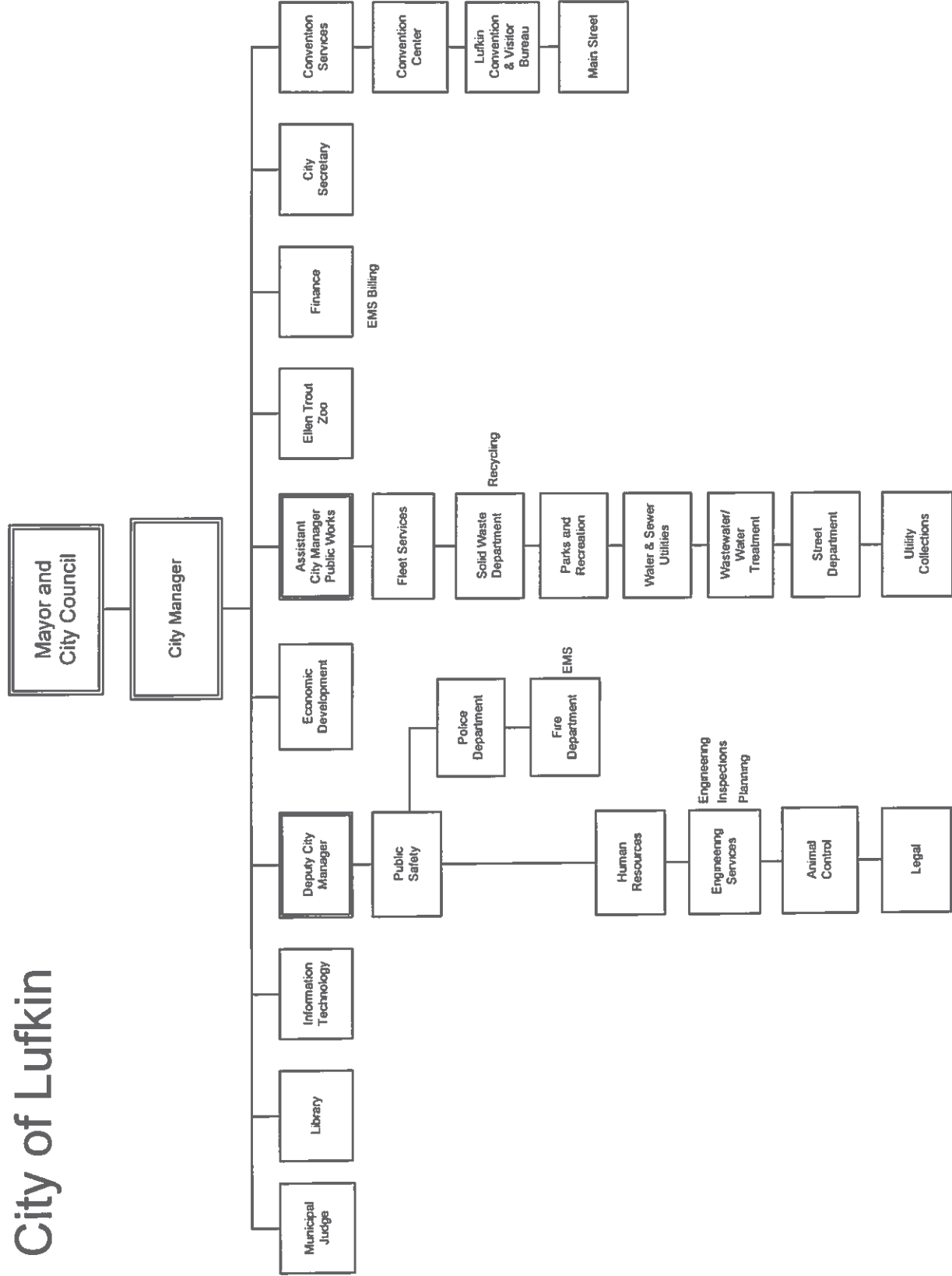


Kevin Gee  
City Manager





# City of Lufkin



Chain of Command  
City Manager  
Deputy City Manager  
Assistant City Manager  
Director Public Safety

**CITY OF LUFKIN, TEXAS  
LIST OF PRINCIPAL OFFICIALS  
SEPTEMBER 30, 2021**

GOVERNING BODY

Mark Hicks, Mayor

CITY COUNCIL

Guessippina Bonner .....	Ward No. 1
Robert Shankle .....	Ward No. 2
Lynn Torres .....	Ward No. 3
Wes Suiter .....	Ward No. 4
Rocky Thigpen .....	Ward No. 5
Trent Burfine .....	Ward No. 6

OTHER PRINCIPAL OFFICIALS

Bruce Green .....	City Manager
Erika Neill .....	City Attorney
Jason Arnold .....	Assistant City Manager
Gerald Williamson .....	Assistant City Manager
Kara Andrepont .....	City Secretary
Rodney Ivy .....	Human Resources 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  
Brenda A. Johnson



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, 2021, 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, 2021, 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.

#### **Emphasis of Matter**

##### *Correction of Error*

As described in Note O to the financial statements, the City revised its reporting of the Lufkin Convention and Visitors Bureau from a discretely presented component unit to a special revenue fund. Our opinion is not modified with respect to that matter.

#### **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 77 through 95 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.

## INDEPENDENT AUDITOR'S REPORT – CONTINUED

### Report on the Financial Statements - Continued

#### Other Matters - Continued

##### *Other Information - Continued*

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.

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 13, 2022, 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 13, 2022



300 East Shepherd  
P. O. Drawer 190  
Lufkin, Texas 75902-0190  
(936) 633-0305  
Fax: (936) 633-7501

## 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, 2021. 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 \$154,216 (*net position*). The unrestricted net position component is \$(3,595). The unrestricted net position increase of \$7,550 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 \$27,856, an increase of \$6,294 over the prior year. The increase is primarily the result of increases in the General Fund, Debt Service Fund, and Nonmajor Governmental Funds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,345 or 22% of total general fund expenditures.
- The City's total debt decreased by \$4,830 (12%) during the fiscal year. The key factors in this decrease were \$4,830 for the retirement 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 should be reported as discretely presented component unit.

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-six individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and CARES Grant 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, Equipment Acquisition and Amortization Fund, and Technology Amortization Fund. Though these services benefit both governmental and business-type activities, these funds are reported with the governmental activities in the governmental-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 \$154,216 at the close of fiscal year 2021. The following table reflects the condensed Statement of Net Position.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 43,715	\$ 33,021	\$ 22,582	\$ 20,860	\$ 66,297	\$ 53,881
Capital assets	109,937	111,590	64,676	65,903	174,613	177,493
Total Assets	153,652	144,611	87,258	86,763	240,910	231,374
Deferred outflows of resources	5,510	4,603	502	541	6,012	5,144
Long-term liabilities	42,256	47,604	395	376	42,651	47,980
Total OPEB liability	4,722	4,487	985	914	5,707	5,401
Net pension liability	28,661	29,341	2,442	2,767	31,103	32,108
Other liabilities	6,445	1,907	1,066	1,807	7,511	3,714
Total Liabilities	82,084	83,339	4,888	5,864	86,972	89,203
Deferred inflows of resources	4,929	5,103	805	896	5,734	5,999
Net Position:						
Net investment in capital assets	74,172	70,995	64,676	65,903	138,848	136,898
Restricted	8,458	6,762	10,505	8,801	18,963	15,563
Unrestricted (deficit)	(10,481)	(16,985)	6,886	5,840	(3,595)	(11,145)
Total Net Position	\$ 72,149	\$ 60,772	\$ 82,067	\$ 80,544	\$ 154,216	\$ 141,316

The largest portion of the City's net position (90%) 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 (12%) represents resources that are subject to external restrictions on how they may be used. The City had a total deficit unrestricted net position of \$3,595.

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

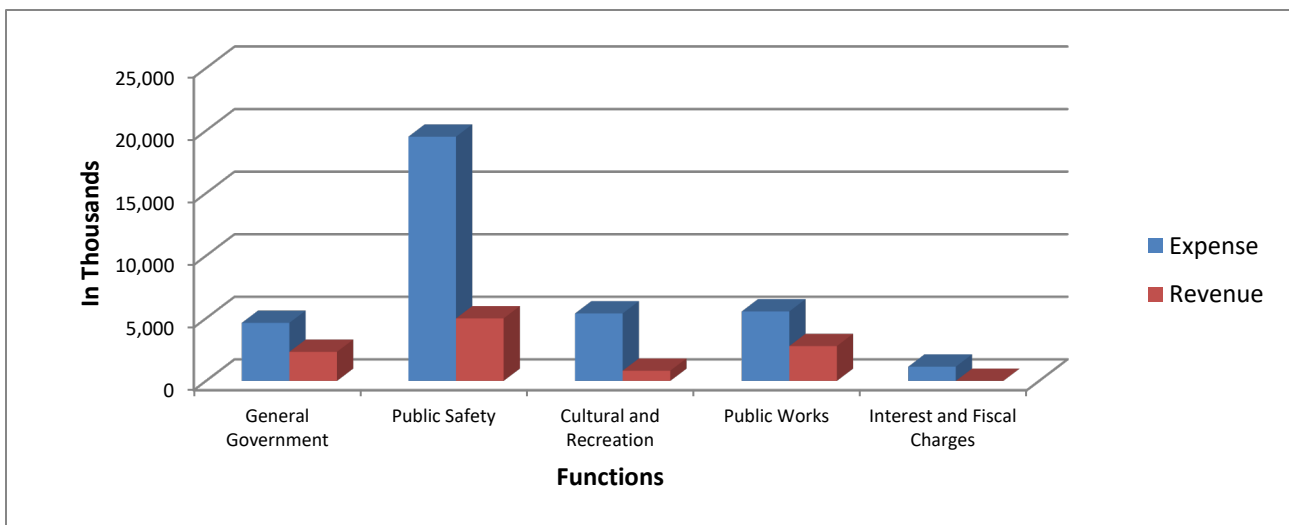
The following table provides a summary of the City's operations for the year ended September 30, 2021.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 9,741	\$ 9,910	\$ 24,987	\$ 24,789	\$ 34,728	\$ 34,699
Operating grants and contributions	942	2,359	-	-	942	2,359
Capital grants and contributions	235	37	-	-	235	37
General Revenues:						
Property taxes	11,793	11,339	-	-	11,793	11,339
Other taxes	19,377	17,339	-	-	19,377	17,339
Other	1,231	2,445	237	225	1,468	2,670
Total Revenues	<u>43,319</u>	<u>43,429</u>	<u>25,224</u>	<u>25,014</u>	<u>68,543</u>	<u>68,443</u>
Expenses:						
General government	4,637	5,185	-	-	4,637	5,185
Public safety	19,518	20,611	-	-	19,518	20,611
Cultural and recreation	5,391	6,050	-	-	5,391	6,050
Public works	5,551	5,557	-	-	5,551	5,557
Interest and fiscal charges	1,137	1,355	-	-	1,137	1,355
Water and sewer	-	-	13,529	13,978	13,529	13,978
Solid waste disposal	-	-	6,653	6,613	6,653	6,613
Total Expenses	<u>36,234</u>	<u>38,758</u>	<u>20,182</u>	<u>20,591</u>	<u>56,416</u>	<u>59,349</u>
Change in Net Position before transfers	7,085	4,671	5,042	4,423	12,127	9,094
Transfers	<u>3,519</u>	<u>4,030</u>	<u>(3,519)</u>	<u>(4,030)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>10,604</u>	<u>8,701</u>	<u>1,523</u>	<u>393</u>	<u>12,127</u>	<u>9,094</u>
Net Position, Beginning	60,772	52,071	80,544	80,151	141,316	132,222
Prior period adjustment	773	-	-	-	773	-
Net Position, Beginning, as Restated	<u>61,545</u>	<u>52,071</u>	<u>80,544</u>	<u>80,151</u>	<u>142,089</u>	<u>132,222</u>
Net Position, Ending	<u>\$ 72,149</u>	<u>\$ 60,772</u>	<u>\$ 82,067</u>	<u>\$ 80,544</u>	<u>\$ 154,216</u>	<u>\$ 141,316</u>

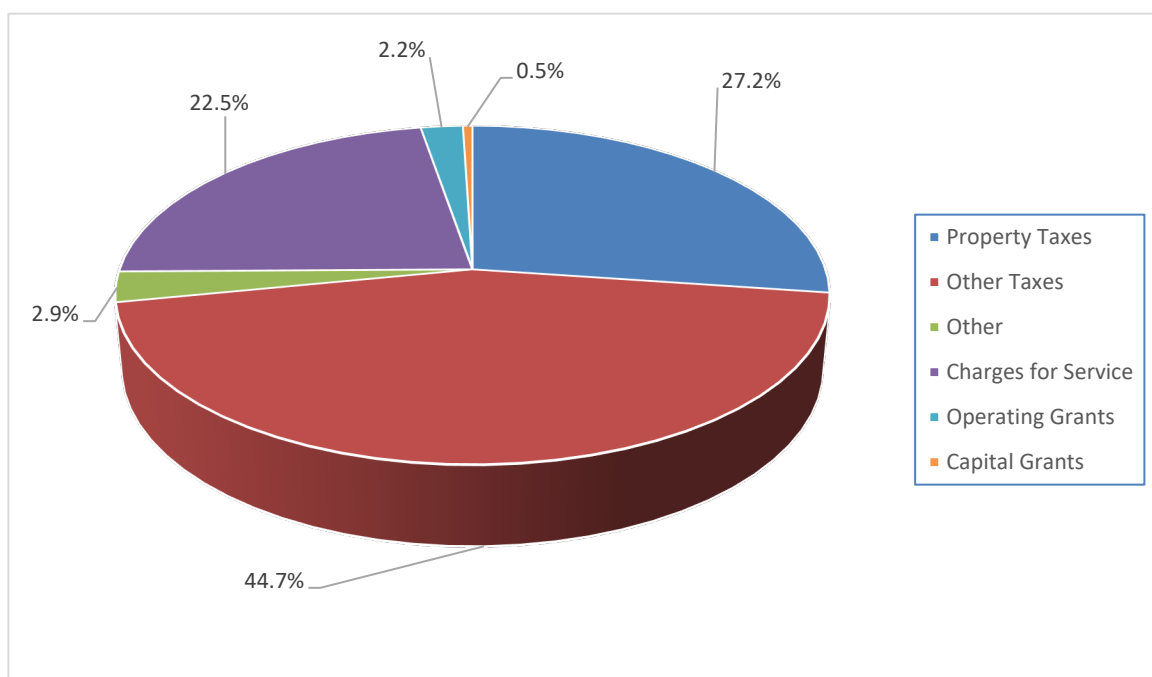
**Governmental Activities.** Governmental activities increased the City's net position by \$10,604, which is an increase of \$1,903 (22%) from the prior year. Key elements of this change are as follows:

- Operating grants and contributions decreased by \$1,417 (60%).
- Other taxes revenue increased by \$2,038 (12%).
- Other general revenues decreased by \$1,214 (50%).
- General government expenditures decreased by \$548 (11%).
- Public safety expenditures decreased by \$1,093 (5%).
- Cultural and recreation expenditures decreased by \$659 (11%).
- Transfers in decreased by \$511 (13%).

#### Expenses and Program Revenues - Governmental Activities



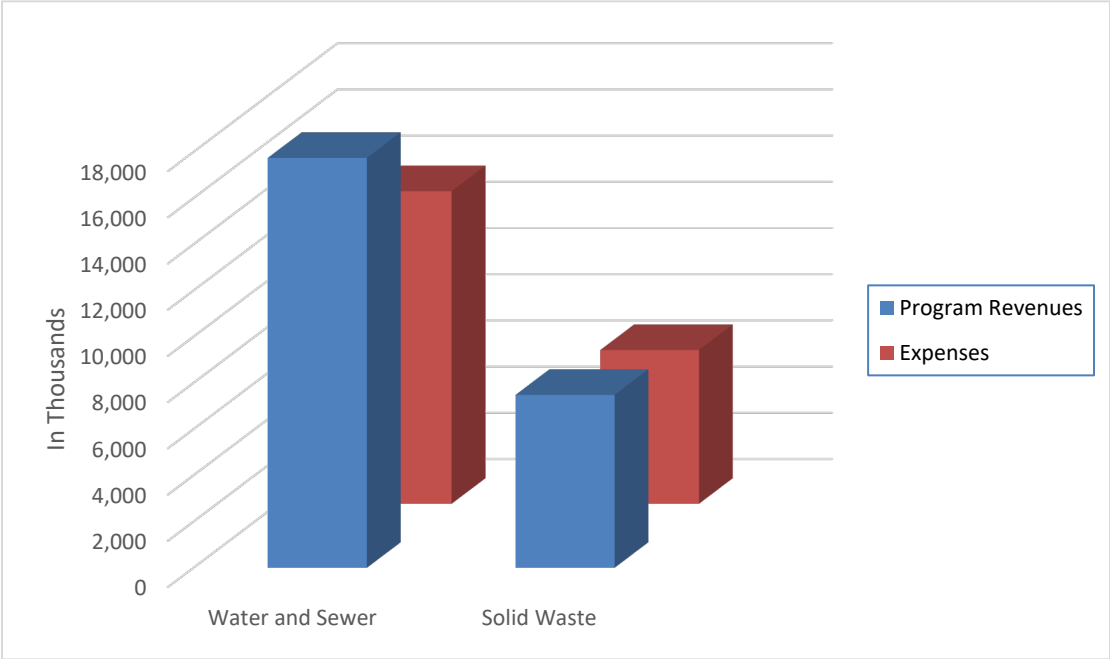
#### Revenues by Source - Governmental Activities



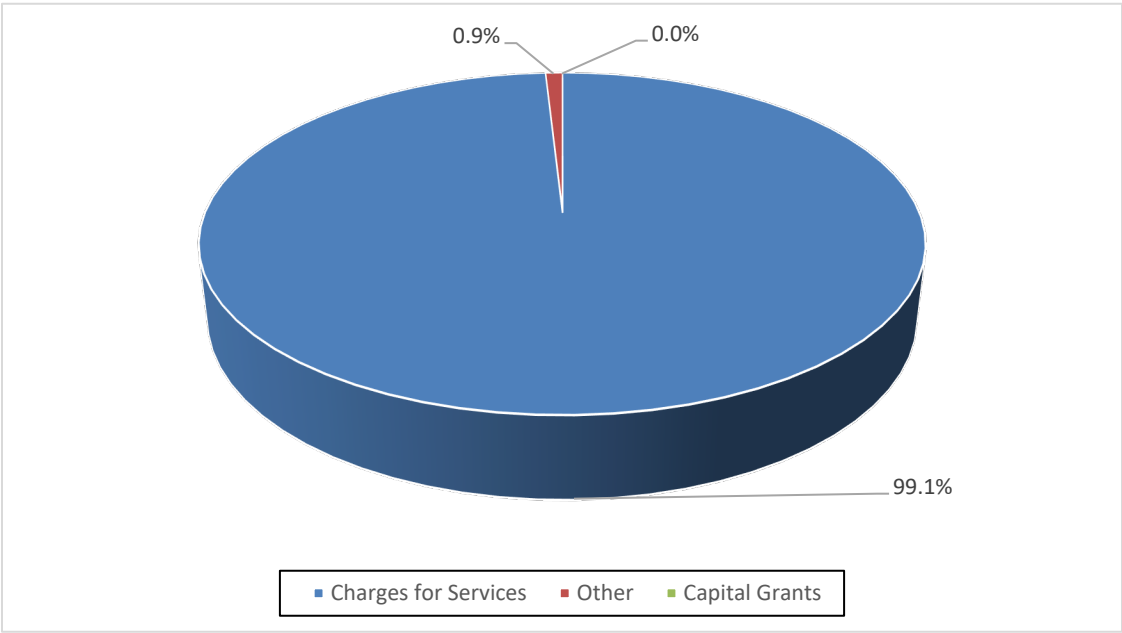
**Business-type Activities.** Business-type activities increased the City's net position by \$1,523, which is an increase of \$1,130 (288%) from the prior year. Key elements of this change are as follows:

- Charges for services increased by \$198 (1%).
- Other revenues increased by \$12 (5%).
- Water and sewer expenses decreased by \$449 (3%).
- Solid waste expenses increased by \$40 (1%).
- Transfers out decreased by \$511 (13%).

**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 \$27,856, an increase of \$6,294 from the prior year. Twenty-six percent of the ending fund balance, or \$7,345, 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 \$2,216, \$9,546, and \$8,457, respectively. The remaining amount, \$292, 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 \$7,345 while total fund balance was \$15,951. 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 22% of total general fund expenditures, while total fund balance represents 48% of the same amount. Fund balance of the General Fund increased by \$3,196 during the current fiscal year.

The Debt Service fund has a total fund balance of \$2,385, 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 \$86.

**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 \$3,601 and for the Solid Waste Disposal Fund was \$3,285. The total net position increased for the Water and Sewer Utility Fund by \$812 and for the Solid Waste Disposal Fund by \$711. 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 (\$3,541 increase in revenues and \$725 increase in expenditures). The major adjustments were:

- Increase of \$1,704 in tax revenue was primarily due to higher anticipated collections for property and sales taxes.
- Decrease of \$35 in licenses and permits revenue was primarily due to decrease in building permits and inspections revenue.
- Decrease of \$58 in fines and forfeitures revenue was primarily due to a decrease in municipal court fines and forfeitures.
- Decrease of \$75 in charges for services revenue was primarily due to a decrease in emergency medical services.
- Increase of \$165 in investment earnings was primarily due to an increase in estimated investment earnings.
- Increase of \$1,702 in intergovernmental revenue was primarily due to an increase in grant revenues.
- Increase of \$138 on other revenues was primarily due to an increase in miscellaneous revenues.

