

CITY OF LUFKIN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2022

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INTRODUCTORY SECTION



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August 10, 2023

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, 2022 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, 2022. 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 34,074 according to the 2021 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. 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 2022 from 2021. 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, and 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 also 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.

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 34,074. The unemployment rate for the City, as of September 2022, according to Texas Workforce statistics, is 5.10 percent compared to 6.0 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 2020 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 in 2018, and a new Capital Improvements Plan should be developed for Fiscal Year 2024 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
 - Bus stops nearing completion
 - Daniel McCall Reconstruction Phase 1
 - Public Training & EOC

- Utility Reconstruction and Expansion
 - Infiltration/Inflow sewer improvement projects (under construction)
 - Advanced metering infrastructure Project (PSI)
- Additional Capital Projects
 - Morris Frank Park -Phase 1
 - Angelina Street

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, 2022 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%	\$ 8,539,102	\$ 17,863,501
Hotel/Motel Tax Fund - 12.5%	27,221	365,050
Special Recreation Fund - 12.5%	39,201	(30,430) *
	<u>8,605,524</u>	<u>18,198,121</u>
Proprietary Funds: (working capital)		
Water/Wastewater Fund - 12.5%	\$ 1,782,075	\$ 23,004,771 **
Solid Waste/Recycling Fund - 12.5%	827,146	4,466,906
	<u>2,609,221</u>	<u>27,471,677</u>

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

** Includes Escrow for PSI Project.

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 2022 the City purchased \$1,981,022 in new/replacement equipment and is planning to replace approximately \$1,435,285 of equipment in FY 2023.

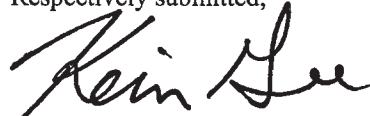
Awards and Acknowledgments

The City received the GFOA's Distinguished Budget Presentation Award for its previous annual budget document beginning October 1, 2021. 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

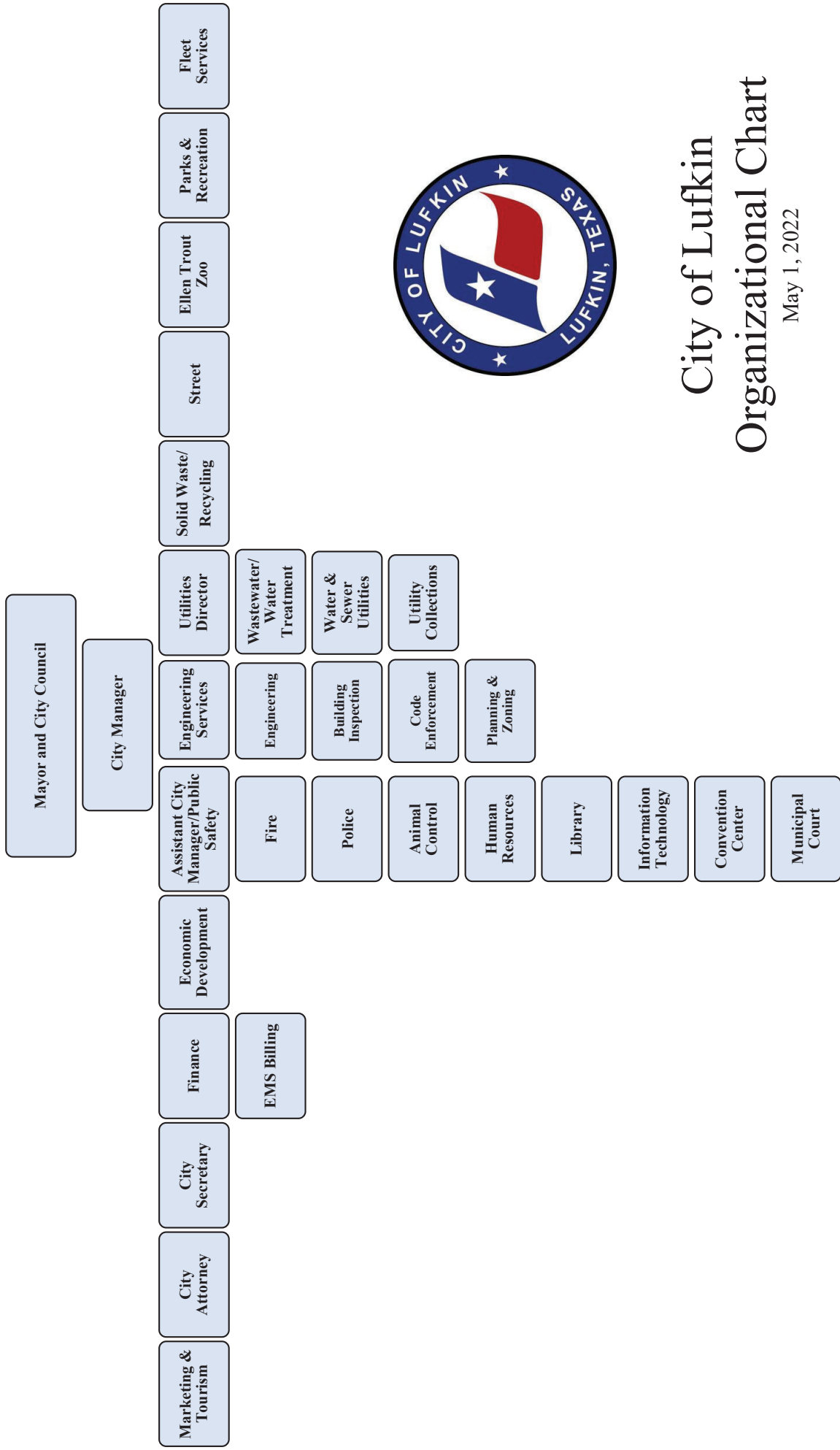
operations guide, and a communication device. The City also received the Texas Comptroller's Transparency Stars for Traditional Finances, which recognizes the City for meeting a high standard for financial transparency online.