- Increase of \$1,084 for general government expenditures was primarily due to increases in City Council/City Secretary, City administration, legal, building services, and non-departmental expenditures.
- Decrease of \$84 for public safety expenditures was primarily due to a decrease in police expenditures.
- Decrease of \$124 for culture and recreation expenditures was primarily due to decreases in parks, and zoo expenditures.
- Decrease of \$151 for public works expenditures was primarily due to decreases in inspection, and street expenditures.

Differences between the actual results and the final budget for the General Fund were significant (\$2,221 increase in actual revenues and \$833 decrease in actual expenditures) and can be briefly summarized as follows:

- Increase of \$1,020 in taxes was due to higher property and sales tax collections than the City anticipated.
- Increase of \$93 in licenses and permits revenue was primarily due to higher building and other permits revenue.
- Decrease of \$34 in fines and forfeitures revenue was primarily due to lower municipal court fines and forfeitures revenue.
- Increase of \$386 in charges for services was primarily due to higher emergency medical services revenue.
- Increase of \$733 in intergovernmental revenues was primarily due to more grant revenues.
- Decrease of \$1,019 in general government expenditures was primarily due to less City Council/City Secretary, legal, building services, information technology, and non-departmental expenditures.
- Increase of \$388 in public safety expenditures was primarily due to more municipal court, police, and fire expenditures.
- Decrease of \$136 in culture and recreation expenditures was due to less parks, zoo, and library expenditures.
- Decrease of \$66 in public works expenditures was due to less engineering, street, and fleet management expenditures.

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

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities amounts to \$174,613 (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, 2021 was \$3,663 as compared to \$3,815 for the previous year. Actual expenditures were \$3,640 for fiscal year 2021, reflecting an increase of \$171 from fiscal year 2020.

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

- 2019 CDBG Recon Casper - \$289
- Fire truck engine - \$681

#### Business-type

- 800 KW Backup Generator - \$250
- Meter replacements - \$200

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2021	2020	2021	2020	2021	2020
Land	\$ 4,454	\$ 4,464	\$ 4,393	\$ 4,393	\$ 8,847	\$ 8,857
Water rights	-	-	4,108	4,087	4,108	4,087
Works of art	278	278	-	-	278	278
Buildings	14,967	15,441	2,440	2,560	17,407	18,001
Machinery and equipment	3,427	3,707	4,369	4,487	7,796	8,194
Vehicles	5,678	5,878	306	174	5,984	6,052
Improvements other than buildings	11,334	12,218	46,315	47,983	57,649	60,201
Infrastructure	69,021	68,732	-	-	69,021	68,732
Construction in progress	778	872	2,745	2,219	3,523	3,091
Total	<u>\$ 109,937</u>	<u>\$ 111,590</u>	<u>\$ 64,676</u>	<u>\$ 65,903</u>	<u>\$ 174,613</u>	<u>\$ 177,493</u>

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 \$35,765. 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 ACTIVITIES		TOTAL	
	2021	2020	2021	2020
General obligation bonds	\$ 35,765	\$ 40,595	\$ 35,765	\$ 40,595
Total	<u>\$ 35,765</u>	<u>\$ 40,595</u>	<u>\$ 35,765</u>	<u>\$ 40,595</u>

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 2021, the unemployment rate for the City, according to Texas Workforce statistics, is 6.0%, a 2.3% decrease from last year. The 5.9% unemployment rate for Angelina County is a decrease of 2.2% from last year. The Texas unemployment rate is 5.1%, a decrease of 2.8% from last year. The national unemployment rate is 4.7%, a decrease of 3.1% from last year.
- The state sales tax revenue for the current fiscal year totaled \$15,970, an increase of \$1,949 from the previous year indicating an 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 2022 fiscal year.

The Water and Sewer Utility rates were increased by two percent for the 2022 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, 2021**

	PRIMARY GOVERNMENT			
	GOVERNMENTAL	BUSINESS-TYPE		COMPONENT
	ACTIVITIES	ACTIVITIES	TOTAL	UNITS
ASSETS				
Cash and cash equivalents	\$ 27,257,179	\$ 5,459,227	\$ 32,716,406	\$ 3,830,331
Investments	11,000,000	2,785,476	13,785,476	-
Receivables (net of allowance for uncollectibles)	4,561,983	2,947,004	7,508,987	123,525
Notes receivable	-	1,894,560	1,894,560	4,321,512
Internal balances	603,533	(603,533)	-	-
Inventories	290,294	171,982	462,276	-
Restricted Assets:				
Cash and cash equivalents	-	3,414,156	3,414,156	-
Investments	-	6,500,000	6,500,000	-
Receivables (net of allowance for uncollectibles)	-	12,913	12,913	-
Prepaid items	1,976	-	1,976	-
Capital assets (net of accumulated depreciation):				
Land and improvements	4,454,290	4,392,785	8,847,075	5,147,878
Water rights	-	4,107,918	4,107,918	-
Infrastructure	69,020,767	-	69,020,767	-
Works of art	278,500	-	278,500	-
Buildings	14,967,209	2,439,713	17,406,922	-
Improvements other than buildings	11,333,773	46,314,910	57,648,683	-
Machinery and equipment	3,426,832	4,368,840	7,795,672	-
Vehicles	5,678,280	306,092	5,984,372	-
Construction in progress	777,526	2,745,549	3,523,075	-
Total Assets	153,652,142	87,257,592	240,909,734	13,423,246
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refundings	1,245,246	-	1,245,246	-
Deferred pension outflows	3,874,596	409,273	4,283,869	(2,206)
Deferred OPEB outflows	389,875	93,496	483,371	3,695
Total Deferred Outflows of Resources	5,509,717	502,769	6,012,486	1,489
LIABILITIES				
Accounts/claims payable	1,575,127	332,748	1,907,875	6,501
Accrued interest	136,704	-	136,704	43,358
Accrued liabilities	991,375	327,164	1,318,539	5,387
Customer deposits	27,646	-	27,646	-
Unearned revenue	3,713,788	-	3,713,788	-
Payable from restricted assets	-	406,179	406,179	-
Noncurrent liabilities:				
Due within one year	5,410,843	141,895	5,552,738	245,714
Due in more than one year	36,845,027	253,207	37,098,234	4,037,519
Total OPEB liability	4,722,447	984,741	5,707,188	11,702
Net pension liability	28,661,236	2,442,101	31,103,337	17,544
Total Liabilities	82,084,193	4,888,035	86,972,228	4,367,725
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	4,492,778	713,020	5,205,798	19,459
Deferred OPEB inflows	436,536	92,050	528,586	1,666
Total Deferred Inflows of Resources	4,929,314	805,070	5,734,384	21,125
NET POSITION				
Net investment in capital assets	74,172,177	64,675,807	138,847,984	5,147,878
Restricted for:				
Retirement of debt	2,384,779	1,748	2,386,527	-
Capital projects	5,769,265	16,284	5,785,549	-
Renewal and replacement	-	10,487,000	10,487,000	-
Other	303,489	-	303,489	-
Unrestricted (deficit)	(10,481,358)	6,886,417	(3,594,941)	3,888,007
Total Net Position	\$ 72,148,352	\$ 82,067,256	\$ 154,215,608	\$ 9,035,885

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, 2021**

FUNCTIONS/PROGAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Primary Government:			
Governmental Activities:			
General government	\$ 4,636,928	\$ 2,321,171	\$ -
Public safety	19,518,460	4,055,989	940,185
Cultural and recreation	5,390,750	814,229	1,700
Public works	5,551,058	2,549,697	-
Interest and fiscal charges	1,137,001	-	-
Total Governmental Activities	<u>36,234,197</u>	<u>9,741,086</u>	<u>941,885</u>
Business-Type Activities:			
Water and sewer	13,528,551	17,622,282	-
Solid waste disposal	6,653,319	7,364,814	-
Total Business-Type Activities	<u>20,181,870</u>	<u>24,987,096</u>	<u>-</u>
Total Primary Government	<u>\$ 56,416,067</u>	<u>\$ 34,728,182</u>	<u>\$ 941,885</u>
Component Units	<u>\$ 640,968</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

Prior period adjustment

Net Position - Beginning, as Restated

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	
\$ -	\$ (2,315,757)	\$ -	\$ (2,315,757)	\$ -
-	(14,522,286)	-	(14,522,286)	-
-	(4,574,821)	-	(4,574,821)	-
234,525	(2,766,836)	-	(2,766,836)	-
-	(1,137,001)	-	(1,137,001)	-
234,525	(25,316,701)	-	(25,316,701)	-
-	-	4,093,731	4,093,731	-
-	-	711,495	711,495	-
-	-	4,805,226	4,805,226	-
\$ 234,525	(25,316,701)	4,805,226	(20,511,475)	-
\$ -				(640,968)
	11,793,192	-	11,793,192	-
	15,969,654	-	15,969,654	1,451,787
	2,221,332	-	2,221,332	-
	1,071,674	-	1,071,674	-
	114,231	-	114,231	-
	216,548	218,859	435,407	272,986
	202,630	18,500	221,130	-
	812,170	-	812,170	4,485
	3,519,455	(3,519,455)	-	-
	35,920,886	(3,282,096)	32,638,790	1,729,258
	10,604,185	1,523,130	12,127,315	1,088,290
	60,771,580	80,544,126	141,315,706	8,720,182
	772,587	-	772,587	(772,587)
	61,544,167	80,544,126	142,088,293	7,947,595
\$	72,148,352	\$ 82,067,256	\$ 154,215,608	\$ 9,035,885

**CITY OF LUFKIN, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2021**

	GENERAL FUND	DEBT SERVICE FUND	CARES GRANT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,807,441	\$ 2,383,412	\$ 3,713,788	\$ 8,662,981	\$ 19,567,622
Investments	10,000,000	-	-	1,000,000	11,000,000
Receivables:					
Taxes	574,017	234,360	-	-	808,377
Accounts	23,454,304	-	-	192,330	23,646,634
Intergovernmental	1,433,982	-	-	-	1,433,982
Other	78,403	4,471	-	286,694	369,568
Allowance for uncollectibles	(21,367,929)	(185,272)	-	(185,178)	(21,738,379)
Due from other funds	972,095	-	-	-	972,095
Inventories	290,294	-	-	-	290,294
Prepaid items	1,976	-	-	-	1,976
Total Assets	<u>\$ 20,244,583</u>	<u>\$ 2,436,971</u>	<u>\$ 3,713,788</u>	<u>\$ 9,956,827</u>	<u>\$ 36,352,169</u>
<b>LIABILITIES</b>					
Accounts/claims payable	\$ 628,533	\$ -	\$ -	\$ 252,537	\$ 881,070
Accrued liabilities	974,875	-	-	16,500	991,375
Due to other funds	-	-	-	126,564	126,564
Customer deposits	4,706	-	-	22,940	27,646
Unearned revenue	-	-	3,713,788	-	3,713,788
Total Liabilities	<u>1,608,114</u>	<u>-</u>	<u>3,713,788</u>	<u>418,541</u>	<u>5,740,443</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	2,685,050	52,192	-	18,452	2,755,694
Total Deferred Inflows of Resources	<u>2,685,050</u>	<u>52,192</u>	<u>-</u>	<u>18,452</u>	<u>2,755,694</u>
<b>FUND BALANCES</b>					
Nonspendable	292,270	-	-	-	292,270
Restricted	-	2,384,779	-	6,072,754	8,457,533
Committed	8,314,392	-	-	1,231,248	9,545,640
Assigned	-	-	-	2,215,832	2,215,832
Unassigned	7,344,757	-	-	-	7,344,757
Total Fund Balances	<u>15,951,419</u>	<u>2,384,779</u>	<u>-</u>	<u>9,519,834</u>	<u>27,856,032</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,244,583</u>	<u>\$ 2,436,971</u>	<u>\$ 3,713,788</u>	<u>\$ 9,956,827</u>	<u>\$ 36,352,169</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, 2021**

Total fund balances – governmental funds balance sheet	\$ 27,856,032
--	---------------

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.	103,911,215
--	-------------

Certain unavailable revenues are not available to pay current-period expenditures and therefore, are deferred in the funds.	2,755,694
---	-----------

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.	2,182,768
--	-----------

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.	9,386,869
--	-----------

An internal service fund is used for technology amortization. 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.	1,251,628
--	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(41,147,328)
--	--------------

The City's deferred outflows of resources related to OPEB and pension plans is not reported in the governmental funds.	4,264,471
--	-----------

The City's total OPEB liability is not reported in the governmental funds.	(4,722,447)
--	-------------

The City's net pension liability is not reported in the governmental funds.	(28,661,236)
---	--------------

The City's deferred inflows of resources related to pension and OPEB plans is not reported in the governmental funds.	(4,929,314)
---	-------------

Net position of governmental activities	<u><u>\$ 72,148,352</u></u>
---	-----------------------------

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, 2021**

	GENERAL FUND	DEBT SERVICE FUND	CARES GRANT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:					
Taxes:					
Property	\$ 8,702,797	\$ 3,102,930	\$ -	\$ -	\$ 11,805,727
Sales	15,969,654	-	-	-	15,969,654
Franchise	2,221,332	-	-	-	2,221,332
Other	114,231	-	-	1,071,674	1,185,905
Licenses and permits	475,366	-	-	-	475,366
Fines and forfeitures	382,160	-	-	-	382,160
Charges for services	2,983,021	-	-	814,229	3,797,250
Investment earnings	266,690	70,486	-	54,508	391,684
Intergovernmental	7,332,976	-	92,483	279,451	7,704,910
Other revenues	478,819	-	-	485,988	964,807
Total Revenues	<u>38,927,046</u>	<u>3,173,416</u>	<u>92,483</u>	<u>2,705,850</u>	<u>44,898,795</u>
Expenditures:					
Current:					
General government	4,182,445	-	-	242,230	4,424,675
Public safety	20,264,311	-	-	23,219	20,287,530
Cultural and recreation	3,549,413	-	-	1,502,261	5,051,674
Public works	5,243,940	-	-	-	5,243,940
Debt service:					
Principal	16,297	4,830,000	-	-	4,846,297
Interest and fiscal charges	1,162	1,287,085	-	-	1,288,247
Capital outlay	-	-	-	936,640	936,640
Total Expenditures	<u>33,257,568</u>	<u>6,117,085</u>	<u>-</u>	<u>2,704,350</u>	<u>42,079,003</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,669,478</u>	<u>(2,943,669)</u>	<u>92,483</u>	<u>1,500</u>	<u>2,819,792</u>
Other Financing Sources (Uses):					
Transfers in	347,835	3,029,220	-	2,536,572	5,913,627
Transfers out	<u>(2,820,683)</u>	<u>-</u>	<u>-</u>	<u>(488,489)</u>	<u>(3,309,172)</u>
Total Other Financing Sources (Uses)	<u>(2,472,848)</u>	<u>3,029,220</u>	<u>-</u>	<u>2,048,083</u>	<u>2,604,455</u>
Net Change in Fund Balances	<u>3,196,630</u>	<u>85,551</u>	<u>92,483</u>	<u>2,049,583</u>	<u>5,424,247</u>
Fund Balances - Beginning	12,754,789	2,299,228	(92,483)	6,600,162	21,561,696
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>870,089</u>	<u>870,089</u>
Fund Balances - Beginning, as Restated	<u>12,754,789</u>	<u>2,299,228</u>	<u>(92,483)</u>	<u>7,470,251</u>	<u>22,431,785</u>
Fund Balances - Ending	<u>\$ 15,951,419</u>	<u>\$ 2,384,779</u>	<u>\$ -</u>	<u>\$ 9,519,834</u>	<u>\$ 27,856,032</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, 2021**

Net change in fund balances – total governmental funds	\$ 5,424,247
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.	(1,680,860)
Internal service net revenues are reported with governmental activities and the expenses not recovered through user charges are allocated to the participating funds.	770,124
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.	(933,928)
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.	5,274,787
Increase in total OPEB liability is reported in the statement of activities, but not in the funds.	(24,211)
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.	1,774,026
Change in net position of governmental activities	\$ 10,604,185

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, 2021**

ASSETS	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	
Current Assets:				
Cash and cash equivalents	\$ 2,643,030	\$ 2,814,451	\$ 5,457,481	\$ 7,689,557
Investments	2,516,702	-	2,516,702	-
Restricted Assets:				
Cash and cash equivalents	1,746	-	1,746	-
Investments - customer deposits	268,774	-	268,774	-
Interest receivable	2	-	2	-
Accounts receivable (net of allowance for uncollectibles)	2,057,769	852,540	2,910,309	30,914
Notes receivable	-	103,048	103,048	-
Interest receivable	7,215	29,478	36,693	10,887
Inventories	166,013	5,969	171,982	-
Total Current Assets	7,661,251	3,805,486	11,466,737	7,731,358
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	2,700,798	713,358	3,414,156	-
Investments	6,500,000	-	6,500,000	-
Interest receivable	11,984	929	12,913	-
Total Restricted Noncurrent Assets	9,212,782	714,287	9,927,069	-
Notes receivable	-	1,791,512	1,791,512	-
Capital Assets:				
Land	4,231,421	161,364	4,392,785	-
Water rights	4,107,918	-	4,107,918	-
Buildings	3,326,288	2,379,772	5,706,060	-
Machinery and equipment	20,019,063	1,288,155	21,307,218	4,457,153
Vehicles	616,478	970,562	1,587,040	13,097,116
Improvements	87,309,386	784,023	88,093,409	-
Construction in progress	2,745,549	-	2,745,549	-
Less accumulated depreciation	(59,854,389)	(3,409,783)	(63,264,172)	(11,528,307)
Total Capital Assets (Net of Accumulated Depreciation)	62,501,714	2,174,093	64,675,807	6,025,962
Total Noncurrent Assets	71,714,496	4,679,892	76,394,388	6,025,962
Total Assets	79,375,747	8,485,378	87,861,125	13,757,320
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	304,761	104,512	409,273	-
Deferred OPEB outflows	65,462	28,034	93,496	-
Total Deferred Outflows of Resources	370,223	132,546	502,769	-
LIABILITIES				
Current Liabilities:				
Accounts/claims payable	193,583	139,165	332,748	694,057
Accrued compensated absences	94,260	47,635	141,895	-
Accrued liabilities	268,797	58,367	327,164	-
Due to other funds	603,533	-	603,533	241,998
Current liabilities payable from Restricted Assets:				
Accounts/claims payable	137,405	-	137,405	-
Customer deposits	268,774	-	268,774	-
Total Current Liabilities	1,566,352	245,167	1,811,519	936,055
Noncurrent Liabilities:				
Accrued compensated absences	167,171	86,036	253,207	-
Total OPEB liability	722,074	262,667	984,741	-
Net pension liability	1,550,213	891,888	2,442,101	-
Total Noncurrent Liabilities	2,439,458	1,240,591	3,680,049	-
Total Liabilities	4,005,810	1,485,758	5,491,568	936,055
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	492,996	220,024	713,020	-
Deferred OPEB inflows	67,098	24,952	92,050	-
Total Deferred Inflows of Resources	560,094	244,976	805,070	-
NET POSITION				
Net invested in capital assets	62,501,714	2,174,093	64,675,807	6,025,962
Restricted for retirement of debt	1,748	-	1,748	-
Restricted for construction	16,284	-	16,284	-
Restricted for renewal and replacement	9,059,093	1,427,907	10,487,000	-
Unrestricted	3,601,227	3,285,190	6,886,417	6,795,303
Total Net Position	\$ 75,180,066	\$ 6,887,190	\$ 82,067,256	\$ 12,821,265

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, 2021**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	ACTIVITIES- INTERNAL SERVICE FUNDS
Operating Revenues:				
Water sales	\$ 9,139,672	\$ -	\$ 9,139,672	\$ -
Sewer service charges	8,122,701	-	8,122,701	-
Sanitation collections	-	7,414,232	7,414,232	-
Provision for bad debts	(103,169)	(67,640)	(170,809)	-
Service revenue	312,324	-	312,324	-
General and administrative	140,820	-	140,820	-
Employee premiums	-	-	-	1,192,096
Employer premiums	-	-	-	3,349,355
Equipment rental	-	-	-	2,292,663
Miscellaneous	9,934	18,222	28,156	665,841
Total Operating Revenues	17,622,282	7,364,814	24,987,096	7,499,955
Operating Expenses:				
Utility collections	627,983	-	627,983	-
Water/Sewer utilities	3,103,103	-	3,103,103	-
Wastewater treatment plant	2,178,766	-	2,178,766	-
Water production	1,759,261	-	1,759,261	-
Sanitation department	-	3,967,907	3,967,907	-
Recycling department	-	263,966	263,966	-
Insurance claims and related expenses	-	-	-	6,028,732
Depreciation and amortization	2,555,420	101,164	2,656,584	1,854,006
General and administrative	2,787,023	2,240,919	5,027,942	-
Non-departmental	516,995	79,363	596,358	-
Total Operating Expenses	13,528,551	6,653,319	20,181,870	7,882,738
Operating Income (Loss)	4,093,731	711,495	4,805,226	(382,783)
Nonoperating Revenues (Expenses):				
Investment earnings	100,387	118,472	218,859	50,999
Gain on sale of assets	18,500	-	18,500	186,908
Total Nonoperating Revenues (Expenses)	118,887	118,472	237,359	237,907
Income (Loss) Before Contributions and Transfers	4,212,618	829,967	5,042,585	(144,876)
Transfers in	2,199,109	-	2,199,109	1,415,000
Transfers out	(5,599,331)	(119,233)	(5,718,564)	(500,000)
Total Contributions and Transfers	(3,400,222)	(119,233)	(3,519,455)	915,000
Change in Net Position	812,396	710,734	1,523,130	770,124
Net Position - Beginning	74,367,670	6,176,456	80,544,126	12,051,141
Net Position - Ending	\$ 75,180,066	\$ 6,887,190	\$ 82,067,256	\$ 12,821,265

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, 2021**

	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	\$ 17,535,476	\$ 7,384,258	\$ 24,919,734	\$ 2,150,665
Receipts from interfund services provided	140,820	-	140,820	5,642,018
Payments to suppliers	(4,376,988)	(1,788,953)	(6,165,941)	(5,564,979)
Payments to employees	(3,355,058)	(1,540,107)	(4,895,165)	-
Payments for interfund services used	(3,713,445)	(3,261,999)	(6,975,444)	-
Net Cash Provided by Operating Activities	6,230,805	793,199	7,024,004	2,227,704
Cash Flows From Noncapital Financing Activities:				
Transfer from other funds	2,199,109	-	2,199,109	1,415,000
Transfer to other funds	(5,599,331)	(119,233)	(5,718,564)	(500,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(3,400,222)	(119,233)	(3,519,455)	915,000
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,429,247)	-	(1,429,247)	(1,085,208)
Proceeds from sale of capital assets	18,500	-	18,500	207,237
Net Cash Used by Capital and Related Financing Activities	(1,410,747)	-	(1,410,747)	(877,971)
Cash Flows From Investing Activities:				
Purchase of investments	(4,814,795)	-	(4,814,795)	-
Investment maturities	4,529,319	500,000	5,029,319	2,750,000
Notes receivable principal payments	-	105,440	105,440	-
Investment earnings received	245,423	136,058	381,481	107,334
Net Cash Provided (Used) by Investing Activities	(40,053)	741,498	701,445	2,857,334
Net Increase in Cash and Cash Equivalents	1,379,783	1,415,464	2,795,247	5,122,067
Cash and Cash Equivalents - Beginning	3,965,791	2,112,345	6,078,136	2,567,490
Cash and Cash Equivalents - Ending	\$ 5,345,574	\$ 3,527,809	\$ 8,873,383	\$ 7,689,557
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 4,093,731	\$ 711,495	\$ 4,805,226	\$ (382,783)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	2,555,420	101,164	2,656,584	1,854,006
Decrease in accounts receivable, net	44,807	21,816	66,623	292,728
Decrease in other receivables	4,132	-	4,132	-
(Increase) in inventories	(83,978)	-	(83,978)	-
Decrease in deferred pension outflows	33,517	15,749	49,266	-
(Increase) in deferred OPEB outflows	(5,920)	(4,823)	(10,743)	-
Increase (decrease) in accounts/claims payable	(762,908)	3,108	(759,800)	463,753
Increase (decrease) in accrued compensated absences	(3,852)	23,301	19,449	-
Increase in accrued liabilities	28,143	2,287	30,430	-
Increase in due to other funds	603,533	-	603,533	-
(Decrease) in customer deposits	(11,834)	-	(11,834)	-
Increase in total OPEB liability	23,853	47,082	70,935	-
(Decrease) in net pension liability	(221,131)	(103,897)	(325,028)	-
(Decrease) in deferred pension inflows	(40,223)	(18,898)	(59,121)	-
(Decrease) in deferred OPEB inflows	(26,485)	(5,185)	(31,670)	-
Total Adjustments	2,137,074	81,704	2,218,778	2,610,487
Net Cash Provided by Operating Activities	\$ 6,230,805	\$ 793,199	\$ 7,024,004	\$ 2,227,704

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**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 and Lufkin Economic Development Corporation 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 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, 2021 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.

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.

**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.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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.

The *CARES grant fund* is used to account for the resources received under the Coronavirus Aid, Relief, and Economic Security Act.

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.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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 and technology. 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) and technology.

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.

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.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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.

**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 (B).

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."



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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, 2021, 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, 2021, was .531135 per \$100 of assessed valuation. The adjusted total tax levy for fiscal year 2021 was \$11,551,416, and \$11,364,311 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.

**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.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

For the year ended September 30, 2021, 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 and the Retiree Health Insurance Fund are reported on the government-wide and proprietary fund statements of net position. The TMRS, Firemen's Fund, and the Retiree Health Insurance 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.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**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.

**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.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

As of September 30, 2021, fund balances are composed of the following:

	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Nonspendable:				
Inventories	\$ 290,294	\$ -	\$ -	290,294
Prepaid Items	1,976	-	-	1,976
Restricted:				
Public safety	-	-	277,346	277,346
Debt service	-	2,384,779	-	2,384,779
Capital projects	-	-	5,769,265	5,769,265
Other purposes	-	-	26,143	26,143
Committed:				
Financial operations	8,314,392	-	-	8,314,392
Other purposes	-	-	1,231,248	1,231,248
Assigned:				
Other purposes	-	-	2,215,832	2,215,832
Unassigned	7,344,757	-	-	7,344,757
Total Fund Balances	\$ 15,951,419	\$ 2,384,779	\$ 9,519,834	\$ 27,856,032

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.

At September 30, 2021, the City has accumulated the following amounts in support of these policies:

FUND	POLICY AMOUNT	FUND TOTAL
Governmental Funds:		
General Fund - 25%	\$ 8,314,392	\$ 15,951,419
Hotel/Motel Tax Fund - 12.5%	90,597	318,395
Special Recreation Fund - 12.5%	32,216	(20,296)
Total Policy Reserves and Fund Balances	\$ 8,437,205	\$ 16,249,518

**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.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

**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.

**16. Future Implementations of New Standards**

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**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 \$(41,147,328) are as follows:

Bonds payable	\$ (35,765,000)
Bond premiums	(2,126,203)
Deferred loss on refundings	1,245,246
Accrued interest payable	(136,704)
Compensated absences	<u>(4,364,667)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position of governmental activities	\$ <u>(41,147,328)</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 \$(933,928) difference are as follows:

Capital outlay	\$ 1,033,761
Depreciation expense	(1,952,522)
Miscellaneous transactions involving capital assets (i.e., sales, trade-ins)	<u>(15,167)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	\$ <u>(933,928)</u>

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 \$1,774,026 difference are as follows:

Fiscal year 2021 contributions before December 31, 2020	\$ 923,541
Fiscal year 2021 contributions after December 31, 2020	2,493,320
Amortization of deferred outflows and inflows of resources	2,150,693
Recognition of pension plan expense	<u>(3,793,528)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	\$ <u>1,774,026</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**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.

**B. Excess Expenditures over Appropriations**

For the year ended September 30, 2021, total expenditures were under the budget in the General Fund by \$832,852. There were certain departments where expenditures exceeded appropriations as follows:

Department	Amount
City Administration	\$ 4,781
Human Resources	30,116
Municipal Court	93,154
Police	236,651
Fire	69,407
City Marshall	820
Planning and Zoning	1,266

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

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

**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	\$ 12,525	The Police Grants Fund is due reimbursement in the next fiscal year for expenditures related to the Coronavirus.
Pines Theater Special Events Fund	59,399	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.
Special Recreation Fund	20,296	Baseball and softball were expended but participation didn't allow for season play. Revenue was not sufficient to cover the expenditures made for the programs.
Insurance Loss Fund	69,515	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.
2012 Capital Improvement Fund	2,922	The cost of an item purchased through the capital improvements program ended up being more than anticipated. Funds will be transferred to cover the overage of the item to cover the deficit in this fund.

**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, 2021 and had restricted debt service fund balance of \$2,384,779 at year end.



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**A. Deposits and Investments**

**1. Cash Deposits**

At September 30, 2021, the City's carrying amount for cash deposits including certificates of deposit was \$46,241,357 and the bank balance was \$47,239,697. 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.

**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, 2021**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

For the City and its component units, investment pools are measured at amortized cost and included in cash equivalents for financial reporting purposes. The investment pools totaled \$13,984,184 at September 30, 2021.

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 \$20,285,476 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, 2021, the City was not exposed to custodial credit risk.

*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, 2021, 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, 2021 for TexPool and TexSTAR were 37 days and 38 days, respectively.

**B. Receivables**

Receivables as of September 30, 2021 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	\$ 574,017	\$ 234,360	\$ -	\$ -	\$ 808,377
Accounts	23,454,304	-	192,330	30,914	23,677,548
Other	78,403	4,471	286,694	10,887	380,455
Intergovernmental	1,433,982	-	-	-	1,433,982
Less allowance for uncollectibles	(21,367,929)	(185,272)	(185,178)	-	(21,738,379)
Total	\$ 4,172,777	\$ 53,559	\$ 293,846	\$ 41,801	\$ 4,561,983

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

At September 30, 2021, 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	\$ 2,651,103	\$ 1,144,511	\$ 3,795,614
Notes	-	1,894,560	1,894,560
Interest	19,201	30,407	49,608
Less allowance for uncollectibles	(593,334)	(291,971)	(885,305)
Total	<u>\$ 2,076,970</u>	<u>\$ 2,777,507</u>	<u>\$ 4,854,477</u>

For the City's component unit, receivables at September 30, 2021, including the related allowances for uncollectible accounts, consisted of the following:

	EDC
Receivables:	
Notes	\$ 4,321,512
Taxes	118,525
Other	5,000
Less allowance for uncollectibles	-
Total	<u>\$ 4,445,037</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, 2021 consisted of the following:

DUE FROM	DUE TO	AMOUNT	PURPOSE
	Special Revenue Funds:		
General Fund	Police Grants Fund	\$ 9,543	Short-term advances
General Fund	Pines Theater Special Events Fund	51,235	Short-term advances
General Fund	Special Recreation Fund	7,906	Short-term advances
General Fund	Insurance Loss Fund	54,958	Short-term advances
	Capital Projects Funds:		
General Fund	2012 Capital Improvement Fund	2,922	Short-term advances
General Fund	Water and Sewer Utility Fund	603,533	Short-term advances
	Internal Service Funds:		
General Fund	Group Health Insurance Fund	241,998	Short-term advances
		<u>\$ 972,095</u>	

Transfers at September 30, 2021 consisted of the following:

	TRANSFER IN					
TRANSFER OUT	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	WATER AND SEWER UTILITY FUND	TOTAL
General Fund	\$ -	\$ -	\$ 1,905,683	\$ 915,000	\$ -	\$ 2,820,683
Nonmajor Governmental	133,368	-	355,121	-	-	488,489
Internal Service Funds	-	-	-	500,000	-	500,000
Water and Sewer Utility Fund	107,234	3,029,220	263,768	-	2,199,109	5,599,331
Solid Waste Disposal Fund	107,233	-	12,000	-	-	119,233
Total	<u>\$ 347,835</u>	<u>\$ 3,029,220</u>	<u>\$ 2,536,572</u>	<u>\$ 1,415,000</u>	<u>\$ 2,199,109</u>	<u>\$ 9,527,736</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**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	\$ 1,746	\$ 16,345	\$ 3,397,811	\$ -	\$ 3,415,902
Investments	-	-	6,500,000	-	6,500,000
Investments - customer deposits	-	-	-	268,774	268,774
Interest receivable	2	22	12,891	-	12,915
Total Restricted Assets	<u>\$ 1,748</u>	<u>\$ 16,367</u>	<u>\$ 9,910,702</u>	<u>\$ 268,774</u>	<u>\$ 10,197,591</u>

**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, 2021.

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, 2021**

**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	\$ 995,504
Capitalized Contract for Water Rights:	
50 year contract	220,000
40 year contract	305,600
Water Rights in Sam Rayburn Reservoir	\$ <u>1,521,104</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, 2021**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

Capital asset activity for the year ended September 30, 2021 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	\$ -	\$ (10,000)	\$ 4,454,290
Infrastructure	68,732,135	288,632	-	69,020,767
Works of art	278,500	-	-	278,500
Construction in progress	871,461	875,438	(969,373)	777,526
Total capital assets not being depreciated	<u>74,346,386</u>	<u>1,164,070</u>	<u>(979,373)</u>	<u>74,531,083</u>
Capital assets being depreciated:				
Buildings	25,139,353	55,050	(107,400)	25,087,003
Improvements other than buildings	22,460,374	-	-	22,460,374
Machinery and equipment	16,073,103	384,499	(686,376)	15,771,226
Vehicles	16,640,039	1,555,086	(925,605)	17,269,520
Total capital assets being depreciated	<u>80,312,869</u>	<u>1,994,635</u>	<u>(1,719,381)</u>	<u>80,588,123</u>
Less accumulated depreciation for:				
Buildings	(9,698,044)	(523,983)	102,233	(10,119,794)
Improvements other than buildings	(10,242,667)	(883,934)	-	(11,126,601)
Machinery and equipment	(12,366,229)	(664,541)	686,376	(12,344,394)
Vehicles	(10,762,447)	(1,734,070)	905,277	(11,591,240)
Total accumulated depreciation	<u>(43,069,387)</u>	<u>(3,806,528)</u>	<u>1,693,886</u>	<u>(45,182,029)</u>
Total capital assets being depreciated, net	<u>37,243,482</u>	<u>(1,811,893)</u>	<u>(25,495)</u>	<u>35,406,094</u>
Governmental activities capital assets, net	\$ <u>111,589,868</u>	\$ <u>(647,823)</u>	\$ <u>(1,004,868)</u>	109,937,177
Governmental activities, capital related debt				<u>(35,765,000)</u>
Governmental activities, net investment in capital assets				\$ <u>74,172,177</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	4,087,104	20,814	-	4,107,918
Construction in progress	2,219,176	888,439	(362,066)	2,745,549
Total capital assets not being depreciated	<u>10,699,065</u>	<u>909,253</u>	<u>(362,066)</u>	<u>11,246,252</u>
Capital assets being depreciated:				
Buildings	5,706,060	-	-	5,706,060
Improvements other than buildings	88,093,409	-	-	88,093,409
Machinery and equipment	20,684,894	680,163	(57,839)	21,307,218
Vehicles	1,385,143	201,897	-	1,587,040
Total capital assets being depreciated	<u>115,869,506</u>	<u>882,060</u>	<u>(57,839)</u>	<u>116,693,727</u>
Less accumulated depreciation for:				
Buildings	(3,145,925)	(120,422)	-	(3,266,347)
Improvements other than buildings	(40,110,641)	(1,667,858)	-	(41,778,499)
Machinery and equipment	(16,197,764)	(798,453)	57,839	(16,938,378)
Vehicles	(1,211,097)	(69,851)	-	(1,280,948)
Total accumulated depreciation	<u>(60,665,427)</u>	<u>(2,656,584)</u>	<u>57,839</u>	<u>(63,264,172)</u>
Total capital assets being depreciated, net	<u>55,204,079</u>	<u>(1,774,524)</u>	<u>-</u>	<u>53,429,555</u>
Business-type activities capital assets, net	\$ <u>65,903,144</u>	\$ <u>(865,271)</u>	\$ <u>(362,066)</u>	64,675,807
Business-type activities, capital related debt				<u>-</u>
Business-type activities, net investment in capital assets				\$ <u>64,675,807</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

COMPONENTS UNITS	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets not being depreciated:				
Land and land improvements	\$ 5,147,878	\$ -	\$ -	\$ 5,147,878
Construction in progress	4,552,702	-	(4,552,702)	-
Total capital assets not being depreciated	9,700,580	-	(4,552,702)	5,147,848
Component units capital assets, net	\$ 9,700,580	\$ -	\$ (4,552,702)	5,147,848
Component units, capital related debt				-
Component units, net investment in capital assets				\$ 5,147,848

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

	TOTAL
Governmental activities:	
General government	\$ 257,612
Public safety	477,915
Cultural and recreation	573,072
Public works	643,923
Capital assets held by the government's internal service funds are charged to activities based on their equipment rental	1,854,006
Total governmental activities	\$ 3,806,528
Business-type activities:	
Water and sewer	\$ 2,555,420
Solid waste disposal	101,164
Total business-type activities	\$ 2,656,584

**4. Construction and Other Commitments**

The government has active construction and maintenance projects as of September 30, 2021. 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.

At September 30, 2021, the City's commitments on construction projects are as follows:

PROJECT	EXPENDED TO DATE	REMAINING COMMITMENT	FUNDING SOURCE
Roof replacement City Hall & PD	\$ 109,604	\$ 120,396	General Fund
County-wide Radio System	339,048	134,355	Street Construction Fund
PD Balistic Vest Carrier	10,684	2,456	Street Construction Fund
Dispatch Project	30,809	279,508	Street Construction Fund
Police Body Cam Project	9,217	199,867	Street Construction Fund
In Ambulance Equipment	58,622	9,878	Street Construction Fund
Fire/EMS Side by Side/Ski	10,087	13,913	Street Construction Fund
Public Training & EOC	62,304	1,127,696	2020 Capital Improvement Fund
Jones Lake Walking Trail	77,612	162,388	2020 Capital Improvement Fund
Whitehouse Dr West Ext	201,815	2,248,185	2020 Capital Improvement Fund
2020 Drainage Improvement	119,849	180,151	Water/Wastewater Depreciation Fund
US 59 Utility Relocation – Diboll	1,031,813	418,187	Water/Wastewater Depreciation Fund
Well #9 Rehabilitation	71,200	158,800	Water/Wastewater Depreciation Fund
Total	\$ 2,132,664	\$ 5,055,780	

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**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 \$677,941 and other accrued liabilities of \$313,434. 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 \$137,405 for amounts due vendors and \$268,774 for customer deposits. The business-type activities accrued liabilities are composed of accrued salaries and benefits of \$111,201 and other accrued liabilities of \$215,963.

**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, 2021 consist of the following individual issues:



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**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%.	\$ 1,125,000
\$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%.	4,600,000
\$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%.	3,360,000
\$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%.	2,215,000
\$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%.	2,800,000
\$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%.	7,630,000
\$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%.	7,545,000
\$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%.	1,860,000
\$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%.	4,630,000
Total general obligation bonds payable	<u>\$ 35,765,000</u>

The City expended \$1,281,335 for interest on general obligation bonds for the year ended September 30, 2021.

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

YEAR ENDING SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
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	2,700,000	679,448	3,379,448
2027-2031	12,635,000	2,118,294	14,753,294
2032-2036	5,210,000	605,619	5,815,619
2037-2040	1,330,000	135,400	1,465,400
TOTAL	<u>\$ 35,765,000</u>	<u>\$ 7,255,862</u>	<u>\$ 43,020,862</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**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
2022	\$ 235,111	\$ 168,374	\$ 403,485
2023	241,990	161,495	403,485
2024	251,803	151,682	403,485
2025	262,014	141,471	403,485
2026	272,638	130,847	403,485
2027-2031	1,538,276	479,149	2,017,425
2032-2035	1,470,798	143,142	1,613,940
TOTAL	<u>\$ 4,272,630</u>	<u>\$ 1,376,160</u>	<u>\$ 5,648,790</u>

The EDC has entered into an agreement to construct a building with a lease purchase for a local business. As a part of this agreement, the EDC has obtained financing for the cost of the building. The notes payable at September 30, 2021 were \$2,378,070 and \$1,894,560, respectively. The notes are secured by the building and sales tax revenue. The \$1,894,560 note payable is with the City's Solid Waste Disposal Fund.

The City expended \$190,602 for interest on notes payable for the component units for the year ended September 30, 2021.

**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	\$ 40,595,000	\$ -	\$ (4,830,000)	\$ 35,765,000	\$ 3,940,000
Bond premiums	2,349,669	-	(223,466)	2,126,203	-
Compensated absences	4,659,370	-	(294,703)	4,364,667	1,470,843
Total	<u>\$ 47,604,039</u>	<u>\$ -</u>	<u>\$ (5,348,169)</u>	<u>\$ 42,255,870</u>	<u>\$ 5,410,843</u>
BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Compensated absences	\$ 375,653	\$ 19,449	\$ -	\$ 395,102	\$ 141,895
Total	<u>\$ 375,653</u>	<u>\$ 19,449</u>	<u>\$ -</u>	<u>\$ 395,102</u>	<u>\$ 141,895</u>

**Component Units**

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Notes payable	\$ 4,854,797	\$ -	\$ (582,167)	\$ 4,272,630	\$ 235,111
Compensated absences	15,763	-	(5,160)	10,603	10,603
Total	<u>\$ 4,870,560</u>	<u>\$ -</u>	<u>\$ (587,327)</u>	<u>\$ 4,283,233</u>	<u>\$ 245,714</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**4.      Defeased Debt**

There was no defeased debt outstanding at September 30, 2021.

**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.

**H.      Deferred Inflows of Resources – Unavailable Revenues**

Deferred inflows of resources related to unavailable revenues on the governmental funds balance sheet at September 30, 2021 consisted of the following:

	<u>AMOUNT</u>
Unavailable ad valorem taxes	\$ 187,105
Unavailable fines and forfeitures	746,942
Unavailable EMS/Ambulance charges	1,687,744
Unavailable miscellaneous billings	94,840
Unavailable interest income	<u>39,063</u>
Total unavailable revenues	\$ <u>2,755,694</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**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, 2021, 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, 2021, the City had recorded a liability of \$437,908 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, 2021**

**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,
2019	\$ 321,132	\$ 6,340,861	\$ 6,290,723	\$ 371,270
2020	371,270	4,637,456	4,848,786	159,940
2021	159,940	4,582,769	4,304,801	437,908

**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 participates as one of 895 plans in the defined benefit cash balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.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 based on the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest. Retiring members may select one of seven monthly benefit payments options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's contributions and interest.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

The plan provisions are adopted by the governing body of the City relate to retirement eligibility, vesting schedule, member contribution rates, and the matching percentage for the City. 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.

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

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	259
Inactive employees entitled to but not yet receiving benefits	197
Active employees	330
	<hr/> 786 <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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

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 16.17% and 16.40% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$2,624,529, and were equal to the required contributions.