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,

A handwritten signature in black ink, appearing to read "Kevin Gee". The signature is fluid and cursive, with the first name "Kevin" and last name "Gee" clearly distinguishable.

Kevin Gee
City Manager



City of Lufkin Organizational Chart

May 1, 2022

**CITY OF LUFKIN, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2022**

GOVERNING BODY

Mark Hicks, Mayor

CITY COUNCIL

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

OTHER PRINCIPAL OFFICIALS

Kevin Gee	City Manager
Kristi Skillern	City Attorney
Gerald Williamson	Assistant City Manager
Kara Andrepont	City Secretary
Adriana Thomasee	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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lufkin, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2022, the City adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements - Continued

Responsibilities of Management for the Financial Statements - Continued

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Report on the Financial Statements - Continued

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 74 through 94 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2023, 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

Lufkin, Texas
August 10, 2023



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Management's Discussion and Analysis

As management of the City of Lufkin, Texas (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. 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 \$166,503 (*net position*). The unrestricted net position component is \$(8,785). The unrestricted net position decrease of \$5,190 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 \$30,834, an increase of \$2,978 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 \$9,026 or 26% of total general fund expenditures.
- The City's total long-term obligations increased by \$15,658 (44%) during the fiscal year. The key factors in this increase were \$19,481 for financed purchases and \$117 for leases payable less \$3,940 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-seven 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-four 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 budgeted 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 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, but 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 \$166,503 at the close of fiscal year 2022. The following table reflects the condensed Statement of Net Position.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 48,279	\$ 43,715	\$ 45,670	\$ 22,582	\$ 93,949	\$ 66,297
Capital assets	109,590	109,937	67,169	64,676	176,759	174,613
Total Assets	<u>157,869</u>	<u>153,652</u>	<u>112,839</u>	<u>87,258</u>	<u>270,708</u>	<u>240,910</u>
Deferred outflows of resources	<u>5,011</u>	<u>5,510</u>	<u>486</u>	<u>502</u>	<u>5,497</u>	<u>6,012</u>
Long-term liabilities	38,439	42,256	19,830	395	58,269	42,651
Total OPEB liability	3,754	4,722	771	985	4,525	5,707
Net pension liability	22,012	28,661	1,017	2,442	23,029	31,103
Other liabilities	9,158	6,445	4,506	1,066	13,664	7,511
Total Liabilities	<u>73,363</u>	<u>82,084</u>	<u>26,124</u>	<u>4,888</u>	<u>99,487</u>	<u>86,972</u>
Deferred inflows of resources	<u>8,464</u>	<u>4,929</u>	<u>1,751</u>	<u>805</u>	<u>10,215</u>	<u>5,734</u>
Net Position:						
Net investment in capital assets	77,648	74,172	62,314	64,676	139,962	138,848
Restricted	8,867	8,458	26,459	10,505	35,326	18,963
Unrestricted (deficit)	(5,462)	(10,481)	(3,323)	6,886	(8,785)	(3,595)
Total Net Position	<u>\$ 81,053</u>	<u>\$ 72,149</u>	<u>\$ 85,450</u>	<u>\$ 82,067</u>	<u>\$ 166,503</u>	<u>\$ 154,216</u>

The largest portion of the City's net position (84%) 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 (21%) represents resources that are subject to external restrictions on how they may be used. The City had a total deficit unrestricted net position of \$8,785.

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, for the government as a whole, as well as for its governmental and business-type activities.

Analysis of the City's Operations

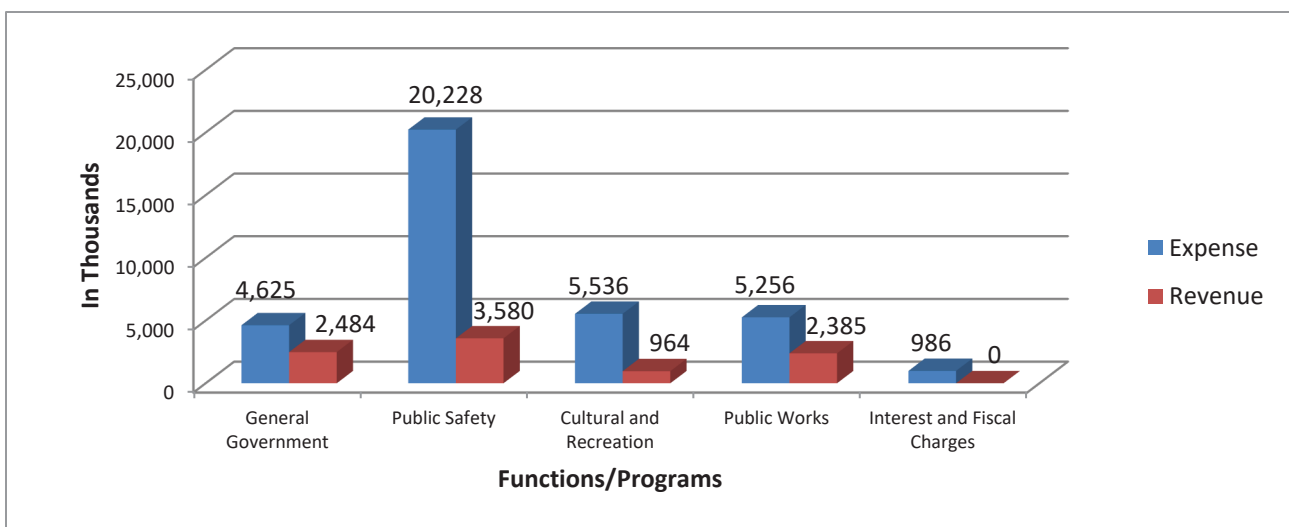
The following table provides a summary of the City's operations for the year ended September 30, 2022.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for services	\$ 7,721	\$ 9,741	\$ 26,620	\$ 24,987	\$ 34,341	\$ 34,728
Operating grants and contributions	1,692	942	-	-	1,692	942
Capital grants and contributions	-	235	-	-	-	235
General Revenues:						
Property taxes	12,472	11,793	-	-	12,472	11,793
Other taxes	20,808	19,377	-	-	20,808	19,377
Other	686	1,231	136	237	822	1,468
Total Revenues	<u>43,379</u>	<u>43,319</u>	<u>26,756</u>	<u>25,224</u>	<u>70,135</u>	<u>68,543</u>
Expenses:						
General government	4,625	4,637	-	-	4,625	4,637
Public safety	20,228	19,518	-	-	20,228	19,518
Cultural and recreation	5,536	5,391	-	-	5,536	5,391
Public works	5,256	5,551	-	-	5,256	5,551
Interest and fiscal charges	986	1,137	-	-	986	1,137
Water and sewer	-	-	14,600	13,529	14,600	13,529
Solid waste disposal	-	-	6,617	6,653	6,617	6,653
Total Expenses	<u>36,631</u>	<u>36,234</u>	<u>21,217</u>	<u>20,182</u>	<u>57,848</u>	<u>56,416</u>
Change in Net Position before transfers	6,748	7,085	5,539	5,042	12,287	12,127
Transfers	<u>2,156</u>	<u>3,519</u>	<u>(2,156)</u>	<u>(3,519)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>8,904</u>	<u>10,604</u>	<u>3,383</u>	<u>1,523</u>	<u>12,287</u>	<u>12,127</u>
Net Position, Beginning	72,149	60,772	82,067	80,544	154,216	141,316
Prior period adjustment		773	-	-		773
Net Position, Beginning, as Restated	<u>72,149</u>	<u>61,545</u>	<u>82,067</u>	<u>80,544</u>	<u>154,216</u>	<u>142,089</u>
Net Position, Ending	<u>\$ 81,053</u>	<u>\$ 72,149</u>	<u>\$ 85,450</u>	<u>\$ 82,067</u>	<u>\$ 166,503</u>	<u>\$ 154,216</u>