**D. Net Pension Liability**

The City's net pension liability (NPL) was measured as of December 31, 2020, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

***Actuarial Assumptions:***

The TPL in the December 31, 2020 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**  
**SEPTEMBER 30, 2021**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are 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 for active, healthy retirees and beneficiaries are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% 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 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, 2021**

**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, 2019	\$ 108,250,780	\$ 94,312,060	\$ 13,938,720
Changes for the year:			
Service cost	2,736,434	-	2,736,434
Interest	7,211,963	-	7,211,963
Change of benefit terms	-	-	-
Difference between expected and actual experience	(440,211)	-	(440,211)
Changes of assumptions	-	-	-
Contributions - Employer	-	2,823,749	(2,823,749)
Contributions - Employee	-	1,222,402	(1,222,402)
Net investment income	-	7,156,704	(7,156,704)
Benefit payments, including refunds of employee contributions	(5,550,196)	(5,550,196)	-
Administrative expense	-	(46,323)	46,323
Other changes	-	(1,807)	1,807
Net changes	3,957,990	5,604,529	(1,646,539)
Balance at December 31, 2020	\$ 112,208,770	\$ 99,916,589	\$ 12,292,181

***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	\$ 27,462,417	\$ 12,292,181	\$ (198,869)

***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.tmr.com](http://www.tmr.com).

***Financial Statement Breakdown***

The City's NPL at September 30, 2021 is included in the financial statements as follows:

Governmental activities	\$ 9,832,536
Business-type activities	2,442,101
Component units	17,544
Total	\$ 12,292,181



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**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, 2021, the City recognized pension expense of \$928,063.

At September 30, 2021, 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	\$ -	\$ 863,382
Changes in actuarial assumptions	86,871	-
Difference between projected and actual investment earnings	-	2,688,994
Contributions subsequent to the measurement date	1,906,063	-
Total	\$ 1,992,934	\$ 3,552,376

The City reported \$1,906,063 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, 2022. 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,	
2021	\$ (1,469,561)
2022	(149,876)
2023	(1,687,941)
2024	(158,127)
Total	\$ (3,465,505)

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

**A. Plan Description**

The City contributes to the retirement plan for firefighters in the Lufkin Fire Department known as the Firemen's Relief and Retirement Fund of Lufkin, Texas ("Plan"). The Plan is a single-employer, contributory, defined benefit pension plan. The benefit provisions of the Plan 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 of the Lufkin Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize the assets within the retirement plan trust. The Plan issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing to the Lufkin Firemen's Relief and Retirement Fund at 300 East Shepherd Street, Lufkin, Texas 75901 or on the Plan's website at [www.lufkinfirepension.com](http://www.lufkinfirepension.com). See that report for all information about the plan fiduciary net position.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**B. Benefits Provided**

Firefighters in the Lufkin Fire Department are covered by the Plan which provides service retirement, death, disability, and termination benefits. Benefit provisions are established by the Plan's Board of Trustees. Firefighters may retire at age 50 with 10 years of service if hired before September 1, 2005; at age 50 with 15 years of service if hired between September 1, 2005 and June 24, 2013; at age 52 with 20 years of service if hired between June 25, 2013 and January 4, 2016; or at age 55 with 20 years of services if hired after January 6, 2016. If a terminated firefighter has the service required for retirement, but not the required age, he/she may retire starting the date he/she attains the required age. The Plan provides a monthly normal service retirement benefit equal to the sum of (1) 3.35% of the highest 60-month average salary multiplied by the lesser of 20 years or his/her service years and (2) \$66.00 per month for each year of service in excess of 20 years.

There is no provision for automatic postretirement benefit increases. The Plan has the authority to provide, and has periodically in the past provided, ad hoc post retirement benefit increases.

***Members Covered by the Plan:***

In the December 31, 2020 actuarial valuation, the Plan covered the following number of members:

Retirees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	2
Active employees	84
	<u>144</u>

**C. Contribution Policy**

The contribution provisions of the Plan are authorized by TLFFRA. TLFFRA provides the authority and procedures to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll be the City.

The contribution policy of the Plan requires contributions equal to 14.20% of pay by the firefighters according to TLFFRA. The City currently contributes 23.00% of payroll. That rate is set annually as a part of the City's budget. The December 31, 2020 actuarial valuation included the assumption that the City contribution rate will be 23.00% over the unfunded liability amortization period. The costs of administering the Plan are paid from the Plan's assets.

The City's contributions for the year ended September 30, 2021 were \$1,337,186 and were equal to the required contributions.

**D. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the NPL was determined by the actuarial valuation as of December 31, 2020.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

***Actuarial Assumptions:***

The TPL in the December 31, 2020 actuarial valuation was determined by the prior actuary using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75% plus promotion, step, and longevity increases that vary by service
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees (sex distinct) projected for mortality improvement generationally using the projection scale MP-2018.

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 resulting in 4.50%) and by adding expected inflation (2.75%). This review led to the selection of the 7.25% assumption. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Equities		
Large/all cap domestic	24%	5.63%
Small/mid cap domestic	9%	6.13%
International developed	9%	6.13%
Emerging markets	14%	7.63%
Specialty		
Income opportunity	6%	4.13%
Total return	5%	3.63%
Global convertibles	5%	3.13%
Fixed Income		
Domestic core	16%	1.13%
Domestic high yield	5%	2.63%
Global	5%	1.63%
Cash	2%	0.00%
Total	100%	
Weighted average		4.50%

***Discount Rate***

The discount rate used to measure the TPL was 7.25%. No projection of cash flows was used to determine the discount rate because the December 31, 2020 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 32 years. Because of the 32-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.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**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	INCREASE (DECREASE) PLAN FIDUCIARY NET POSITION	NET PENSION LIABILITY
	(A)	(B)	(A) - (B)
Balance at December 31, 2019	\$ 37,248,554	\$ 18,975,750	\$ 18,272,804
Changes for the year:			
Service cost	749,266	-	749,266
Interest	2,777,817	-	2,777,817
Change of benefit terms	-	-	-
Difference between expected and actual experience	448,243	-	448,243
Changes of assumptions	991,887	-	991,887
Contributions – Employer	-	1,329,748	(1,329,748)
Contributions - Employee	-	820,975	(820,975)
Net investment income	-	2,303,589	(2,303,589)
Benefit payments, including refunds of employee contributions	(1,920,513)	(1,920,513)	-
Administrative expense	-	(42,995)	42,995
Other changes	-	-	-
Net changes	3,046,700	2,490,804	555,896
Balance at December 31, 2020	\$ 40,295,254	\$ 21,466,554	\$ 18,828,700

***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 7.25%, 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 (6.25%)	DISCOUNT RATE (7.25%)	1% INCREASE IN DISCOUNT RATE (8.25%)
Net pension liability	\$ 23,335,752	\$ 18,828,700	\$ 15,054,626

***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, 2021 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, 2021, the City recognized pension expense of \$907,437.

At September 30, 2021, 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, 2021**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 374,276	\$ 478,769
Changes in actuarial assumptions	931,497	151,984
Difference between projected and actual investment earnings	-	1,042,128
Contributions subsequent to the measurement date	982,957	-
Total	\$ <u>2,288,730</u>	\$ <u>1,672,881</u>

The City reported \$982,957 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, 2022. 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,	
2021	\$ (417,995)
2022	78,251
2023	(342,237)
2024	62,968
2025	237,645
Thereafter	14,260
Total	\$ <u>(367,108)</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 the September 30, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	26
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, 2021**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**C. Total OPEB Liability**

The City's total OPEB liability of \$4,126,066 was determined by an actuarial valuation as of September 30, 2020 and rolled forward to September 30, 2021.

***Actuarial assumptions and other inputs***

The total OPEB liability in the September 30, 2020 actuarial valuation 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 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, 2020	\$ 4,100,728
Changes for the year:	
Service cost	97,732
Interest	92,609
Benefit payments	(165,000)
Rounding	(6)
Net changes	<u>25,335</u>
Balance at September 30, 2021	\$ <u>4,126,063</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	\$ 3,910,932	\$ 4,126,063	\$ 4,344,898

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**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	\$ 4,076,034	\$ 4,126,063	\$ 4,181,829

***Financial Statement Breakdown***

The City's total OPEB liability at September 30, 2021 is included in the financial statements as follows:

Governmental activities	\$ 3,459,227
Business-type activities	666,836
Component units	-
Total	<u>\$ 4,126,063</u>

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$74,382. At September 30, 2021, 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	\$ -	\$ 92,526
Changes in assumptions and other inputs	80,309	257,730
Total	<u>\$ 80,309</u>	<u>\$ 350,256</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,	
2022	\$ (115,959)
2023	(137,308)
2024	(16,680)
Total	<u>\$ (269,947)</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**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 supplemental death benefits for active employees with optional coverage for their retirees. The City has elected, by ordinance, to provide supplemental death benefits 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	200
Inactive employees entitled to but not yet receiving benefits	46
Active employees	330
	<u>576</u>

**B. Total OPEB Liability**

The City's total OPEB liability of \$1,592,827 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

***Actuarial assumptions and other inputs***

The total OPEB liability in the December 31, 2020 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%
Projected salary increases	3.50% to 11.50% including inflation
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0



**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**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 used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 through December 31, 2018.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2020.

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

	<u>TOTAL OPEB LIABILITY</u>
Balance December 31, 2020	\$ <u>1,322,409</u>
Changes for the year:	
Service cost	57,628
Interest	37,015
Difference between expected and actual experience	(25,043)
Changes in assumptions or other inputs	211,296
Benefit payments	<u>(10,478)</u>
Net changes	<u>270,418</u>
Balance at December 31, 2021	\$ <u>1,592,827</u>

***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 (1.00%)	DISCOUNT RATE (2.00%)	1% INCREASE IN DISCOUNT RATE (3.00%)
Total OPEB liability	\$ <u>1,948,485</u>	\$ <u>1,592,827</u>	\$ <u>1,319,748</u>

***Financial Statement Breakdown***

The City's total OPEB liability at September 30, 2021 is included in the financial statements as follows:

Governmental activities	\$ 1,263,220
Business-type activities	317,905
Component units	<u>11,702</u>
Total	\$ <u>1,592,827</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**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, 2021, the City recognized OPEB expense of \$157,424. At September 30, 2021 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	\$ 54,669	\$ 146,087
Changes in assumptions and other inputs	318,387	33,905
Contributions made subsequent to the measurement date	33,705	-
Total	\$ 406,761	\$ 179,992

The City reported \$33,705 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, 2022. 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,	
2021	\$ 62,781
2022	51,580
2023	40,223
2024	37,002
2025	1,478
Total	\$ 193,064

**M. Tax Abatements**

The City participated in multiple agreements during fiscal year 2021 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 pandemic, the City closed its offices to the public at various times. Basic City services and operations continued throughout the pandemic. 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. During the year, the City recognized revenue of \$2,255,136 from reimbursement grants to help with the costs associated with COVID-19.

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.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2021**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

**O. Prior Period Adjustment**

Based on the City's review of the organization and operations of the Lufkin Convention and Visitors Bureau, the City has revised its reporting of the Lufkin Convention and Visitors Bureau from a discretely presented component unit to a special revenue fund. This change was effective as of October 1, 2020. As a result of this change in financial reporting, component unit net position decreased by \$772,587, special revenue fund balance increased by \$870,089, and governmental activities noncurrent liabilities increased by \$97,502.

**P. Subsequent Event**

In January 2022, the City entered into a Public Property Finance Act Lease Purchase Agreement with a principal amount of \$19,481,227 to finance the acquisition and installation of equipment for an energy conservation project at certain City facilities. Annual payments with interest of 2.44% will commence in July 2023 and continue through July 2038 unless the City exercises the option to purchase as set forth in the agreement. As of the date these financial statements were available for issuance, the City had incurred \$1,871,560 in cost for this project.

## **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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Taxes:				
Property	\$ 8,427,572	\$ 8,478,072	\$ 8,702,797	\$ 224,725
Sales	13,357,753	15,138,109	15,969,654	831,545
Franchise	2,398,500	2,276,449	2,221,332	(55,117)
Other	100,500	95,500	114,231	18,731
Total Taxes	24,284,325	25,988,130	27,008,014	1,019,884
Licenses and Permits:				
Building permits and inspections	325,000	270,000	290,216	20,216
Plumbing permits and inspections	9,000	5,100	6,135	1,035
Electric permits and inspections	8,000	9,200	9,295	95
Heat and vent permits	6,000	8,400	9,295	895
Other permits	66,500	86,765	157,305	70,540
Licenses	2,720	2,720	3,120	400
Total Licenses and Permits	417,220	382,185	475,366	93,181
Fines and Forfeitures:				
Municipal court fines and forfeitures	474,000	416,350	382,105	(34,245)
Parking fines	50	50	55	5
Total Fines and Forfeitures	474,050	416,400	382,160	(34,240)
Charges for Services:				
Emergency medical services	2,400,000	2,300,000	2,681,675	381,675
Emergency medical services - County	250,444	250,016	250,016	-
Other	21,930	47,050	51,330	4,280
Total Charges for Services	2,672,374	2,597,066	2,983,021	385,955
Investment earnings	100,000	265,000	266,690	1,690
Intergovernmental:				
Grant revenues	-	1,701,788	2,434,544	732,756
General and administrative services	4,898,432	4,898,432	4,898,432	-
Total Intergovernmental	4,898,432	6,600,220	7,332,976	732,756

**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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Other Revenues:				
Parks	10,000	24,500	25,431	931
Library	11,000	3,750	5,698	1,948
Animal shelter fees	64,750	53,000	67,664	14,664
Zone change fees	2,400	-	3,150	3,150
Zoo admission fees	103,000	103,000	103,284	284
Rent on city property	35,420	35,920	46,708	10,788
Salvage and auction	-	-	30,889	30,889
Miscellaneous	91,767	230,294	186,651	(43,643)
Salary reimbursements	-	6,000	9,344	3,344
Total Other Revenue	318,337	456,464	478,819	22,355
 Total Revenues	 33,164,738	 36,705,465	 38,927,046	 2,221,581
Expenditures:				
Current:				
General Government:				
City Council/City Secretary:				
Payroll costs	144,174	150,097	54,218	95,879
Supplies	12,300	26,478	16,417	10,061
Miscellaneous services	69,040	126,916	109,821	17,095
Sundry charges	86,220	86,220	82,093	4,127
Total City Council/City Secretary	311,734	389,711	262,549	127,162
 City Administration:				
Payroll costs	656,725	844,821	859,119	(14,298)
Supplies	8,860	23,073	21,662	1,411
Maintenance	-	2,640	1,249	1,391
Miscellaneous services	42,240	30,522	23,913	6,609
Sundry charges	400	400	294	106
Total City Administration	708,225	901,456	906,237	(4,781)
 Finance:				
Payroll costs	548,198	572,037	580,191	(8,154)
Supplies	18,850	22,250	23,102	(852)
Maintenance	24,950	24,950	22,788	2,162
Miscellaneous services	152,214	160,568	125,294	35,274
Sundry charges	-	63	106	(43)
Total Finance	744,212	779,868	751,481	28,430

**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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Legal:				
Payroll costs	-	99,148	7,500	91,648
Supplies	2,350	900	725	175
Miscellaneous services	25,457	95,139	93,399	1,740
Total Legal	27,807	195,187	101,624	93,563
Tax:				
Miscellaneous services	221,500	230,000	220,518	9,482
Total Tax	221,500	230,000	220,518	9,482
Human Resources:				
Payroll costs	332,887	333,879	373,257	(39,378)
Supplies	6,200	6,960	5,807	1,153
Miscellaneous services	23,925	25,425	19,552	5,873
Sundry charges	30,000	29,715	27,479	2,236
Total Human Resources	393,012	395,979	426,095	(30,116)
Building Services:				
Payroll costs	90,487	79,892	79,513	379
Supplies	19,900	72,994	29,611	43,383
Maintenance	79,000	68,000	33,984	34,016
Miscellaneous services	122,400	103,900	115,108	(11,208)
Capital outlay	-	230,000	109,605	120,395
Total Building Services	311,787	554,786	367,821	186,965
Information Technology:				
Payroll costs	602,913	459,025	488,449	(29,424)
Supplies	70,625	184,707	60,268	124,439
Maintenance	155,800	154,826	133,856	20,970
Miscellaneous services	162,255	157,807	124,539	33,268
Total Information Technology	991,593	956,365	807,112	149,253

**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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Non-departmental:				
Payroll costs	5,000	401,591	10,154	391,437
Supplies	4,000	4,000	4,000	-
Maintenance	87,756	87,756	79,788	7,968
Miscellaneous services	310,221	304,421	245,066	59,355
Total Non-departmental	406,977	797,768	339,008	458,760
Total General Government	4,116,847	5,201,120	4,182,445	1,018,718
Public Safety:				
Municipal Court:				
Payroll costs	207,563	207,543	311,720	(104,177)
Supplies	8,285	7,496	6,715	781
Miscellaneous services	116,665	73,460	63,218	10,242
Total Municipal Court	332,513	288,499	381,653	(93,154)
Police:				
Payroll costs	8,824,058	8,469,435	8,793,073	(323,638)
Supplies	288,100	395,610	358,208	37,402
Maintenance	169,000	194,200	155,306	38,894
Miscellaneous services	643,336	631,937	621,246	10,691
Sundry charges	500	715	715	-
Capital outlay	-	18,740	18,740	-
Total Police	9,924,994	9,710,637	9,947,288	(236,651)
Fire:				
Payroll costs	7,697,435	7,813,176	8,045,325	(232,149)
Supplies	446,059	506,632	408,601	98,031
Maintenance	170,109	180,200	145,338	34,862
Miscellaneous services	500,951	539,352	509,503	29,849
Total Fire	8,814,554	9,039,360	9,108,767	(69,407)
Emergency Management:				
Supplies	1,200	700	370	330
Miscellaneous services	53,927	50,930	47,208	3,722
Total Emergency Management	55,127	51,630	47,578	4,052



**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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Animal Control:				
Payroll costs	584,047	553,782	559,816	(6,034)
Supplies	67,620	76,000	71,219	4,781
Maintenance	16,000	34,170	33,498	672
Miscellaneous services	101,430	97,015	88,983	8,032
Total Animal Control	769,097	760,967	753,516	7,451
City Marshall:				
Payroll costs	56,910	21,875	22,482	(607)
Supplies	1,930	99	99	-
Maintenance	1,000	-	-	-
Miscellaneous services	3,930	2,715	2,928	(213)
Total City Marshall	63,770	24,689	25,509	(820)
Total Public Safety	19,960,055	19,875,782	20,264,311	(388,529)
Cultural and Recreation:				
Parks:				
Payroll costs	996,759	920,072	914,072	6,000
Supplies	92,200	69,109	69,203	(94)
Maintenance	63,550	56,891	56,485	406
Miscellaneous services	349,874	364,708	330,651	34,057
Sundry charges	80	80	40	40
Capital outlay	-	33,061	33,061	-
Total Parks	1,502,463	1,443,921	1,403,512	40,409
Zoo:				
Payroll costs	1,349,601	1,278,785	1,214,701	64,084
Supplies	198,850	199,010	193,004	6,006
Maintenance	2,950	3,650	3,399	251
Miscellaneous services	173,638	172,936	166,731	6,205
Total Zoo	1,725,039	1,654,381	1,577,835	76,546
Library:				
Payroll costs	465,226	468,421	473,925	(5,504)
Supplies	15,750	13,950	9,654	4,296
Maintenance	35,685	40,603	28,489	12,114
Miscellaneous services	65,740	64,465	55,998	8,467
Total Library	582,401	587,439	568,066	19,373
Total Cultural and Recreation	3,809,903	3,685,741	3,549,413	136,328

**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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Public Works:				
Engineering:				
Payroll costs	492,108	495,448	502,919	(7,471)
Supplies	8,110	7,610	4,862	2,748
Maintenance	18,600	23,341	19,585	3,756
Miscellaneous services	62,720	49,605	34,474	15,131
Sundry charges	200	200	-	200
Total Engineering	581,738	576,204	561,840	14,364
Inspection:				
Payroll costs	448,700	401,900	400,302	1,598
Supplies	12,700	12,503	12,346	157
Maintenance	1,500	1,500	676	824
Miscellaneous services	37,779	33,354	31,560	1,794
Total Inspection	500,679	449,257	444,884	4,373
Planning and Zoning:				
Payroll costs	142,695	139,417	142,748	(3,331)
Supplies	1,880	1,102	977	125
Maintenance	900	785	742	43
Miscellaneous services	9,030	11,235	9,338	1,897
Total Planning and Zoning	154,505	152,539	153,805	(1,266)
Street:				
Payroll costs	1,574,472	1,426,912	1,463,555	(36,643)
Supplies	167,965	158,343	141,091	17,252
Maintenance	1,011,200	1,015,200	1,020,128	(4,928)
Miscellaneous services	1,016,755	1,007,870	960,275	47,595
Capital outlay	-	55,050	55,050	-
Total Street	3,770,392	3,663,375	3,640,099	23,276
Fleet Management:				
Payroll costs	413,223	408,896	419,745	(10,849)
Supplies	20,550	28,785	21,490	7,295
Maintenance	7,000	7,000	5,391	1,609
Miscellaneous services	13,344	12,830	11,276	1,554
Sundry charges	-	-	(14,590)	14,590
Capital outlay	-	11,390	-	11,390
Total Fleet Management	454,117	468,901	443,312	25,589
Total Public Works	5,461,431	5,310,276	5,243,940	66,336

**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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Debt Service:				
Principal	16,297	16,297	16,297	-
Interest	1,161	1,161	1,162	(1)
Total Debt Service	17,458	17,458	17,459	(1)
Total Expenditures	33,365,694	34,090,377	33,257,568	832,852
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	(200,956)	2,615,088	5,669,478	3,054,433
Other Financing Sources (Uses):				
Transfers in	378,368	347,835	347,835	-
Transfers out	(165,000)	(2,820,683)	(2,820,683)	-
Total Other Financing Sources (Uses)	213,368	(2,472,848)	(2,472,848)	-
Net Change in Fund Balance	12,412	142,240	3,196,630	3,054,433
Fund Balance - Beginning	12,754,789	12,754,789	12,754,789	-
Fund Balance - Ending	\$ 12,767,201	\$ 12,897,029	\$ 15,951,419	\$ 3,054,433

**CITY OF LUFKIN, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
CONDITION RATING OF THE CITY'S STREET SYSTEM  
SEPTEMBER 30, 2021**

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, 2021**

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>
2021	\$	3,663	\$	3,640
2020		3,815		3,469
2019		3,787		3,697
2018		3,850		3,881
2017		4,248		4,071

**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**

	2021	2020	2019	2018
<b>Total Pension Liability</b>				
Service cost	\$ 2,736,434	\$ 2,639,764	\$ 2,586,703	\$ 2,582,456
Interest (on the total pension liability)	7,211,963	6,953,019	6,711,583	6,388,272
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(440,211)	(596,481)	(979,881)	(48,701)
Change of assumptions	-	183,393	-	-
Benefit payments, including refunds of employee contributions	(5,550,196)	(5,233,433)	(4,302,780)	(3,965,957)
Net change in total pension liability	3,957,990	3,946,262	4,015,625	4,956,070
Total pension liability - beginning	108,250,780	104,304,518	100,288,893	95,332,823
Total pension liability - ending (a)	<u>\$ 112,208,770</u>	<u>\$ 108,250,780</u>	<u>\$ 104,304,518</u>	<u>\$ 100,288,893</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 2,823,749	\$ 2,790,024	\$ 2,776,942	\$ 2,732,648
Contributions - employee	1,222,402	1,195,236	1,168,189	1,152,313
Net investment income	7,156,704	12,804,596	(2,570,224)	10,461,909
Benefit payments, including refunds of employee contributions	(5,550,196)	(5,233,433)	(4,302,780)	(3,965,957)
Administrative expense	(46,323)	(72,356)	(49,678)	(54,219)
Other	(1,807)	(2,174)	(2,595)	(2,748)
Net change in plan fiduciary net position	5,604,529	11,481,893	(2,980,146)	10,323,946
Plan fiduciary net position - beginning	94,312,060	82,830,167	85,810,313	75,486,367
Plan fiduciary net position - ending (b)	<u>\$ 99,916,589</u>	<u>\$ 94,312,060</u>	<u>\$ 82,830,167</u>	<u>\$ 85,810,313</u>
Net pension liability - ending (a) - (b)	<u>\$ 12,292,181</u>	<u>\$ 13,938,720</u>	<u>\$ 21,474,351</u>	<u>\$ 14,478,580</u>
Plan fiduciary net position as a percentage of total pension liability	89.05%	87.12%	79.41%	85.56%
Covered payroll	\$ 17,462,884	\$ 17,074,796	\$ 16,688,409	\$ 16,448,764
Net pension liability as a percentage of covered payroll	70.39%	81.63%	128.68%	88.02%

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

Note: Only seven 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."