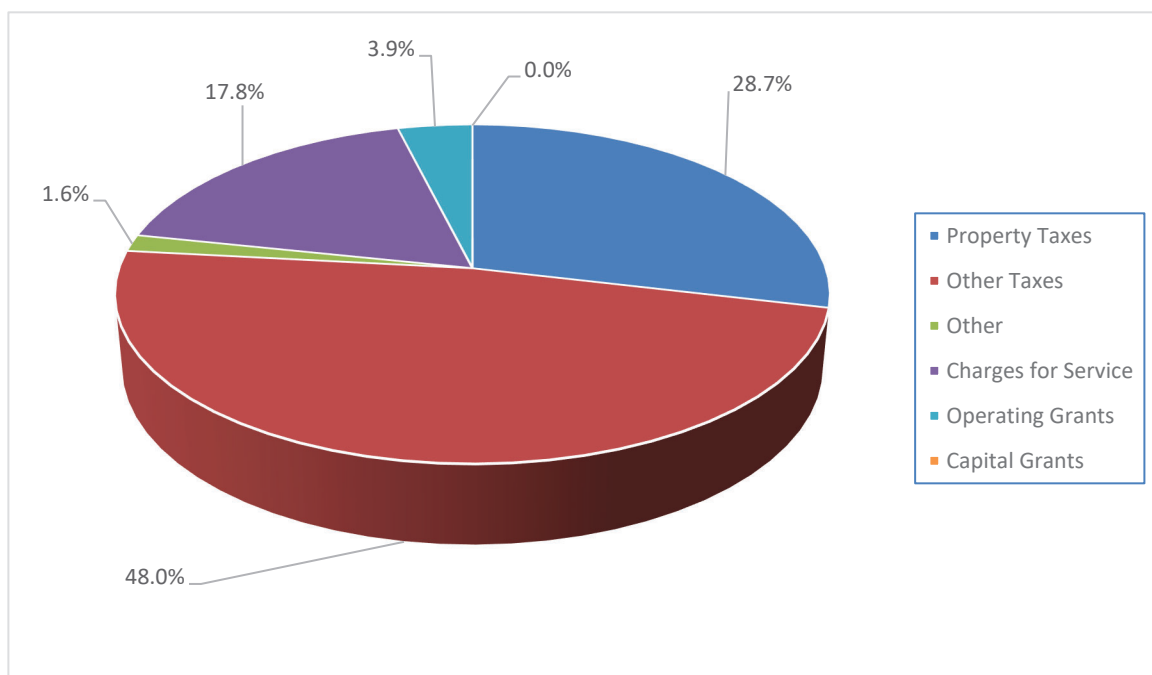
Governmental Activities. Governmental activities increased the City's net position by \$8,904, which is a decrease of \$1,700 (16%) from the prior year. Key elements of this change are as follows:

- Charges for services decreased by \$2,020 (21%).
- Operating grants and contributions increased by \$750 (80%).
- Other property taxes revenue increased by \$679 (6%).
- Other taxes revenue increased by \$1,431 (7%).
- Other general revenues decreased by \$545 (44%).
- Public safety expenditures increased by \$710 (4%).
- Transfers in decreased by \$1,363 (39%).