	2017		2016		2015
\$	2,515,515	\$	2,299,919	\$	2,123,077
	6,052,902		5,894,713		5,650,445
	-		-		-
	83,312		(192,026)		(776,242)
	-		948,593		-
	(3,467,542)		(3,725,580)		(3,466,727)
	5,184,187		5,225,619		3,530,553
	90,148,636		84,923,017		81,392,464
\$	95,332,823	\$	90,148,636	\$	84,923,017

\$	2,520,598	\$	2,509,431	\$	2,486,016
	1,122,282		1,086,453		1,034,606
	4,771,526		104,308		3,824,460
	(3,467,542)		(3,725,580)		(3,466,727)
	(53,883)		(63,532)		(39,929)
	(2,903)		(3,138)		(3,283)
	4,890,078		(92,058)		3,835,143
	70,596,289		70,688,347		66,853,204
\$	75,486,367	\$	70,596,289	\$	70,688,347
\$	19,846,456	\$	19,552,347	\$	14,234,670

	79.18%		78.31%		83.24%
\$	16,032,603	\$	15,446,063	\$	14,772,880
	123.79%		126.58%		96.36%

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

	2021	2020	2019	2018
Actuarially determined contribution	\$ 2,624,529	\$ 2,766,399	\$ 2,783,374	\$ 2,779,508
Contributions in relation to the actuarially determined contribution	(2,624,529)	(2,766,399)	(2,783,374)	(2,779,508)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 16,067,598	\$ 17,061,271	\$ 16,964,478	\$ 16,708,530
Contributions as a percentage of covered payroll	16.33%	16.21%	16.41%	16.64%

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, 2020 - December 31, 2020.

Note: Only seven 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."



2017		2016		2015	
\$	2,668,749	\$	2,606,843	\$	2,507,504
(2,668,749)		(2,606,843)		(2,507,504)	
\$	-	\$	-	\$	-
\$	16,261,675	\$	16,454,792	\$	15,328,570
16.41%		15.84%		16.36%	

**CITY OF LUFKIN, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SEPTEMBER 30, 2021**

**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	25 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**

	2021	2020	2019	2018
<b>Total Pension Liability</b>				
Service cost	\$ 749,266	\$ 727,443	\$ 766,457	\$ 744,133
Interest (on the total pension liability)	2,777,817	2,656,220	2,547,901	2,429,092
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	448,243	-	(424,667)	-
Change of assumptions	991,887	-	209,041	-
Administrative expense	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,920,513)	(1,647,873)	(1,583,037)	(1,639,827)
Net change in total pension liability	3,046,700	1,735,790	1,515,695	1,533,398
Total pension liability - beginning	37,248,554	35,512,764	33,997,069	32,463,671
Total pension liability - ending (a)	<u>\$ 40,295,254</u>	<u>\$ 37,248,554</u>	<u>\$ 35,512,764</u>	<u>\$ 33,997,069</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 1,329,748	\$ 1,226,324	\$ 1,181,244	\$ 1,178,934
Contributions - employee	820,975	757,122	729,289	727,352
Net investment income	2,303,589	3,041,687	(1,079,360)	1,877,559
Benefit payments, including refunds of employee contributions	(1,920,513)	(1,647,873)	(1,583,037)	(1,639,827)
Administrative expense	(42,995)	(60,545)	(33,643)	(35,273)
Other	-	-	-	-
Net change in plan fiduciary net position	2,490,804	3,316,715	(785,507)	2,108,745
Plan fiduciary net position - beginning	18,975,750	15,659,035	16,444,542	14,335,797
Plan fiduciary net position - ending (b)	<u>\$ 21,466,554</u>	<u>\$ 18,975,750</u>	<u>\$ 15,659,035</u>	<u>\$ 16,444,542</u>
Net pension liability - ending (a) - (b)	<u>\$ 18,828,700</u>	<u>\$ 18,272,804</u>	<u>\$ 19,853,729</u>	<u>\$ 17,552,527</u>
Plan fiduciary net position as a percentage of total pension liability	53.30%	50.90%	44.10%	48.40%
Covered payroll	\$ 5,781,514	\$ 5,331,845	\$ 5,135,838	\$ 5,122,197
Net pension liability as a percentage of covered payroll	325.70%	342.70%	386.60%	342.70%

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

Note: Only seven 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.

2017	2016	2015
\$ 717,504	\$ 696,606	\$ 648,006
2,502,453	2,373,987	2,282,146
-	-	-
(1,480,396)	-	227,196
(836,604)	-	-
-	-	421,584
(2,175,654)	(1,974,776)	(1,437,981)
(1,272,697)	1,095,817	2,140,951
33,736,368	32,640,551	30,499,600
\$ 32,463,671	\$ 33,736,368	\$ 32,640,551
\$ 1,112,799	\$ 1,146,462	\$ 1,094,156
718,762	666,247	627,405
982,695	(336,255)	714,645
(2,175,654)	(1,974,776)	(1,437,981)
(25,850)	(43,114)	(28,082)
-	-	-
612,752	(541,436)	970,143
13,723,045	14,264,481	13,294,338
\$ 14,335,797	\$ 13,723,045	\$ 14,264,481
\$ 18,127,874	\$ 20,013,323	\$ 18,376,070
44.20%	40.70%	43.70%
\$ 5,061,704	\$ 5,047,326	\$ 4,753,068
358.10%	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**

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 57,628	\$ 40,980	\$ 46,728	\$ 41,122
Interest (on the total OPEB liability)	37,015	46,683	37,682	36,976
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(25,043)	(206,789)	125,364	-
Change of assumptions	211,296	208,856	(77,750)	87,631
Benefit payments	(10,478)	(10,245)	(8,344)	(8,224)
Net change in total OPEB liability	270,418	79,485	123,680	157,505
Total OPEB liability - beginning	1,322,409	1,242,924	1,119,244	961,739
Total OPEB liability - ending	<u>\$ 1,592,827</u>	<u>\$ 1,322,409</u>	<u>\$ 1,242,924</u>	<u>\$ 1,119,244</u>
 Covered-employee payroll	 \$ 17,462,884	 \$ 17,074,796	 \$ 16,688,409	 \$ 16,448,764
 Total OPEB liability as a percentage of covered-employee payroll	 9.12%	 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 four 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**

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 97,732	\$ 86,944	\$ 86,944	\$ 83,552
Interest (on the total OPEB liability)	92,609	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)	(165,000)
Rounding	(6)	3		
Net change in total OPEB liability	25,335	(635,776)	333,675	93,551
Total OPEB liability - beginning	4,100,728	4,736,504	4,402,829	4,309,278
Total OPEB liability - ending	<u>\$ 4,126,063</u>	<u>\$ 4,100,728</u>	<u>\$ 4,736,504</u>	<u>\$ 4,402,829</u>
 Covered-employee payroll	 \$ 6,301,241	 \$ 7,379,883	 \$ 7,719,774	 \$ 6,824,675
 Total OPEB liability as a percentage of covered-employee payroll	 65.48%	 55.57%	 61.36%	 64.51%

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

Note: Only four 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 grants received by the Police Department that require 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.

Lufkin Convention & Visitors Bureau Fund - To account for revenues and expenditures of the LCVB.

### **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**

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

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.

Technology Amortization Fund - To account for the rental of technology equipment to other departments, the purchase of new equipment and related costs.

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**SEPTEMBER 30, 2021**

	ECONOMIC DEVELOPMENT CORPORATION	LUFKIN CONVENTION AND VISITORS BUREAU	TOTAL COMPONENT UNITS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,830,331	\$ -	\$ 3,830,331
Receivables - net	123,525	-	123,525
Notes receivable	4,321,512	-	4,321,512
Capital assets (net of accumulated depreciation)			
Land and improvements	5,147,878	-	5,147,878
Total Assets	<u>13,423,246</u>	<u>-</u>	<u>13,423,246</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	(2,206)	-	(2,206)
Deferred OPEB outflows	3,695	-	3,695
Total Deferred Outflows of Resources	<u>1,489</u>	<u>-</u>	<u>1,489</u>
<b>LIABILITIES</b>			
Accounts/claims payable	6,501	-	6,501
Accrued interest	43,358	-	43,358
Accrued liabilities	5,387	-	5,387
Noncurrent liabilities:			
Due within one year	245,714	-	245,714
Due in more than one year	4,037,519	-	4,037,519
Total OPEB liability	11,702	-	11,702
Net pension liability	17,544	-	17,544
Total Liabilities	<u>4,367,725</u>	<u>-</u>	<u>4,367,725</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	19,459	-	19,459
Deferred OPEB inflows	1,666	-	1,666
Total Deferred Inflows of Resources	<u>21,125</u>	<u>-</u>	<u>21,125</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,147,878	-	5,147,878
Unrestricted	3,888,007	-	3,888,007
Total Net Position	<u>\$ 9,035,885</u>	<u>\$ -</u>	<u>\$ 9,035,885</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FUNCTIONS/PROGAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	LUFKIN			
				ECONOMIC DEVELOPMENT CORPORATION	CONVENTION AND VISITORS BUREAU	TOTAL	
Economic Development Corporation	\$ 640,968	\$ -	\$ -	\$ (640,968)	- \$	(640,968)	
Lufkin Convention and Visitors Bureau	-	-	-	-	-	-	
Total	\$ 640,968	\$ -	\$ -	(640,968)	-	(640,968)	
General Revenues:							
Sales taxes				1,451,787	-	1,451,787	
Unrestricted investment earnings				272,986	-	272,986	
Miscellaneous revenues				4,485	-	4,485	
Total General Revenues				1,729,258	-	1,729,258	
Change in Net Position				1,088,290	-	1,088,290	
Net Position - Beginning				7,947,595	772,587	8,720,182	
Prior period adjustment				-	(772,587)	(772,587)	
Net Position - Beginning, as Restated				7,947,595	-	7,947,595	
Net Position - Ending				\$ 9,035,885	\$ -	\$ 9,035,885	

**CITY OF LUFKIN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2021**

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,876,051	\$ 4,786,930	\$ 8,662,981
Investments	-	1,000,000	1,000,000
Receivables:			
Accounts	192,330	-	192,330
Other	279,157	7,537	286,694
Allowance for uncollectibles	(185,178)	-	(185,178)
Total assets	<u>\$ 4,162,360</u>	<u>\$ 5,794,467</u>	<u>\$ 9,956,827</u>
<b>LIABILITIES</b>			
Accounts/claims payable	\$ 237,794	\$ 14,743	\$ 252,537
Accrued liabilities	16,500	-	16,500
Due to other funds	123,642	2,922	126,564
Customer deposits	22,940	-	22,940
Total Liabilities	<u>400,876</u>	<u>17,665</u>	<u>418,541</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	10,915	7,537	18,452
Total Deferred Inflows of Resources	<u>10,915</u>	<u>7,537</u>	<u>18,452</u>
<b>FUND BALANCES</b>			
Restricted	303,489	5,769,265	6,072,754
Committed	1,231,248	-	1,231,248
Assigned	2,215,832	-	2,215,832
Total Fund Balances	<u>3,750,569</u>	<u>5,769,265</u>	<u>9,519,834</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,162,360</u>	<u>\$ 5,794,467</u>	<u>\$ 9,956,827</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:			
Other taxes	\$ 1,071,674	\$ -	\$ 1,071,674
Charges for services	814,229	-	814,229
Investment earnings	52,247	2,261	54,508
Intergovernmental	44,926	234,525	279,451
Other revenues	460,147	25,841	485,988
Total Revenues	<u>2,443,223</u>	<u>262,627</u>	<u>2,705,850</u>
Expenditures:			
Current:			
General government	242,230	-	242,230
Public safety	23,219	-	23,219
Cultural and recreation	1,502,261	-	1,502,261
Capital outlay:			
Public safety	-	539,994	539,994
Cultural and recreation	-	87,164	87,164
Public works	-	309,482	309,482
Total Expenditures	<u>1,767,710</u>	<u>936,640</u>	<u>2,704,350</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>675,513</u>	<u>(674,013)</u>	<u>1,500</u>
Other Financing Sources (Uses):			
Transfers in	312,942	2,223,630	2,536,572
Transfers out	(434,310)	(54,179)	(488,489)
Total Other Financing Sources (Uses)	<u>(121,368)</u>	<u>2,169,451</u>	<u>2,048,083</u>
Net Change in Fund Balances	<u>554,145</u>	<u>1,495,438</u>	<u>2,049,583</u>
Fund Balances - Beginning	2,326,335	4,273,827	6,600,162
Prior period adjustment	<u>870,089</u>	<u>-</u>	<u>870,089</u>
Fund Balances - Beginning, as Restated	<u>3,196,424</u>	<u>4,273,827</u>	<u>7,470,251</u>
Fund Balances - Ending	<u><u>\$ 3,750,569</u></u>	<u><u>\$ 5,769,265</u></u>	<u><u>\$ 9,519,834</u></u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**September 30, 2021**

	HOTEL/ MOTEL TAX FUND	ZOO BUILDING FUND	MAIN STREET/ DOWNTOWN DEVELOPMENT FUND	POLICE SEIZED FUND
<b>ASSETS</b>				
Cash and cash equivalents	\$ 116,997	\$ 2,186,432	\$ 40,251	\$ 243,444
Receivables:				
Accounts	-	-	-	-
Other	273,562	2,848	52	317
Allowance for uncollectibles	-	-	-	-
Total Assets	<u>\$ 390,559</u>	<u>\$ 2,189,280</u>	<u>\$ 40,303</u>	<u>\$ 243,761</u>
<b>LIABILITIES</b>				
Accounts/claims payable	\$ 46,597	\$ 8,668	\$ 661	\$ 148,279
Accrued liabilities	7,101	836	-	-
Due to other funds	-	-	-	-
Customer deposits	18,285	-	-	-
Total Liabilities	<u>71,983</u>	<u>9,504</u>	<u>661</u>	<u>148,279</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	181	2,848	52	317
Total Deferred Inflows of Resources	<u>181</u>	<u>2,848</u>	<u>52</u>	<u>317</u>
<b>FUND BALANCES</b>				
Restricted	-	-	-	95,165
Committed	318,395	-	-	-
Assigned	-	2,176,928	39,590	-
Total Fund Balances	<u>318,395</u>	<u>2,176,928</u>	<u>39,590</u>	<u>95,165</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 390,559</u>	<u>\$ 2,189,280</u>	<u>\$ 40,303</u>	<u>\$ 243,761</u>

HOME INVESTMENT PROGRAM FUND	COURT SECURITY/ TECHNOLOGY FUND	POLICE GRANTS FUND	PINES THEATER SPECIAL EVENTS FUND	SPECIAL RECREATION FUND	INSURANCE LOSS FUND
\$ 5	\$ 99,679	\$ -	\$ -	\$ 1,000	\$ -
-	192,330	-	-	-	-
-	130	-	689	-	-
-	(185,178)	-	-	-	-
<u>\$ 5</u>	<u>\$ 106,961</u>	<u>\$ -</u>	<u>\$ 689</u>	<u>\$ 1,000</u>	<u>\$ -</u>
\$ -	\$ 450	\$ 2,982	\$ 4,198	\$ 11,029	\$ 14,557
-	-	-	-	2,361	-
-	-	9,543	51,235	7,906	54,958
-	-	-	4,655	-	-
<u>-</u>	<u>450</u>	<u>12,525</u>	<u>60,088</u>	<u>21,296</u>	<u>69,515</u>
-	7,282	-	-	-	-
<u>-</u>	<u>7,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5	99,229	(12,525)	-	-	-
-	-	-	-	(20,296)	(69,515)
-	-	-	(59,399)	-	-
<u>5</u>	<u>99,229</u>	<u>(12,525)</u>	<u>(59,399)</u>	<u>(20,296)</u>	<u>(69,515)</u>
<u>\$ 5</u>	<u>\$ 106,961</u>	<u>\$ -</u>	<u>\$ 689</u>	<u>\$ 1,000</u>	<u>\$ -</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING BALANCE SHEET - CONTINUED**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**September 30, 2021**

	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	\$ 82,485	\$ 109	\$ 58,899	\$ 12,992
Receivables:				
Accounts	-	-	-	-
Other	107	-	77	17
Allowance for uncollectibles	-	-	-	-
Total Assets	<u>\$ 82,592</u>	<u>\$ 109</u>	<u>\$ 58,976</u>	<u>\$ 13,009</u>
<b>LIABILITIES</b>				
Accounts/claims payable	\$ -	\$ -	\$ 295	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Customer deposits	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>295</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	107	-	77	17
Total Deferred Inflows of Resources	<u>107</u>	<u>-</u>	<u>77</u>	<u>17</u>
<b>FUND BALANCES</b>				
Restricted	82,485	-	-	12,992
Committed	-	-	-	-
Assigned	-	109	58,604	-
Total Fund Balances	<u>82,485</u>	<u>109</u>	<u>58,604</u>	<u>12,992</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 82,592</u>	<u>\$ 109</u>	<u>\$ 58,976</u>	<u>\$ 13,009</u>



FEMA GRANT FUND	LUFKIN CONVENTION AND VISITORS BUREAU FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ 26,138	\$ 1,007,620	\$ 3,876,051
-	-	192,330
34	1,324	279,157
-	-	(185,178)
<u>\$ 26,172</u>	<u>\$ 1,008,944</u>	<u>\$ 4,162,360</u>
\$ -	\$ 78	\$ 237,794
-	6,202	16,500
-	-	123,642
-	-	22,940
<u>-</u>	<u>6,280</u>	<u>400,876</u>
34	-	10,915
<u>34</u>	<u>-</u>	<u>10,915</u>
26,138	-	303,489
-	1,002,664	1,231,248
-	-	2,215,832
<u>26,138</u>	<u>1,002,664</u>	<u>3,750,569</u>
<u>\$ 26,172</u>	<u>\$ 1,008,944</u>	<u>\$ 4,162,360</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, 2021**

	HOTEL/ MOTEL TAX FUND	ZOO BUILDING FUND	MAIN STREET/ DOWNTOWN DEVELOPMENT FUND	POLICE SEIZED FUND
Revenues:				
Other taxes	\$ 1,071,674	\$ -	\$ -	\$ -
Charges for services	64,251	452,231	-	-
Investment earnings	13,930	35,370	462	4,218
Intergovernmental	-	-	-	-
Other revenues	-	25,177	10,692	19,437
Total Revenues	<u>1,149,855</u>	<u>512,778</u>	<u>11,154</u>	<u>23,655</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	6,139
Cultural and recreation	724,779	208,478	6,809	-
Total Expenditures	<u>724,779</u>	<u>208,478</u>	<u>6,809</u>	<u>6,139</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>425,076</u>	<u>304,300</u>	<u>4,345</u>	<u>17,516</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(300,942)	(28,599)	-	-
Total Other Financing Sources (Uses)	<u>(300,942)</u>	<u>(28,599)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>124,134</u>	<u>275,701</u>	<u>4,345</u>	<u>17,516</u>
Fund Balances - Beginning	194,261	1,901,227	35,245	77,649
Prior period adjustment	-	-	-	-
Fund Balances - Beginning, as Restated	<u>194,261</u>	<u>1,901,227</u>	<u>35,245</u>	<u>77,649</u>
Fund Balances - Ending	<u>\$ 318,395</u>	<u>\$ 2,176,928</u>	<u>\$ 39,590</u>	<u>\$ 95,165</u>