Expenses and Program Revenues - Governmental Activities



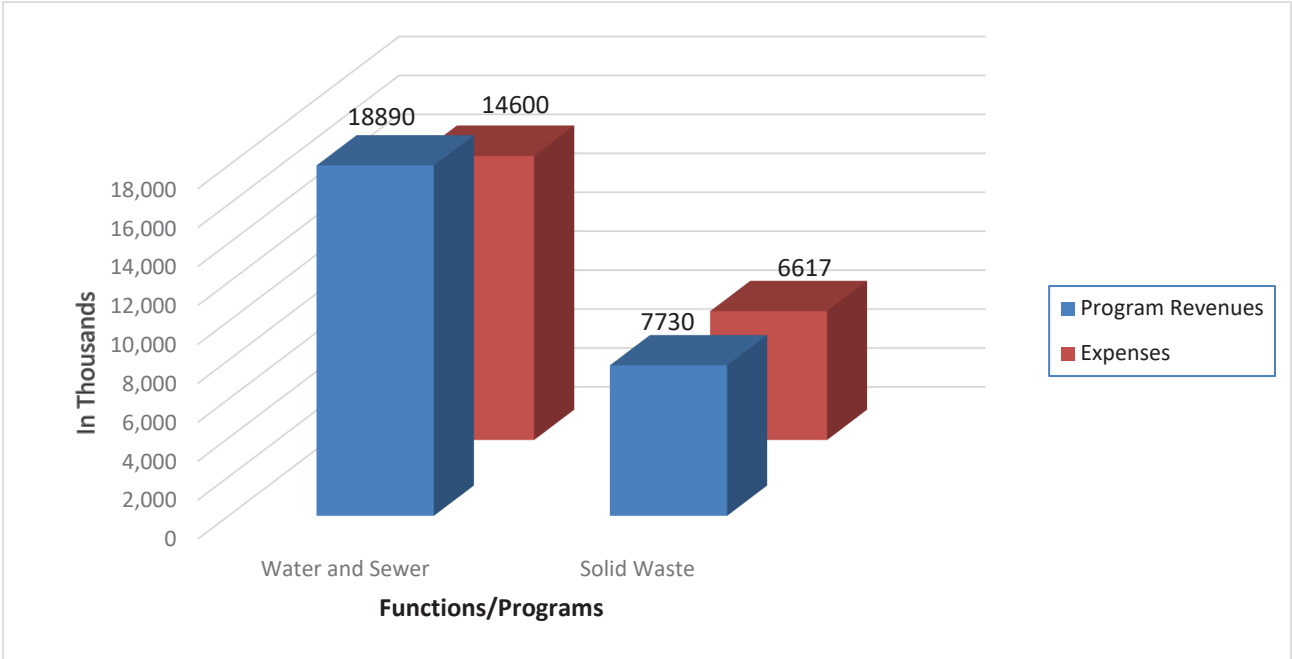
Revenues by Source - Governmental Activities



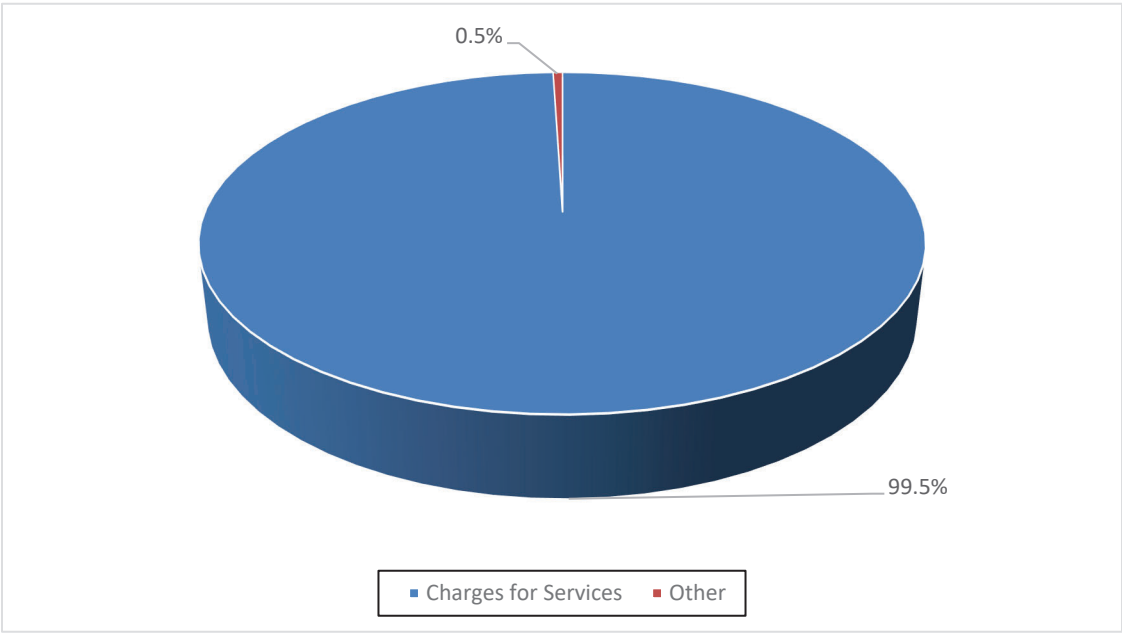
Business-type Activities. Business-type activities increased the City's net position by \$3,383, which is an increase of \$1,860 (122%) from the prior year. Key elements of this change are as follows:

- Charges for services increased by \$1,633 (7%).
- Other revenues decreased by \$101 (43%).
- Water and sewer expenses increased by \$1,071 (8%).
- Solid waste expenses decreased by \$36 (1%).
- Transfers out decreased by \$1,363 (39%).

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 \$30,834, an increase of \$2,978 from the prior year. Twenty-nine percent of the ending fund balance, or \$9,026, 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 \$2,598, \$10,045, and \$8,866, respectively. The remaining amount, \$298, 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 \$9,026 while total fund balance was \$17,864. 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 26% of total general fund expenditures, while total fund balance represents 52% of the same amount. Fund balance of the General Fund increased by \$1,912 during the current fiscal year.

The Debt Service fund has a total fund balance of \$2,598, 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 \$213.

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 a deficit of \$8,471 and for the Solid Waste Disposal Fund was \$5,148. The total net position increased for the Water and Sewer Utility Fund by \$2,284 and for the Solid Waste Disposal Fund by \$1,098. 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 (\$2,284 increase in revenues and \$1,372 increase in expenditures). The major adjustments were:

- Increase of \$3,013 in tax revenue was primarily due to higher anticipated collections for property and sales taxes.
- Decrease of \$939 in charges for services revenue was primarily due to decreases in emergency medical services and emergency medical services – County.
- Increase of \$176 in intergovernmental revenue was primarily due to an increase in grant revenues.
- Increase of \$882 for general government expenditures was primarily due to increases in building services and non-departmental for capital outlay expenditures.
- Increase of \$453 for public safety expenditures was primarily due to increases in police and fire payroll costs.

Differences between the actual results and the final budget for the General Fund were significant (\$623 increase in actual revenues and \$1,213 decrease in actual expenditures) and can be briefly summarized as follows:

- Increase of \$351 in taxes was due to higher property and sales tax collections than anticipated.

- Decrease of \$124 in investment earnings (loss) was primarily due to losses on investments as a result of the change in the market.
- Increase of \$405 in intergovernmental revenues was primarily due to receiving more grants than anticipated.
- Decrease of \$1,336 in general government expenditures was primarily due to less non-departmental payroll and capital outlay expenditures.
- Increase of \$375 in public safety expenditures was primarily due to more police and fire payroll costs.
- Decrease of \$201 in culture and recreation expenditures was due to less parks and zoo payroll and miscellaneous services expenditures.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities amounts to \$176,759 (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 2022. This condition assessment is performed every two years. The average rating for the City's streets at September 30, 2022 was 69.9; this rating decreased 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, 2022 was \$3,666 as compared to \$3,663 for the previous year. Actual expenditures were \$3,653 for fiscal year 2022, reflecting an increase of \$13 from fiscal year 2021.

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		
		2022	2020	2018
Collector Streets		42%	42%	52%
Residential Streets		33%	32%	31%
		PERCENTAGE OF LANE-MILES IN SUBSTANDARD CONDITION		
		2022	2020	2018
Collector Streets		16%	16%	20%
Residential Streets		24%	27%	24%

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

- Thrash land - \$288
- County-wide Radio System - \$472
- Whitehouse Drive West Extension - \$203

Business-type

- US 59/Loop 287 Moffett UT - \$1,594
- US 59 Utility Relocation – Diboll - \$1,055
- Energy Conservation Project - \$4,854

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2022	2021	2022	2021	2022	2021
Land	\$ 4,743	\$ 4,454	\$ 4,393	\$ 4,393	\$ 9,136	\$ 8,847
Water rights	-	-	4,130	4,108	4,130	4,108
Works of art	278	278	-	-	278	278
Buildings	14,439	14,967	2,320	2,440	16,759	17,407
Machinery and equipment	3,765	3,427	3,772	4,369	7,537	7,796
Vehicles	5,700	5,678	277	306	5,977	5,984
Improvements other than buildings	10,845	11,334	44,648	46,315	55,493	57,649
Infrastructure	69,021	69,021	-	-	69,021	69,021
Right-to-use lease assets	130	-	-	-	130	-
Construction in progress	669	778	7,629	2,745	8,298	3,523
Total	<u>\$ 109,590</u>	<u>\$ 109,937</u>	<u>\$ 67,169</u>	<u>\$ 64,676</u>	<u>\$ 176,759</u>	<u>\$ 174,613</u>

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

Long-term Obligations. At the end of the current fiscal year, the City had total long-term obligations outstanding of \$51,423.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 31,825	\$ 35,765	\$ -	\$ -	\$ 31,825	\$ 35,765
Leases	117	-	-	-	117	-
Financed purchases	-	-	19,481	-	19,481	-
Total	<u>\$ 31,942</u>	<u>\$ 35,765</u>	<u>\$ 19,481</u>	<u>\$ -</u>	<u>\$ 51,423</u>	<u>\$ 35,765</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 2022, the unemployment rate for the City, according to Texas Workforce statistics, is 4.3%, a 1.7% decrease from last year. The 4.2% unemployment rate for Angelina County is a decrease of 1.6% from last year. The Texas unemployment rate is 3.8%, a decrease of 1.3% from last year. The national unemployment rate is 3.5%, a decrease of 1.2% from last year.
- The state sales tax revenue for the current fiscal year totaled \$17,249, an increase of \$1,279 from the previous year indicating an increase in the retail economy.
- Economic trends in the region compare favorably with state and national indices.