HOME INVESTMENT PROGRAM FUND	COURT SECURITY/ TECHNOLOGY FUND	POLICE GRANTS FUND	PINES THEATER SPECIAL EVENTS FUND	SPECIAL RECREATION FUND	INSURANCE LOSS FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	45,829	251,918	-
1	1,584	-	-	735	11
-	-	-	-	1,700	-
-	20,517	31	269	-	259,987
1	22,101	31	46,098	254,353	259,998
-	-	-	-	-	242,230
-	1,851	9,656	-	-	-
-	-	-	63,637	257,724	-
-	1,851	9,656	63,637	257,724	242,230
1	20,250	(9,625)	(17,539)	(3,371)	17,768
-	-	-	30,000	-	12,000
-	-	-	-	(59,769)	-
-	-	-	30,000	(59,769)	12,000
1	20,250	(9,625)	12,461	(63,140)	29,768
4	78,979	(2,900)	(71,860)	42,844	(99,283)
-	-	-	-	-	-
4	78,979	(2,900)	(71,860)	42,844	(99,283)
\$ 5	\$ 99,229	\$ (12,525)	\$ (59,399)	\$ (20,296)	\$ (69,515)

**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, 2021**

	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	1,441	-	873	-
Intergovernmental	43,226	-	-	-
Other revenues	-	-	37,230	-
Total Revenues	<u>44,667</u>	<u>-</u>	<u>38,103</u>	<u>-</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	4,882	-	-	691
Cultural and recreation	-	-	22,455	-
Total Expenditures	<u>4,882</u>	<u>-</u>	<u>22,455</u>	<u>691</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>39,785</u>	<u>-</u>	<u>15,648</u>	<u>(691)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(45,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(5,215)</u>	<u>-</u>	<u>15,648</u>	<u>(691)</u>
Fund Balances - Beginning	87,700	109	42,956	13,683
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Beginning, as Restated	<u>87,700</u>	<u>109</u>	<u>42,956</u>	<u>13,683</u>
Fund Balances - Ending	<u>\$ 82,485</u>	<u>\$ 109</u>	<u>\$ 58,604</u>	<u>\$ 12,992</u>

FEMA GRANT FUND	LUFKIN CONVENTION AND VISITORS BUREAU FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ 1,071,674
-	-	814,229
417	(6,795)	52,247
-	-	44,926
-	86,807	460,147
417	80,012	2,443,223
-	-	242,230
-	-	23,219
-	218,379	1,502,261
-	218,379	1,767,710
417	(138,367)	675,513
-	270,942	312,942
-	-	(434,310)
-	270,942	(121,368)
417	132,575	554,145
25,721	-	2,326,335
-	870,089	870,089
25,721	870,089	3,196,424
\$ 26,138	\$ 1,002,664	\$ 3,750,569

**CITY OF LUFKIN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**SEPTEMBER 30, 2021**

	STREET CONSTRUCTION FUND	DRAINAGE MITIGATION FUND	TEXAS CAPITAL GRANT FUND
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,781,506	\$ 36,771	\$ 53
Investments	-	-	-
Receivables:			
Other	2,320	48	-
Total Assets	<u>\$ 1,783,826</u>	<u>\$ 36,819</u>	<u>\$ 53</u>
<b>LIABILITIES</b>			
Accounts/claims payable	\$ 7,393	\$ -	\$ -
Due to other funds	-	-	-
Total Liabilities	<u>7,393</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	2,320	48	-
Total Deferred Inflows of Resources	<u>2,320</u>	<u>48</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted	1,774,113	36,771	53
Total Fund Balances	<u>1,774,113</u>	<u>36,771</u>	<u>53</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,783,826</u>	<u>\$ 36,819</u>	<u>\$ 53</u>

CONVENTION CENTER FUND	2010 CAPITAL IMPROVEMENT FUND	2012 CAPITAL IMPROVEMENT FUND	2020 CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
\$ 29,909	\$ 2,168	\$ -	\$ 2,936,523	\$ 4,786,930
-	-	-	1,000,000	1,000,000
39	3	-	5,127	7,537
<u>\$ 29,948</u>	<u>\$ 2,171</u>	<u>\$ -</u>	<u>\$ 3,941,650</u>	<u>\$ 5,794,467</u>
\$ -	\$ -	\$ -	\$ 7,350	\$ 14,743
-	-	2,922	-	2,922
-	-	2,922	7,350	17,665
39	3	-	5,127	7,537
39	3	-	5,127	7,537
29,909	2,168	(2,922)	3,929,173	5,769,265
29,909	2,168	(2,922)	3,929,173	5,769,265
<u>\$ 29,948</u>	<u>\$ 2,171</u>	<u>\$ -</u>	<u>\$ 3,941,650</u>	<u>\$ 5,794,467</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, 2021**

	STREET CONSTRUCTION FUND	DRAINAGE MITIGATION FUND	TEXAS CAPITAL GRANT FUND
Revenues:			
Investment earnings	\$ 314	\$ 521	\$ -
Intergovernmental	234,525	-	-
Other revenues	-	8,966	-
Total Revenues	<u>234,839</u>	<u>9,487</u>	<u>-</u>
Expenditures:			
Capital outlay:			
Public safety	141,419	-	-
Cultural and recreation	16,530	-	-
Public works	249,445	-	-
Total Expenditures	<u>407,394</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(172,555)</u>	<u>9,487</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers in	1,905,683	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>1,905,683</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,733,128	9,487	-
Fund Balances - Beginning	<u>40,985</u>	<u>27,284</u>	<u>53</u>
Fund Balances - Ending	<u><u>\$ 1,774,113</u></u>	<u><u>\$ 36,771</u></u>	<u><u>\$ 53</u></u>



CONVENTION CENTER FUND	2010 CAPITAL IMPROVEMENT FUND	2012 CAPITAL IMPROVEMENT FUND	2020 CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
\$ 142	\$ 1,018	\$ 266	\$ -	\$ 2,261
-	-	-	-	234,525
-	-	-	16,875	25,841
142	1,018	266	16,875	262,627
-	-	337,221	61,354	539,994
-	-	-	70,634	87,164
-	-	-	60,037	309,482
-	-	337,221	192,025	936,640
142	1,018	(336,955)	(175,150)	(674,013)
-	-	317,947	-	2,223,630
-	(54,179)	-	-	(54,179)
-	(54,179)	317,947	-	2,169,451
142	(53,161)	(19,008)	(175,150)	1,495,438
29,767	55,329	16,086	4,104,323	4,273,827
\$ 29,909	\$ 2,168	\$ (2,922)	\$ 3,929,173	\$ 5,769,265

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2021**

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TECHNOLOGY AMORTIZATION	TOTAL
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 3,014,427	\$ 3,425,130	\$ 1,250,000	\$ 7,689,557
Accounts receivable (net of allowance for uncollectibles)	30,914	-	-	30,914
Interest receivable	3,118	6,141	1,628	10,887
Total Current Assets	<u>3,048,459</u>	<u>3,431,271</u>	<u>1,251,628</u>	<u>7,731,358</u>
Noncurrent Assets:				
Capital Assets:				
Machinery and equipment	-	4,457,153	-	4,457,153
Vehicles	-	13,097,116	-	13,097,116
Less accumulated depreciation	-	(11,528,307)	-	(11,528,307)
Total Capital Assets (Net of Accumulated Depreciation)	-	6,025,962	-	6,025,962
Total Assets	<u>3,048,459</u>	<u>9,457,233</u>	<u>1,251,628</u>	<u>13,757,320</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts/claims payable	623,693	70,364	-	694,057
Due to other funds	241,998	-	-	241,998
Total Current Liabilities	<u>865,691</u>	<u>70,364</u>	<u>-</u>	<u>936,055</u>
Total Liabilities	<u>865,691</u>	<u>70,364</u>	<u>-</u>	<u>936,055</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	6,025,962	-	6,025,962
Unrestricted	2,182,768	3,360,907	1,251,628	6,795,303
Total Net Position	<u>\$ 2,182,768</u>	<u>\$ 9,386,869</u>	<u>\$ 1,251,628</u>	<u>\$ 12,821,265</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, 2021**

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TECHNOLOGY AMORTIZATION	TOTAL
Operating Revenues:				
Employee premiums	\$ 1,192,096	\$ -	\$ -	\$ 1,192,096
Employer premiums	3,349,355	-	-	3,349,355
Equipment rental	-	2,292,663	-	2,292,663
Miscellaneous	665,841	-	-	665,841
Total Operating Revenues	5,207,292	2,292,663	-	7,499,955
Operating Expenses:				
Insurance claims and related expenses	6,004,069	24,663	-	6,028,732
Depreciation and amortization	-	1,854,006	-	1,854,006
Total Operating Expenses	6,004,069	1,878,669	-	7,882,738
Operating Income (Loss)	(796,777)	413,994	-	(382,783)
Nonoperating Revenues (Expenses):				
Investment earnings	21,973	27,398	1,628	50,999
Gain on sale of assets	-	186,908	-	186,908
Total Nonoperating Revenues (Expenses)	21,973	214,306	1,628	237,907
Income (Loss) Before Transfers	(774,804)	628,300	1,628	(144,876)
Transfers:				
Transfers in	165,000	-	1,250,000	1,415,000
Transfers out	-	(500,000)	-	(500,000)
Total Transfers	165,000	(500,000)	1,250,000	915,000
Change in Net Position	(609,804)	128,300	1,251,628	770,124
Net Position - Beginning	2,792,572	9,258,569	-	12,051,141
Net Position - Ending	\$ 2,182,768	\$ 9,386,869	\$ 1,251,628	\$ 12,821,265

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2021**

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TECHNOLOGY AMORTIZATION	TOTAL
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 2,150,665	\$ -	\$ -	\$ 2,150,665
Receipts from interfund services provided	3,349,355	2,292,663	-	5,642,018
Payments to suppliers	(5,540,316)	(24,663)	-	(5,564,979)
Net Cash Provided (Used) by Operating Activities	(40,296)	2,268,000	-	2,227,704
Cash Flows From Noncapital Financing Activities:				
Transfer from other funds	165,000	-	1,250,000	1,415,000
Transfer to other funds	-	(500,000)	-	(500,000)
Net Cash Provided (Used) by Noncapital Financing Activities	165,000	(500,000)	1,250,000	915,000
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(1,085,208)	-	(1,085,208)
Proceeds from sale of capital assets	-	207,237	-	207,237
Net Cash Used by Capital and Related Financing Activities	-	(877,971)	-	(877,971)
Cash Flows From Investing Activities:				
Investment maturities	1,500,000	1,250,000	-	2,750,000
Investment earnings received	54,772	52,562	-	107,334
Net Cash Provided by Investing Activities	1,554,772	1,302,562	-	2,857,334
Net Increase in Cash and Cash Equivalents	1,679,476	2,192,591	1,250,000	5,122,067
Cash and Cash Equivalents - Beginning	1,334,951	1,232,539	-	2,567,490
Cash and Cash Equivalents - Ending	\$ 3,014,427	\$ 3,425,130	\$ 1,250,000	\$ 7,689,557
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (Loss)	\$ (796,777)	\$ 413,994	\$ -	\$ (382,783)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	-	1,854,006	-	1,854,006
Decrease in accounts receivable	292,728	-	-	292,728
Increase in accounts/claims payable	463,753	-	-	463,753
Total Adjustments	756,481	1,854,006	-	2,610,487
Net Cash Provided (Used) by Operating Activities	\$ (40,296)	\$ 2,268,000	\$ -	\$ 2,227,704

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT**  
**WATER AND SEWER UTILITY ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Utility Collections:	
Payroll costs	\$ 421,483
Supplies	97,286
Maintenance of equipment	30,582
Miscellaneous services	78,632
Total Utility Collections	<u>627,983</u>
Water/Sewer Utilities	
Payroll costs	1,632,198
Supplies	191,365
Maintenance of equipment	806,383
Miscellaneous services	473,157
Total Water/Sewer Utilities	<u>3,103,103</u>
Wastewater Treatment Plant:	
Payroll costs	990,809
Supplies	344,554
Maintenance of equipment	185,656
Miscellaneous services	657,747
Total Wastewater Treatment Plant	<u>2,178,766</u>
Water Production:	
Payroll costs	81,144
Supplies	273,589
Maintenance of equipment	140,657
Miscellaneous services	1,263,871
Total Water Production	<u>1,759,261</u>
Depreciation and amortization	2,555,420
General and administrative	2,787,023
Non-departmental	516,995
Total Operating Expenses	<u><u>\$ 13,528,551</u></u>

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT**  
**SOLID WASTE DISPOSAL ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Sanitation:	
Payroll costs	\$ 1,388,879
Supplies	324,567
Maintenance of equipment	249,641
Miscellaneous services	2,004,820
Total Sanitation	<u>3,967,907</u>
Recycling:	
Payroll costs	109,216
Supplies	48,426
Maintenance of equipment	9,538
Miscellaneous services	96,786
Total Recycling	<u>263,966</u>
Depreciation and amortization	101,164
General and administrative	2,240,919
Non-departmental	79,363
Total Operating Expenses	<u><u>\$ 6,653,319</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, 2021**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Property taxes	\$ 3,055,861	\$ 3,043,861	\$ 3,102,930	\$ 59,069
Investment earnings	25,000	50,000	70,486	20,486
Total Revenues	3,080,861	3,093,861	3,173,416	79,555
Expenditures:				
Debt service:				
Principal:				
2011 general obligation refunding bonds	470,000	470,000	470,000	-
2012 certificates of obligation	325,000	325,000	325,000	-
2013 certificates of obligation	230,000	230,000	230,000	-
2014 general obligation refunding bonds	480,000	480,000	480,000	-
2015 general obligation refunding bonds	645,000	645,000	645,000	-
2016 general obligation refunding bonds	450,000	450,000	450,000	-
2017 general obligation refunding bonds	805,000	805,000	805,000	-
2020 general obligation refunding bonds	1,425,000	1,425,000	1,425,000	-
Total Principal	4,830,000	4,830,000	4,830,000	-
Interest:				
2011 general obligation refunding bonds	35,300	35,300	35,300	-
2012 certificates of obligation	102,688	102,688	102,688	-
2013 certificates of obligation	115,408	115,408	115,408	-
2014 general obligation refunding bonds	80,850	80,850	80,850	-
2015 general obligation refunding bonds	116,650	116,650	116,650	-
2016 general obligation refunding bonds	249,450	249,450	249,450	-
2017 general obligation refunding bonds	213,475	213,475	213,475	-
2020 certificates of obligation	162,850	162,850	162,850	-
2020 general obligation refunding bonds	204,665	204,665	204,664	1
Paying agent fees	6,350	6,350	5,750	600
Total Interest and Fiscal Charges	1,287,686	1,287,686	1,287,085	601
Bond issuance costs	-	-	-	-
Total Expenditures	6,117,686	6,117,686	6,117,085	601
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(3,036,825)	(3,023,825)	(2,943,669)	80,156
Other Financing Sources (Uses):				
Transfers in	3,029,220	3,029,220	3,029,220	-
Total Other Financing Sources (Uses)	3,029,220	3,029,220	3,029,220	-
Net Change in Fund Balances	(7,605)	5,395	85,551	80,156
Fund Balances - Beginning	2,299,228	2,299,228	2,299,228	-
Fund Balances - Ending	\$ 2,291,623	\$ 2,304,623	\$ 2,384,779	\$ 80,156

**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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Other taxes	\$ 920,000	\$ 935,000	\$ 1,071,674	\$ 136,674
Charges for services	173,100	78,034	64,251	(13,783)
Investment earnings	2,000	9,200	13,930	4,730
Total Revenues	<u>1,095,100</u>	<u>1,022,234</u>	<u>1,149,855</u>	<u>127,621</u>
Expenditures:				
Current:				
Cultural and recreation	<u>1,036,274</u>	<u>1,000,290</u>	<u>724,779</u>	<u>275,511</u>
Total Expenditures	<u>1,036,274</u>	<u>1,000,290</u>	<u>724,779</u>	<u>275,511</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>58,826</u>	<u>21,944</u>	<u>425,076</u>	<u>403,132</u>
Other Financing Sources (Uses):				
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(300,942)</u>	<u>(270,942)</u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(300,942)</u>	<u>(270,942)</u>
Net Change in Fund Balances	28,826	(8,056)	124,134	132,190
Fund Balances - Beginning	<u>194,261</u>	<u>194,261</u>	<u>194,261</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 223,087</u>	<u>\$ 186,205</u>	<u>\$ 318,395</u>	<u>\$ 132,190</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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ 325,000	\$ 255,700	\$ 452,231	\$ 196,531
Investment earnings	14,000	28,000	35,370	7,370
Other revenues	41,515	36,100	25,177	(10,923)
Total Revenues	<u>380,515</u>	<u>319,800</u>	<u>512,778</u>	<u>192,978</u>
Expenditures:				
Current:				
Cultural and recreation	320,236	291,200	208,478	82,722
Total Expenditures	<u>320,236</u>	<u>291,200</u>	<u>208,478</u>	<u>82,722</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>60,279</u>	<u>28,600</u>	<u>304,300</u>	<u>275,700</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	31,680	1	275,701	275,700
Fund Balances - Beginning	<u>1,901,227</u>	<u>1,901,227</u>	<u>1,901,227</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,932,907</u>	<u>\$ 1,901,228</u>	<u>\$ 2,176,928</u>	<u>\$ 275,700</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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 400	\$ 1,000	\$ 1,584	\$ 584
Other revenues	21,000	20,000	20,517	517
Total Revenues	<u>21,400</u>	<u>21,000</u>	<u>22,101</u>	<u>1,101</u>
Expenditures:				
Current:				
Public safety	5,000	2,425	1,851	574
Total Expenditures	<u>5,000</u>	<u>2,425</u>	<u>1,851</u>	<u>574</u>
Net Change in Fund Balances	16,400	18,575	20,250	1,675
Fund Balances - Beginning	<u>78,979</u>	<u>78,979</u>	<u>78,979</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 95,379</u>	<u>\$ 97,554</u>	<u>\$ 99,229</u>	<u>\$ 1,675</u>

**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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ 343,100	\$ 373,420	\$ 251,918	\$ (121,502)
Investment earnings	1,000	1,000	735	(265)
Intergovernmental	-	-	1,700	1,700
Other revenues	(5,000)	-	-	-
Total Revenues	<u>339,100</u>	<u>374,420</u>	<u>254,353</u>	<u>(120,067)</u>
Expenditures:				
Current:				
Cultural and recreation	<u>278,183</u>	<u>272,683</u>	<u>257,724</u>	<u>14,959</u>
Total Expenditures	<u>278,183</u>	<u>272,683</u>	<u>257,724</u>	<u>14,959</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>60,917</u>	<u>101,737</u>	<u>(3,371)</u>	<u>(105,108)</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	1,148	41,968	(63,140)	(105,108)
Fund Balances - Beginning	<u>42,844</u>	<u>42,844</u>	<u>42,844</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 43,992</u>	<u>\$ 84,812</u>	<u>\$ (20,296)</u>	<u>\$ (105,108)</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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 500	\$ 1,100	\$ 1,441	\$ 341
Intergovernmental revenue	101,115	50,000	43,226	(6,774)
Total Revenues	101,615	51,100	44,667	(6,433)
Expenditures:				
Current:				
Public safety	11,115	5,000	4,882	118
Total Expenditures	11,115	5,000	4,882	118
Excess (Deficiency) of Revenues Over (Under) Expenditures	90,500	46,100	39,785	(6,315)
Other Financing Sources (Uses):				
Transfers out	(90,000)	(45,000)	(45,000)	-
Total Other Financing Sources (Uses)	(90,000)	(45,000)	(45,000)	-
Net Change in Fund Balances	500	1,100	(5,215)	(6,315)
Fund Balances - Beginning	87,700	87,700	87,700	-
Fund Balances - Ending	\$ 88,200	\$ 88,800	\$ 82,485	\$ (6,315)

**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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 400	\$ 600	\$ 873	\$ 273
Other revenues	-	40,000	37,230	(2,770)
Total Revenues	400	40,600	38,103	(2,497)
Expenditures:				
Current:				
Cultural and recreation	-	20,000	22,455	(2,455)
Total Expenditures	-	20,000	22,455	(2,455)
Net Change in Fund Balances	400	20,600	15,648	(4,952)
Fund Balances - Beginning	42,956	42,956	42,956	-
Fund Balances - Ending	\$ 43,356	\$ 63,556	\$ 58,604	\$ (4,952)