These factors were considered in preparing the City's budget for the 2023 fiscal year.

The Water and Sewer Utility rates were increased by five percent for the 2023 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, 2022

	PRIMARY GOVERNMENT			
	GOVERNMENTAL	BUSINESS-TYPE		COMPONENT
	ACTIVITIES	ACTIVITIES	TOTAL	UNIT
ASSETS				
Cash and cash equivalents	\$ 14,484,227	\$ 2,757,067	\$ 17,241,294	\$ 4,630,912
Investments	28,742,220	9,188,741	37,930,961	-
Receivables, net	4,147,035	2,646,540	6,793,575	133,885
Notes receivable	-	1,791,512	1,791,512	4,076,221
Internal balances	607,210	(607,210)	-	-
Inventories	293,388	88,326	381,714	-
Restricted Assets:				
Cash and cash equivalents	-	19,810,898	19,810,898	-
Investments	-	9,961,259	9,961,259	-
Receivables, net	-	33,188	33,188	-
Prepaid items	4,821	-	4,821	-
Capital assets, net:				
Land and improvements	4,742,591	4,392,785	9,135,376	5,147,878
Water rights	-	4,129,632	4,129,632	-
Infrastructure	69,020,767	-	69,020,767	-
Works of art	278,500	-	278,500	-
Buildings	14,439,258	2,319,291	16,758,549	-
Improvements other than buildings	10,845,369	44,648,276	55,493,645	-
Machinery and equipment	3,764,990	3,772,198	7,537,188	-
Vehicles	5,699,659	277,349	5,977,008	-
Right-to-use lease assets	130,003	-	130,003	-
Construction in progress	668,636	7,629,089	8,297,725	126,467
Total Assets	157,868,674	112,838,941	270,707,615	14,115,363
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refundings	1,117,494	-	1,117,494	-
Deferred pension outflows	3,612,140	413,769	4,025,909	22,609
Deferred OPEB outflows	281,127	72,064	353,191	3,700
Total Deferred Outflows of Resources	5,010,761	485,833	5,496,594	26,309
LIABILITIES				
Accounts/claims payable	945,693	276,293	1,221,986	1,479
Accrued interest	121,862	-	121,862	40,997
Accrued liabilities	1,081,559	565,591	1,647,150	7,108
Customer deposits	27,721	-	27,721	-
Unearned revenue	6,981,088	-	6,981,088	-
Payable from restricted assets	-	3,663,749	3,663,749	-
Noncurrent liabilities:				
Due within one year	5,015,049	143,153	5,158,202	252,437
Due in more than one year	33,423,828	19,686,308	53,110,136	3,795,529
Net pension liability	22,011,820	1,017,229	23,029,049	55,584
Total OPEB liability	3,754,454	771,052	4,525,506	19,071
Total Liabilities	73,363,074	26,123,375	99,486,449	4,172,205
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	7,362,424	1,550,427	8,912,851	84,719
Deferred OPEB inflows	1,101,337	200,911	1,302,248	1,586
Total Deferred Inflows of Resources	8,463,761	1,751,338	10,215,099	86,305
NET POSITION				
Net investment in capital assets	77,648,024	62,314,460	139,962,484	5,274,345
Restricted for:				
Retirement of debt	2,598,002	1,749	2,599,751	-
Capital projects	5,903,763	14,616,710	20,520,473	-
Renewal and replacement	-	11,840,031	11,840,031	-
Other	364,503	-	364,503	-
Unrestricted (deficit)	(5,461,692)	(3,322,889)	(8,784,581)	4,608,817
Total Net Position	\$ 81,052,600	\$ 85,450,061	\$ 166,502,661	\$ 9,883,162