**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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ 83,000	\$ 18,300	\$ 45,829	\$ 27,529
Other revenue	500	185	269	84
Total Revenues	<u>83,500</u>	<u>18,485</u>	<u>46,098</u>	<u>27,613</u>
Expenditures:				
Current:				
Cultural and recreation	78,900	69,745	63,637	6,108
Total Expenditures	<u>78,900</u>	<u>69,745</u>	<u>63,637</u>	<u>6,108</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>4,600</u>	<u>(51,260)</u>	<u>(17,539)</u>	<u>33,721</u>
Other Financing Sources (Uses):				
Transfers in	-	30,000	30,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balances	4,600	(21,260)	12,461	33,721
Fund Balances - Beginning (deficit)	<u>(71,860)</u>	<u>(71,860)</u>	<u>(71,860)</u>	<u>-</u>
Fund Balances - Ending (deficit)	<u>\$ (67,260)</u>	<u>\$ (93,120)</u>	<u>\$ (59,399)</u>	<u>\$ 33,721</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, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 400	\$ 400	\$ 462	\$ 62
Other revenue	11,500	10,092	10,692	600
Total Revenues	<u>11,900</u>	<u>10,492</u>	<u>11,154</u>	<u>662</u>
Expenditures:				
Current:				
Cultural and recreation	11,100	10,350	6,809	3,541
Total Expenditures	<u>11,100</u>	<u>10,350</u>	<u>6,809</u>	<u>3,541</u>
Net Change in Fund Balances	800	142	4,345	4,203
Fund Balances - Beginning	<u>35,245</u>	<u>35,245</u>	<u>35,245</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 36,045</u>	<u>\$ 35,387</u>	<u>\$ 39,590</u>	<u>\$ 4,203</u>

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**LUFKIN CONVENTION & VISITOR BUREAU - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Other taxes	\$ 285,000	\$ 285,000	\$ -	\$ (285,000)
Investment earnings	2,800	2,800	(6,795)	(9,595)
Other revenues	55,000	55,000	86,807	31,807
Total Revenues	<u>342,800</u>	<u>342,800</u>	<u>80,012</u>	<u>(262,788)</u>
Expenditures:				
Current:				
Culture and recreation	250,942	250,942	218,379	32,563
Total Expenditures	<u>250,942</u>	<u>250,942</u>	<u>218,379</u>	<u>32,563</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>91,858</u>	<u>91,858</u>	<u>(138,367)</u>	<u>(295,351)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	270,942	(270,942)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>270,942</u>	<u>(270,942)</u>
Net Change in Fund Balances	<u>91,858</u>	<u>91,858</u>	<u>132,575</u>	<u>(566,293)</u>
Fund Balances - Beginning	-	-	-	-
Prior period adjustment	<u>870,089</u>	<u>870,089</u>	<u>870,089</u>	<u>-</u>
Fund Balances - Beginning, as Restated	<u>870,089</u>	<u>870,089</u>	<u>870,089</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 961,947</u>	<u>\$ 961,947</u>	<u>\$ 1,002,664</u>	<u>\$ (566,293)</u>



## **STATISTICAL SECTION**

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

	FISCAL YEAR									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental Activities										
Net investment in capital assets	\$ 74,172	\$ 70,995	\$ 70,132	\$ 65,211	\$ 60,323	\$ 56,575	\$ 51,434	\$ 38,764	\$ 43,330	\$ 76,984
Restricted	8,458	6,762	2,710	2,424	2,488	2,263	5,016	6,604	7,133	5,789
Unrestricted	(10,481)	(16,985)	(20,771)	(19,005)	(14,959)	(14,553)	(11,680)	15,691	7,863	(29,381)
Total Governmental Activities	<u>\$ 72,149</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 64,676	\$ 65,903	\$ 64,980	\$ 65,020	\$ 66,302	\$ 67,655	\$ 67,005	\$ 67,260	\$ 65,900	\$ 31,354
Restricted	10,505	8,801	9,456	10,675	9,582	8,583	1,294	1,308	2,419	7,729
Unrestricted	6,886	5,840	5,715	6,016	5,543	6,946	14,873	16,603	14,075	45,344
Total Business-Type Activities	<u>\$ 82,067</u>	<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>
Primary government										
Net investment in capital assets	\$ 138,848	\$ 136,898	\$ 135,112	\$ 130,231	\$ 126,625	\$ 124,230	\$ 118,439	\$ 106,024	\$ 109,230	\$ 108,339
Restricted	18,963	15,563	12,166	13,099	12,070	11,629	6,310	7,912	9,552	13,518
Unrestricted	(3,595)	(11,145)	(15,056)	(12,989)	(9,416)	(8,390)	3,193	32,294	21,938	15,963
Total Primary Government	<u>\$ 154,216</u>	<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>

Source: City of Lufkin accounting records.



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

	FISCAL YEAR				
	2021	2020	2019	2018	2017
Expenses:					
Governmental Activities:					
General government	\$ 4,637	\$ 5,185	\$ 4,899	\$ 5,086	\$ 5,086
Public safety	19,518	20,611	21,592	21,558	20,990
Cultural and recreation	5,391	6,050	7,062	6,110	6,424
Planning and community development	-	-	-	444	455
Public works	5,551	5,557	6,209	5,496	5,717
Interest and fiscal charges	1,137	1,355	1,300	1,463	1,839
Total Governmental Activities	<u>36,234</u>	<u>38,758</u>	<u>41,062</u>	<u>40,157</u>	<u>40,511</u>
Business-Type Activities:					
Water and sewer	13,529	13,978	13,966	13,645	14,211
Solid waste disposal	6,653	6,613	6,907	6,556	6,484
Total Business-Type Activities	<u>20,182</u>	<u>20,591</u>	<u>20,873</u>	<u>20,201</u>	<u>20,695</u>
Total Primary Government	<u>\$ 56,416</u>	<u>\$ 59,349</u>	<u>\$ 61,935</u>	<u>\$ 60,358</u>	<u>\$ 61,206</u>
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 2,321	\$ 2,346	\$ 2,263	\$ 2,642	\$ 2,452
Public safety	4,056	4,285	3,596	4,326	4,809
Cultural and recreation	814	564	1,049	1,013	1,109
Planning and community development	-	-	-	-	40
Public works	2,550	2,716	2,591	1,866	1,479
Operating grants and contributions	942	2,359	320	423	274
Capital grants and contributions	235	37	-	268	(31)
Total Governmental Activities	<u>10,918</u>	<u>12,307</u>	<u>9,819</u>	<u>10,538</u>	<u>10,132</u>
Business-type activities:					
Charges for services:					
Water and sewer	17,622	17,766	16,983	17,991	16,774
Solid waste disposal	7,365	7,023	6,724	6,864	6,646
Capital grants and contributions	-	-	-	-	3
Total Business-Type Activities	<u>24,987</u>	<u>24,789</u>	<u>23,707</u>	<u>24,855</u>	<u>23,423</u>
Total Primary Government	<u>\$ 35,905</u>	<u>\$ 37,096</u>	<u>\$ 33,526</u>	<u>\$ 35,393</u>	<u>\$ 33,555</u>
Net (expense)/revenue:					
Governmental Activities	\$ (25,316)	\$ (26,451)	\$ (31,243)	\$ (29,619)	\$ (30,379)
Business-Type Activities	4,805	4,198	2,834	4,654	2,728
Total Primary Government	<u>\$ (20,511)</u>	<u>\$ (22,253)</u>	<u>\$ (28,409)</u>	<u>\$ (24,965)</u>	<u>\$ (27,651)</u>
General Revenues and Transfers:					
Governmental Activities:					
Taxes:					
Property taxes	\$ 11,793	\$ 11,339	\$ 10,953	\$ 10,749	\$ 10,713
Sales taxes	15,970	14,021	14,009	13,643	13,130
Franchise taxes	2,221	2,333	2,536	2,366	2,359
Hotel tax	1,072	901	1,155	1,087	972
Other	114	84	106	99	97
Unrestricted investment earnings	216	493	571	354	240
Gain on retirement of capital assets	203	544	19	96	25
Miscellaneous revenues	812	1,407	418	740	1,758
Transfers	3,519	4,030	4,917	4,145	4,652
Total Governmental Activities	<u>35,920</u>	<u>35,152</u>	<u>34,684</u>	<u>33,279</u>	<u>33,946</u>
Business-Type Activities:					
Unrestricted investment earnings	219	226	462	270	167
Gain on retirement of capital assets	18	(1)	61	-	-
Miscellaneous revenues	-	-	-	-	-
Transfers	(3,519)	(4,030)	(4,917)	(4,145)	(4,652)
Total Business-Type Activities	<u>(3,282)</u>	<u>(3,805)</u>	<u>(4,394)</u>	<u>(3,875)</u>	<u>(4,485)</u>
Total Primary Government	<u>\$ 32,638</u>	<u>\$ 31,347</u>	<u>\$ 30,290</u>	<u>\$ 29,404</u>	<u>\$ 29,461</u>
Change in Net Position:					
Governmental Activities	\$ 10,604	\$ 8,701	\$ 3,441	\$ 3,660	\$ 3,567
Business-type activities	1,523	393	(1,560)	779	(1,757)
Total Primary Government	<u>\$ 12,127</u>	<u>\$ 9,094</u>	<u>\$ 1,881</u>	<u>\$ 4,439</u>	<u>\$ 1,810</u>

Source: City of Lufkin accounting records.

FISCAL YEAR				
2016	2015	2014	2013	2012
\$ 4,509	\$ 2,786	\$ 1,789	\$ 2,069	\$ 2,706
21,465	19,892	20,712	20,204	19,673
6,475	6,381	6,259	7,113	6,472
528	97	487	359	944
5,447	1,678	3,368	4,285	3,681
2,094	2,323	2,654	2,467	1,374
40,518	33,157	35,269	36,497	34,850
13,450	12,277	13,635	13,229	12,619
6,247	5,751	5,882	5,477	5,025
19,697	18,028	19,517	18,706	17,644
\$ 60,215	\$ 51,185	\$ 54,786	\$ 55,203	\$ 52,494
\$ 2,386	\$ 2,940	\$ 3,065	\$ 4,896	\$ -
3,627	3,748	3,607	2,017	4,022
1,091	1,311	1,285	1,293	738
39	-	-	117	-
1,461	-	-	681	-
248	410	-	-	452
965	702	-	-	170
9,817	9,111	7,957	9,004	5,382
16,880	16,172	15,493	16,316	16,256
6,236	6,374	6,221	6,137	6,199
104	102	-	-	-
23,220	22,648	21,714	22,453	22,455
\$ 33,037	\$ 31,759	\$ 29,671	\$ 31,457	\$ 27,837
\$ (30,701)	\$ (24,046)	\$ (27,312)	\$ (27,493)	\$ (29,468)
3,523	4,620	2,197	3,747	4,811
\$ (27,178)	\$ (19,426)	\$ (25,115)	\$ (23,746)	\$ (24,657)
\$ 10,685	\$ 10,802	\$ 10,768	\$ 9,535	\$ 9,981
13,270	12,909	12,054	12,286	11,841
2,383	2,480	2,513	2,322	2,388
1,151	926	877	1,171	4,780
117	93	95	661	76
252	108	143	145	195
75	98	94	471	77
1,014	461	752	-	-
3,723	4,023	253	5,835	3,745
32,670	31,900	27,549	32,426	33,083
168	55	81	48	136
43	35	57	7	-
-	-	131	-	-
(3,723)	(4,023)	(253)	(5,835)	(3,742)
(3,512)	(3,933)	16	(5,780)	(3,606)
\$ 29,158	\$ 27,967	\$ 27,565	\$ 26,646	\$ 29,477
\$ 1,969	\$ 7,854	\$ 237	\$ 4,933	\$ 3,615
11	687	2,213	(2,033)	1,205
\$ 1,980	\$ 8,541	\$ 2,450	\$ 2,900	\$ 4,820

**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
2021	\$ 11,793	\$ 15,970	\$ 2,221	\$ 114	\$ 1,072	\$ 31,170
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

Source: City of Lufkin accounting records

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund:										
Nonspendable	\$ 292	\$ 278	\$ 313	\$ 295	\$ 251	\$ 214	\$ 253	\$ 249	\$ 199	\$ 212
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	8,314	8,397	8,324	8,332	8,330	8,148	7,733	7,645	7,841	7,416
Assigned	-	-	656	690	704	428	-	-	398	720
Unassigned	7,345	4,080	1,725	1,305	1,158	1,690	3,183	2,411	1,190	1,343
Total General Fund	<u>\$ 15,951</u>	<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>
All Other Governmental Funds:										
Nonspendable:	\$ -	\$ -	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:										
Debt Service Fund	2,385	2,299	2,164	1,829	1,828	1,407	1,811	1,991	2,280	2,022
Special Revenue Funds	303	188	312	300	368	217	309	484	440	155
Capital Project Funds	5,769	4,274	234	296	292	639	1,501	2,165	4,413	1,806
Committed:										
Special Revenue Funds	1,232	138	252	184	212	49	1,786	92	104	1,789
Capital Project Funds	-	-	-	-	136	980	-	-	-	-
Assigned:										
Special Revenue Funds	2,216	1,908	1,836	1,750	1,675	1,455	(52)	1,871	1,879	411
Unassigned:										
Special Revenue Funds	-	-	-	(112)	-	-	-	-	-	-
Capital Project Funds	-	-	(189)	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 11,905</u>	<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>

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			
	2021	2020	2019	2018
Revenues:				
Taxes	\$ 31,183	\$ 28,713	\$ 28,727	\$ 27,929
Licenses and permits	475	721	440	388
Fines and forfeitures	382	425	735	992
Charges for services	3,797	3,399	3,468	3,589
Investment earnings	392	484	302	225
Intergovernmental	7,705	5,866	5,200	5,473
Other revenues	965	1,074	683	1,090
Total Revenues	44,899	40,682	39,555	39,686
Expenditures:				
General government	4,425	5,022	4,532	4,773
Public safety	20,287	20,382	19,673	20,337
Cultural and recreation	5,052	5,508	5,983	5,823
Planning and community development	-	-	-	224
Public works	5,244	5,187	5,475	4,989
Debt service:				
Principal	4,846	5,445	5,265	5,205
Interest and fiscal charges	1,288	1,152	1,358	1,476
Bond issuance costs	-	216	-	-
Capital outlay	937	917	1,263	864
Total Expenditures	42,079	43,829	43,549	43,691
Excess of Revenues Over (Under) Expenditures	2,820	(3,147)	(3,994)	(4,005)
Other Financing Sources (Uses):				
Capital lease proceeds	-	-	-	-
Bond proceeds	-	-	-	-
Refunding bonds proceeds	-	5,085	-	-
Loss on refunding	-	-	-	-
Premiums	-	820	-	-
Insurance recovery	-	-	-	-
Bonds/Certificates of Obligations issued	-	4,630	-	-
Payment to refunded bond escrow agent	-	(5,318)	-	-
Transfers in	5,913	5,124	5,325	4,460
Transfers out	(3,309)	(1,259)	(573)	(540)
Total Other Financing Sources (Uses)	2,604	9,082	4,752	3,920
Net Change In Fund Balances	\$ 5,424	\$ 5,935	\$ 758	\$ (85)
Debt service as a percentage of noncapital expenditures	14.91%	15.88%	15.66%	15.60%

Source: City of Lufkin accounting records



FISCAL YEAR					
2017	2016	2015	2014	2013	2012
\$ 27,328	\$ 27,557	\$ 26,816	\$ 25,961	\$ 25,220	\$ 24,983
330	322	298	319	287	285
1,107	1,064	1,048	1,192	1,186	1,157
3,875	3,905	3,606	3,386	3,227	2,945
146	110	90	127	141	174
4,473	5,353	5,126	6,577	4,992	4,211
1,560	1,039	875	1,063	1,174	1,353
38,819	39,350	37,859	38,625	36,227	35,108
4,430	4,195	4,071	3,843	3,522	3,903
19,711	19,543	18,726	18,177	17,148	16,881
5,812	6,445	5,721	5,597	5,410	5,056
429	421	390	431	473	437
5,221	4,788	4,345	4,570	4,575	4,494
4,685	4,535	5,054	5,010	4,334	13,758
1,815	1,926	2,193	2,455	2,448	2,451
122	233	131	104	100	174
1,483	2,153	1,568	4,569	6,107	6,787
43,708	44,239	42,199	44,756	44,117	53,941
(4,889)	(4,889)	(4,340)	(6,131)	(7,890)	(18,833)
-	-	-	-	-	-
-	-	151	5,259	-	-
9,355	9,080	-	-	-	9,680
-	-	-	-	-	(375)
464	898	-	-	48	125
-	-	-	-	-	50
-	-	-	-	7,100	-
(9,690)	(9,893)	-	-	-	-
4,941	4,956	4,191	4,717	4,752	7,482
(454)	(1,450)	(725)	(5,681)	(1,141)	(4,160)
4,616	3,591	3,617	4,295	10,759	12,802
\$ (273)	\$ (1,298)	\$ (723)	\$ (1,836)	\$ 2,869	\$ (6,031)
15.68%	15.91%	18.11%	23.21%	23.15%	17.87%

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

<u>FISCAL YEAR</u>	<u>PROPERTY TAXES</u>	<u>SALES TAXES</u>	<u>FRANCHISE TAXES</u>	<u>MIXED BEVERAGE TAXES</u>	<u>HOTEL TAXES</u>	<u>TOTAL</u>
2021	\$ 11,806	\$ 15,970	\$ 2,221	\$ 114	\$ 1,072	\$ 31,183
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

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	ECONOMIC/ INDUSTRIAL DEV	TOTAL RATE	AVERAGE OUTLETS	% CHANGE PRIOR YEAR	GROSS SALES (000's)	TAXABLE	% CHANGE PRIOR YEAR TAX SALES	TAXABLE
		RATE	SEC 4B RATE					SALES (000's)		SALES AS % OF GROSS SALES
2021	1.000%	0.375%	0.125%	1.500%	1,624	2.59%	\$ 2,844,779	\$ 979,258	8.91%	34.42%
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%

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

FISCAL YEAR	TAXABLE SALES BY INDUSTRY				
	MANUFACTURING (000's)	RETAIL TRADE (000's)	ACCOMMODATION		WHOLESALE INFORMATION (000's)
			FOOD SERVICE (000's)	TRADE (000's)	
2021	\$ 22,120	\$ 592,356	\$ 154,049	\$ 51,056	\$ 55,818
2020	21,100	539,113	136,499	50,599	60,167
2019	35,763	511,999	143,245	50,753	63,889
2018	28,416	507,145	138,222	51,051	63,181
2017	20,768	495,452	132,118	41,734	63,598
2016	25,236	506,108	130,113	51,875	67,801
2015	38,485	495,129	127,784	47,615	67,931
2014	73,552	483,795	117,845	40,916	66,761
2013	51,024	474,307	113,450	44,725	63,670
2012	40,310	454,266	108,829	49,519	64,671
					71,834

(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)**

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					
2021	\$ 904,798	\$ 1,055,086	\$ 497,458	\$ -	\$ 228,575	\$ 2,228,767	0.531135	\$ 2,457,342	90.70%
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%

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	
2021	0.39114	0.14000	0.53114	1.03810	0.28600	1.32410	
2020	0.39114	0.14000	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	
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	
2021	0.41777	0.01935	0.43712	0.14588	0.02508	0.17096	2.46332
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

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	2021			2012		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Oncor Electric Delivery Co	\$ 34,048	1	1.53%	\$ 20,627	5	1.27%
Pilgrim Industries Inc.	33,606	2	1.51%	24,666	4	1.31%
Brookshire Brothers Inc.	24,729	3	1.11%	28,274	3	1.50%
Banc of America Leasing and Capital, LLC	13,974	4	0.63%			
Lufkin GKD Partners LP	13,432	5	0.60%	16,050	9	0.85%
BVMC Lufkin LLC	13,029	6	0.58%	-	-	-
Georgia Pacific Chemicals	12,712	7	0.57%	19,446	7	1.03%
ARC LMLUFTEX	12,459	8	0.56%			
Pineywoods Health Care	12,455	9	0.56%	18,604	8	0.99%
Lowe's Home Centers, Inc.	11,846	10	0.53%			
Lufkin Industries LLC				73,018	1	3.87%
Consolidated Comm of Texas Co				31,764	2	1.68%
Aspen Power LLC				20,300	6	1.08%
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 FISCAL YEAR	COLLECTED WITHIN THE		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		FISCAL YEAR OF THE LEVY	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
		AMOUNT				
2021	\$ 11,551	\$ 11,364	98.38%	\$ -	\$ 11,364	98.38%
2020	11,325	11,027	97.37%	170	11,197	98.87%
2019	10,935	10,664	97.52%	110	10,774	98.53%
2018	10,652	10,447	98.08%	144	10,591	99.43%
2017	10,615	10,428	98.24%	114	10,542	99.31%
2016	10,552	10,307	97.68%	239	10,546	99.94%
2015	10,311	10,103	97.97%	102	10,205	98.97%
2014	9,927	9,734	98.06%	67	9,801	98.73%
2013	9,893	9,552	96.55%	175	9,727	98.32%
2012	9,874	9,493	96.14%	182	9,675	97.98%

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			
2021	\$ 23,175	\$ 12,590	\$ -	\$ -	-	\$ -	-	\$ -	\$ 35,765	4.47%	1,049.63
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

<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>
2021	\$ 23,175	\$ 2,385	\$ 20,790	0.85%	610.14
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

<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, 2021**  
**(amounts expressed in thousands)**

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE <sup>1</sup>	ESTIMATED SHARE OF OVERLAPPING DEBT
Direct:			
City of Lufkin	\$ 35,765	100.00%	\$ 35,765
Overlapping:			
Angelina County	1,455	50.77%	739
Angelina College	10,955	50.14%	5,493
Hudson Independent School District	11,143	14.17%	1,579
Lufkin Independent School District	92,405	80.07%	73,989
Total Overlapping	<u>115,958</u>		<u>81,799</u>
Total Direct and Overlapping Debt	<u>\$ 151,723</u>		<u>\$ 117,564</u>

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, 2021**

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, 2021 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>
2021	\$ 17,622	\$ 10,973	\$ 6,649	\$ -	\$ -	\$ -
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

Source: City of Lufkin accounting records.

<sup>1</sup> Excludes depreciation

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

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>
2021	34,074	800,364	23.47	34.0	13.1	7,432	6.0
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

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	2021			2016		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Lufkin ISD	1000+	1	3.96%	1000+	1	4.26%
Pilgrim's Pride	1000+	2	3.68%	1000+	2	3.60%
Lufkin State Supported Living Center	1000+	3	3.49%	1000+	4	3.05%
Brookshire Brothers/Plok Oil	500-999	4	2.64%	1000+	3	3.05%
CHI St. Lukes Health	500-999	5	2.29%	1000+	5	3.00%
Angelina College	500-999	6	1.84%	500-999	10	1.25%
Woodland Heights Medical Center	500-999	7	1.78%	500-999	6	1.57%
Walmart	400-500	8	1.32%	500-999	9	1.25%
Lockheed Martin	400-500	9	1.25%	-	-	-
City of Lufkin	400-500	10	1.21%	500-999	8	1.27%
Georgia Pacific	-	-	-	500-999	7	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,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General government	30	32	30	32	32	31	31	27	27	26
Public Safety:										
Police:										
Officers	76	77	77	77	77	79	78	76	76	76
Civilians	37	43	42	49	49	39	37	39	39	41
Fire:										
Officers	84	83	79	79	79	79	79	79	79	79
Civilians	2	2	1	1	1	2	2	2	2	2
Cultural and recreation	64	70	69	70	69	69	69	67	66	64
Community development	2	4	4	7	10	10	10	11	11	11
Public works	54	59	57	48	50	58	58	58	58	57
Water	31	32	32	32	33	33	33	33	33	33
Sewer	33	38	40	40	38	37	38	38	38	38
Solid waste	28	30	34	34	33	33	33	34	34	33
Total	441	470	465	469	471	470	468	464	463	460

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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Police</b>										
Physical arrests	1,389	1,438	1,484	1,809	1,678	1,534	1,589	1,779	1,770	1,663
Parking violations	5	5	9	47	199	37	25	178	26	44
Traffic violations	1,654	2,991	4,317	5,614	6,892	5,905	6,708	9,481	8,401	10,793
<b>Fire</b>										
Number of calls answered <sup>(1)</sup>	15,170	13,431	12,932	13,722	11,972	12,975	13,181	12,465	11,969	8,283
Inspections	210	301	850	727	276	517	337	375	458	672
<b>Highways and streets</b>										
Street resurfacing (miles)	5.50	3.63	3.50	3.95	5.02	3.75	3	3	3	3
Potholes repaired	91	612	855	566	625	525	661	568	580	617
<b>Sanitation</b>										
Refuse collected (cu yd/day)	418	980	511	511	511	510	417	511	407	564
Recyclables collected (tons/day)	6	48	12	12	12	12	12	12	12	11
<b>Cultural and recreation</b>										
Community center rentals	242	242	242	242	242	242	242	283	252	253
<b>Water</b>										
New connections	224	218	111	113	118	59	125	27	110	136
Water mains breaks	329	387	408	585	599	475	460	414	465	456
Average daily consumption (thousands of gallons)	7,782	7,578	7,163	7,726	11,460	11,910	10,571	7,354	6,192	7,649
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	5,623	5,829	5,974	5,330	5,474	5,667	4,964	5,175	5,463	5,226

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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	22	22	22	22	22	22	22	19	20
Fire:										
Fire stations	4	4	4	4	4	4	4	5	5	5
Sanitation:										
Collection trucks	19	19	19	19	19	19	19	19	19	19
Highways and Streets:										
Streets (miles)	209.1	208.9	208.9	211.4	211.4	211.4	211.4	211.4	208.8	208.8
Streetlights	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649
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	650.0	653.0	653.0	653.0
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	11	13	13	13	13
Community centers	3	2	2	2	2	2	2	2	2	2
Water:										
Water mains (miles)	705	704	702	698	697	694	685	685	685	685
Fire hydrants	1,973	1,965	1,958	1,948	1,931	1,770	1,770	1,770	1,759	1,758
Maximum daily capacity in thousands of gallons	19,000	19,000	19,000	19,000	17,000	17,000	17,000	17,000	17,000	17,000
Sewer:										
Sanitary sewers (miles)	276.4	275.1	274.6	274.2	276.0	273.5	272.7	272.7	272.5	270.8
Storm sewers (miles)	18.2	17.8	17.1	17.1	17.0	17.0	16.9	16.9	16.9	16.9
Maximum daily treatment capacity in thousands of gallons	11,300	11,300	11,300	13,000	11,300	11,300	11,300	11,300	11,300	17,100

Sources: Various city departments.

**CITY OF LUFKIN, TEXAS**  
**WATER, SEWER AND SANITATION RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Approved Rates

The monthly billing rates for water, sewer, and sanitation services as approved by the City Council effective October 1, 2020 were as follows:

Water Rates

Residential per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	\$ 13.80
Next 8,000 gallons	3.54 per thousand
Above 10,000 gallons	4.09 per thousand

Commercial per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	13.80
Next 48,000 gallons	3.54 per thousand
Above 50,000 gallons	4.09 per thousand

Irrigation per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	13.80
Next 8,000 gallons	3.54 per thousand
Above 10,000 gallons	4.09 per thousand

Residential per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	20.70
Next 8,000 gallons	5.30 per thousand
Above 10,000 gallons	6.14 per thousand

Commercial per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	20.70
Next 48,000 gallons	5.30 per thousand
Above 50,000 gallons	6.14 per thousand

Irrigation per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	20.70
Next 8,000 gallons	5.30 per thousand
Above 10,000 gallons	6.14 per thousand

Residential per thousand gallons Burke Water:

First 2,000 gallons (minimum)	23.45
Next 8,000 gallons	6.04 per thousand
Above 10,000 gallons	6.95 per thousand

Commercial per thousand gallons Burke Water:

First 2,000 gallons (minimum)	23.45
Next 48,000 gallons	6.04 per thousand
Above 50,000 gallons	6.95 per thousand

Irrigation per thousand gallons Burke Water:

First 2,000 gallons (minimum)	23.45
Next 8,000 gallons	6.04 per thousand
Above 10,000 gallons	6.95 per thousand

Industrial per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	326.44
Above 2,000 gallons	2.31 per thousand

Industrial per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	489.65
Above 2,000 gallons	3.54 per thousand

Wholesale per thousand gallons:

First 2,000 gallons (minimum)	11.69
Above 2,000 gallons	2.03 per thousand

**CITY OF LUFKIN, TEXAS**  
**WATER, SEWER AND SANITATION RATES - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Untreated Wholesale per thousand gallons:

First 2,000 gallons (minimum)	11.69
Above 2,000 gallons	1.23 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, \$ 12.47  
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	4.04	+12.47 Stops at 20,000
Commercial:	Consumption in 1000 X	4.47	+12.47 Does not stop

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

User charge = (V x Cv) + Cc  
Where Cc = Customer charge, \$ 12.47  
V = metered water use in 1,000 gallons  
Cv = user charge for volume per 1,000 gallons

General:	Consumption in 1000 X	4.47	+12.47 Does not stop
Restaurant:	Consumption in 1000 X	8.80	+12.47 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, 2021**

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, \$ 12.47

$V$  = 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

$$\text{Formula: } 12.47 + V (2.46 + (.004233 \times \text{BOD}) + (.00231642 \times \text{TSS}))$$

Sanitation Rates:

Residential:	\$	16.48	plus sales tax
Each additional container		5.00	plus sales tax
Commercial:		20.00	plus sales tax
		13.34	per non-compacted cubic yard
		13.34	per compacted cubic yard

System Connections

<u>At September 30, 2021:</u>	<u>Water</u>	<u>Sewer</u>
Number of metered customers	15,881	14,985
Gallons of water pumped	2,819,964,000	-
Gallons of water sold	2,149,525,300	-

**CITY OF LUFKIN, TEXAS**  
**INSURANCE COVERAGE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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	10-1-20 to	3,000,000
	Deductible	9-30-21	2,500
	Auto Liability	10-1-20 to	1,000,000
	Deductible	9-30-21	500
	Law Enforcement Liability	10-1-20 to	1,000,000
	Deductible	9-30-21	10,000
	Errors and Omissions Liability	10-1-20 to	1,000,000
	Deductible	9-30-21	10,000
	General Liability	10-1-20 to	1,000,000
	Deductible	9-30-21	10,000
	Real and Personal	10-1-20 to	
	Deductible	9-30-21	2,500
	City Hall/Police		8,124,471
	City Hall/Police contents		1,529,004
	Civic Center		10,576,551
	Civic Center contents		1,400,000
	Fine Arts		513,450
	Sewer Treatment Plant		891,981
	Recycling Building		717,971
	Recycling Building contents		500,000
	Recycling Warehouse -SW		179,831
	Wastewater Administration Building		417,462
	Administration Building contents-WW		50,000
	Solid Waste Building		596,051
	Solid Waste Building contents		680,000
	Fleet Office/Maint Shop/Extras		1,496,563
	Animal Control -shelter/kennels		168,655
	Animal Control contents		12,000
	Kurth Memorial Library		7,475,475
	Kurth Memorial Library contents		3,000,000
	Police Monopole Antenna		147,912
	Animal Control Barn		37,140
	Animal Control contents		45,000
	Community Center Building - Keltys		266,417
	Community Center Building - Keltys - contents		6,000
	Community Center Building - Chambers Park		285,947
	Fire Station 1		745,289
	Fire Station 1 contents		115,000
	Fire Station 3		351,084
	Fire Station 3 contents		25,500
	Fire Station #3/Generator/Tower/FlagPole/Fence		1,874,739
	Fire Station 4		1,118,951
	Fire Station 4 contents		124,000
	Fire Station 5		1,381,421

**CITY OF LUFKIN, TEXAS**  
**INSURANCE COVERAGE - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Fire Station 5 contents		100,000
	Fire Building -2815 S John Redditt Dr		339,117
	Fire Communication Tower -Trailwood Blvd		52,606
	Fire Administration Bldg/Extra		462,955
	Fire-Storage Bldg 111 E. Shepherd Ave		121,130
	Fire Tower/Equipment		50,000
	Fire Station 2 - 2M gal Water Tower		5,887,359
	Ellis Ave Building Police		330,989
	Southbase Police Office- contents		80,000
	Small Animal Building - Zoo		340,924
	Small Animal Building - Zoo (Content)		50,000
	Entrance Gift/Food Concession Zoo		115,824
	Entrance Gift/Food Concession Content		75,000
	Hippo Pool Zoo		112,888
	Large Cat Exhibit Zoo		121,806
	Large Cat Exhibit Zoo Content		3,500
	Office/Residence Zoo		135,467
	Office/Residence Zoo Content		8,000
	Clinic/Isolation Zoo		122,032
	Clinic/Isolation Zoo Content		110,000
	Necropsy/Freezer Zoo		65,024
	Necropsy/Freezer Zoo Content		35,000
	Giraffe/Rhino Exhibit Zoo		180,395
	Giraffe/Rhino Exhibit Zoo Content		15,000
	Admissions/Restroom		149,803
	Admissions/Restroom Content		8,000
	Entrance Cover/Zoo Circle		3,951
	Hippoquarium Building		109,276
	Hippoquarium Building Content		20,000
	Zoo-African Area Restroom/Extra		103,068
	Zoo-African Area Restroom/Extra-Contents		3,000
	Zoo-Animal Exhibit/Holding w/Pool		36,914
	Zoo-Animal Exhibit/Holding w/Pool		4,000
	Zoo-Educational Bldg/Offices		1,297,766
	Zoo-Educational Bldg/Offices-contents		173,000
	Zoo-Komodo Dragon		51,928
	Zoo-Komodo Dragon contents		1,000
	Asia Building		104,987
	Asia Building-Contents		3,000
	Rotary Parrot Exhibits		33,302
	Vet Shed-Contents		9,000
	Zoo-entrance gates		40,640
	Hay Storage		55,090
	Maintenance Building		184,686
	Memorial Shelter-Zoo		25,626
	Zoo Protective Awning		11,515
	Zoo Fiber Optic Cable		90,311
	Zoo-Sign Front Entrance		15,609
	Zoo Commissary/Generator		744,574
	Zoo Commissary/Generator contents		40,000
	Offices/3Bay Garage		471,196
	Offices/3Bay Garage Content		300,000
	Spray Play/Canopy/Sail		36,125
	Spray Play - Chambers		115,146
	Spray Play - Kiwanis		115,146

**CITY OF LUFKIN, TEXAS  
INSURANCE COVERAGE - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Spray Play - Jones Park		115,146
	Basketball/Tennis Court Pavillion		610,502
	Concession/Restroom/MTC/Pavilion		371,855
	Concession/Restroom - contents		50,000
	(8 Fields) of Light Poles		903,108
	Concession- Windsor-Morris Frank Park		141,449
	(5 Fields) of Lights Boys Complex (Morris Frank Park)		564,442
	Parking Lot Lights		112,888
	Storage Building-111 S 3rd St ENG		113,905
	Storage Building-Contents		30,000
	Parks Restrooms- Boys complex @ Morris Frank Park		124,855
	Parks Equipment/Maint Old Moffett & Morris Frank Park		35,109
	Parks Pavillion Boys Complex		57,122
	Parks Kurth Lake Lodge		187,621
	Kurth Lake Lodge contents		10,000
	Kurth Lake Caretaker's House/Engineering		131,628
	Kurth Lake Lodge Pier		45,679
	Kurth Lake Lodge Board Ramp		17,402
	Restroom -Girl's Complex MFP		138,401
	Restrooms-Jones Park		70,894
	Restrooms-Grace Dunn Richardson Park		85,230
	Pavillion & Gazebo-Grace Dunn Richardson Park		113,228
	30ft Flag Poles-Louis Branough Park		31,609
	3 SB Fields w/10 Light Poles @ Morris Frank Park		146,755
	Restroom-Jones Park		65,024
	Control Bldg-Spray Park 1501 MLK Blvd @ Jones Park		13,321
	Control Bldg-Spray Park 1117 S. Timberland Kiwanis Park		308,185
	Concession/Restroom 513 Windsor @ Morris Frank Park		77,442
	Parks Restrooms/storage Old Moffet & Kit McConnico		133,660
	Parks Pavilion #1 @ Ellen Trout Zoo		180,395
	Park Pavilions -various		193,491
	Parks Bleacher Covers		58,363
	Office (Log Cabin) Chambers Park		28,222
	Umpire Changing Station @ Kit McConnico		26,303
	Parks varios signs (14x8x3)		125,306
	Amphitheatre with Mural		124,177
	Brandon Parks signs		9,031
	City Business Park Flag Poles (3)		5,080
	City Business Park Signs		16,933
	Pavillion #1 & 3 Jones Park		151,497
	Pavillion Brandon Park		31,609
	Jones Park Floating Dock		44,048
	Ellen Trout Park Restrooms		137,647
	Chambers Park Light Poles 6@ Tennis Court		13,426
	Lift Station 701		282,222
	Lift Station 702		197,554
	Lift Station 704		28,222
	Lift Station 705		11,289
	Lift Station 706		56,444
	Lift Station 710		55,060
	Lift Station 711		56,444
	Lift Station 713		56,444
	Lift Station 714		28,222
	Lift Station 716		28,222
	Lift Station 722		56,444

**CITY OF LUFKIN, TEXAS  
INSURANCE COVERAGE - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Lift Station 724		56,444
	Lift Station 715S		28,222
	Lift Station 719S		5,644
	Lift Station 720S		5,644
	Lift Station 725		16,933
	Lift Station 727		11,289
	Water Well 3		56,444
	Water Well 5		56,444
	Water Well 6		56,444
	Water Well 7		56,444
	Water Well 9		56,444
	Water Well 10		56,444
	Water Well 11		56,444
	Water Well 12		225,776
	Water Well 13		225,776
	Water Well 14		225,776
	Water Well 15		225,776
	Pump Station Lab/office		150,707
	Pump Station Office		2,257,769
	200hp Blower #6		67,733
	Sludge Transfer Pumps		39,511
	Warehouse 305 Davis		356,728
	Office/Extras 305 Davis		890,916
	Vehicle Storage 305 Davis		146,078
	Washbay		8,241
	Fuel Station 305 Davis		34,432
	Sewer Rehab Building		39,398
	Recycling Warehouse		179,831
	Fuel Station 500 S Park		8,015
	Intake Structure/Pump Station (Rivercrest Red)		2,257,769
	Booster Pumping Station -N. Davisville Rd		2,257,769
	2M gal Elevated Water Tank		1,442,940
	2M gal Elevated Water Tank-WWTP		1,442,940
	Water Well #21		56,444
	Water Well #24		56,444
	Water Well #25		56,444
	Water Well #28		56,444
	Water Well #29		56,444
	Water Well #30		56,444
	Water Well #31		56,444
	Water Well #32		56,444
	Water Well #33		56,444
	Water Well #34		56,444
	Water Plant #2-Generator 600kw		111,495
	Vehicle /Equipment Shelter #1&2 @ 305 Davis		92,231
	12K gal Unleaded Gas Tank - Davis St.		45,155
	12K gal Unleaded Gas Tank - Davis St. Contents		20,000
	12K gal Diesel Tank - Davis St.		45,155
	12K gal Diesel Tank - Davis St. Contents		20,000
	12K gal Unleaded Gasoline Tank - S. Park		45,155
	12K gal Unleaded Gasoline Tank - S. Park Contents		20,000
	12K gal Diesel Tank - 500 S. Park		45,155
	12K gal Diesel Tank - 500 S. Park Contents		20,000
	Pines Theatre		1,693,327
	Pines Theatre - Contents		75,000
	Animal Control - 1901 Hill St		1,086,664



**CITY OF LUFKIN, TEXAS**  
**INSURANCE COVERAGE - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Animal Control - Contents		155,000
	Lift Station-Sewer		84,666
	Digester Bldg(old) 1& #2 - 3510 Southwood		189,201
	Digester Building #3 - 3510 Southwood		216,068
	Digester #1 WWTP		3,386,653
	Digester #2 WWTP		3,386,653
	Digester #3 WWTP		3,386,653
	500K gal Elevated Water Tank - 2020 Wood Ave		1,380,513
	500K gal Elevated Water Tank - 1010 Kiln Ave		1,591,954
	1M gal Elevated Water Tank - 321 Ellen St		2,332,276
	Generator - Water Plant#1		79,023
	1M gal Elevated Water Tank - 3507 Martin Luther King		849,486
	500 KW Generator - WWTP		169,332
	Warehouse Building-WWTP		197,329
	Hold Tank Pump House-WWTP		253,886
	DAFT Building-WWTP		143,030
	Generac CAT4E4 Generator WWTP@ 423 Peoples St		237,823
	Solid Waste Facility Signs & Flag Poles		12,418
	Shop (new) WWTP		143,932
	Hydro Gritter Bldg-WWTP		79,248
	Oil Storage Building		10,724
	Blower Building #6		186,492
	Pump House/3Pumps/SCADA WWTP @ WP#3		789,562
	Chlorine Building @ WP#1 & WP#2		85,569
	Chlorine Building @ WWTP @WP#3		234,528
	1M gal Ground Water Tank#2		849,486
	1M gal Ground Water Tank#3		849,486
	1M gal Ground Water Tank#4		849,486
	Communication Towers		154,657
	Courthouse- Paul Parker Municipal		1,425,907
	Training Building-Armory Dr		615,243
	Street-Wash Bay		133,793
	Restroom @ Brandon Park-1612 Keltys St		53,708
	Zoo Boat Storage-402 Zoo Circle		29,003
	Zoo Fishing Pier-402 Zoo Circle		46,189
	Metal Covering on Shooting Range-Southwood		54,955
	Recreation Center -Montrose		3,713,150
	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	10-1-20 to	
	Deductible	9-30-21	2,500
	Mustang Cat Motorgrader		151,064

**CITY OF LUFKIN, TEXAS  
INSURANCE COVERAGE - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	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 35C Compacted Excavator		35,483
	John Deere 200LC Excavator		128,950
	John Deere 50 D Excavator		53,760
	Polaris 800 HD ATV		11,805
	John Deere 332D Loader		32,819
	Toyota Forklift (Recycling)		30,552
	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
	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
	2019 Various mobile equip		276,083
	2020 Ditch Witch Vacuum Excav		67,776
	2020 Caterpillar Mini Excavator		80,000
	2020 Various mobile equip		152,344
	2021 John Deere Mini Excavator		59,831
	2021 Snapper mower		9,708

**CITY OF LUFKIN, TEXAS**  
**INSURANCE COVERAGE - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Auto Physical Damage	10-1-20 to	
	Deductible each vehicle	9-30-21	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  
Brenda A. Johnson



4000 S. Medford Drive  
Lufkin, Texas 75901

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, 2021, 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 13, 2022.

**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.*

ALEXANDER, LANKFORD & HIERS, INC.  
Certified Public Accountants

Lufkin, Texas  
September 13, 2022

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



4000 S. Medford Drive  
Lufkin, Texas 75901

Wilbur E. Alexander, CPA  
(1940-2009)  
Ted A. Lankford, CPA  
(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, 2021. 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, 2021.

**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.*

ALEXANDER, LANKFORD & HIERS, INC.  
Certified Public Accountants

Lufkin, Texas  
September 13, 2022



**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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	3719802	\$ -	\$ 68,900
Total U.S. Department of Homeland Security			-	68,900
U.S. Department of Justice:				
Direct:				
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	-	(1,077)
Bulletproof Vest Partnership Program	16.607	N/A	-	7,246
Total U.S. Department of Justice			-	6,169
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	-	235,814
Total U.S. Department of Housing and Urban Development			-	235,814
U.S. Department of the Treasury:				
Passed through Texas Department of Emergency Management:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	Project #222	-	625,068
Total U.S. Department of the Treasury			-	625,068
Total Federal Awards			\$ -	\$ 935,951

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, 2021**

**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, 2021. 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, 2021**

**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>
21.027	Coronavirus State and Local Fiscal Recovery Funds

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