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, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Primary Government:			
Governmental Activities:			
General government	\$ 4,624,579	\$ 2,459,607	\$ 24,504
Public safety	20,227,779	1,928,881	1,650,703
Cultural and recreation	5,536,338	946,999	16,618
Public works	5,256,383	2,385,471	-
Interest and fiscal charges	985,943	-	-
Total Governmental Activities	<u>36,631,022</u>	<u>7,720,958</u>	<u>1,691,825</u>
Business-Type Activities:			
Water and sewer	14,599,996	18,889,351	-
Solid waste disposal	6,617,170	7,730,207	-
Total Business-Type Activities	<u>21,217,166</u>	<u>26,619,558</u>	<u>-</u>
Total Primary Government	<u>\$ 57,848,188</u>	<u>\$ 34,340,516</u>	<u>\$ 1,691,825</u>
Component Unit	<u>\$ 1,239,108</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION				
CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ -	\$ (2,140,468)	\$ -	\$ (2,140,468)	\$ -
-	(16,648,195)	-	(16,648,195)	-
-	(4,572,721)	-	(4,572,721)	-
-	(2,870,912)	-	(2,870,912)	-
-	(985,943)	-	(985,943)	-
-	(27,218,239)	-	(27,218,239)	-
-	-	4,289,355	4,289,355	-
-	-	1,113,037	1,113,037	-
-	-	5,402,392	5,402,392	-
\$ -	(27,218,239)	5,402,392	(21,815,847)	-
\$ -				(1,239,108)
	12,472,114	-	12,472,114	-
	17,249,244	-	17,249,244	1,568,113
	2,178,006	-	2,178,006	-
	1,242,254	-	1,242,254	-
	138,963	-	138,963	-
	31,828	134,994	166,822	218,219
	50,073	1,514	51,587	-
	603,910	-	603,910	300,053
	2,156,095	(2,156,095)	-	-
	36,122,487	(2,019,587)	34,102,900	2,086,385
	8,904,248	3,382,805	12,287,053	847,277
	72,148,352	82,067,256	154,215,608	9,035,885
\$	81,052,600	\$ 85,450,061	\$ 166,502,661	\$ 9,883,162

**CITY OF LUFKIN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	GENERAL FUND	DEBT SERVICE FUND	CARES GRANT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 1,431,524	\$ 1,395,113	\$ 1,393,787	\$ 6,299,720	\$ 10,520,144
Investments	14,892,220	1,200,000	5,600,000	4,150,000	25,842,220
Receivables:					
Taxes	593,537	234,925	-	-	828,462
Accounts	24,777,255	-	-	202,322	24,979,577
Intergovernmental	1,731,451	-	-	-	1,731,451
Other	82,961	10,168	-	296,740	389,869
Allowance for uncollectibles	(23,440,202)	(172,392)	-	(192,946)	(23,805,540)
Due from other funds	920,757	-	-	-	920,757
Inventories	293,388	-	-	-	293,388
Prepaid items	4,821	-	-	-	4,821
Total Assets	<u>\$ 21,287,712</u>	<u>\$ 2,667,814</u>	<u>\$ 6,993,787</u>	<u>\$ 10,755,836</u>	<u>\$ 41,705,149</u>
LIABILITIES					
Accounts/claims payable	\$ 353,148	\$ -	\$ 12,699	\$ 237,580	\$ 603,427
Accrued liabilities	1,065,206	-	-	16,353	1,081,559
Due to other funds	-	-	-	71,549	71,549
Customer deposits	8,100	-	-	19,621	27,721
Unearned revenue	-	-	6,981,088	-	6,981,088
Total Liabilities	<u>1,426,454</u>	<u>-</u>	<u>6,993,787</u>	<u>345,103</u>	<u>8,765,344</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	1,997,757	69,812	-	38,722	2,106,291
Total Deferred Inflows of Resources	<u>1,997,757</u>	<u>69,812</u>	<u>-</u>	<u>38,722</u>	<u>2,106,291</u>
FUND BALANCES					
Nonspendable	298,209	-	-	-	298,209
Restricted	-	2,598,002	-	6,268,266	8,866,268
Committed	8,539,102	-	-	1,505,440	10,044,542
Assigned	-	-	-	2,598,305	2,598,305
Unassigned	9,026,190	-	-	-	9,026,190
Total Fund Balances	<u>17,863,501</u>	<u>2,598,002</u>	<u>-</u>	<u>10,372,011</u>	<u>30,833,514</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 21,287,712</u>	<u>\$ 2,667,814</u>	<u>\$ 6,993,787</u>	<u>\$ 10,755,836</u>	<u>\$ 41,705,149</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, 2022

Total fund balances – governmental funds balance sheet	\$ 30,833,514
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	103,289,595
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Certain unavailable revenues are not available to pay current-period expenditures and therefore, are deferred in the funds.	2,106,291
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An internal service fund is used to charge the cost of health insurance to individual funds. The funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,426,680
--	-----------

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.	9,863,304
--	-----------

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.	1,196,480
--	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(37,326,496)
--	--------------

The City's deferred outflows of resources related to OPEB and pension plans is not reported in the governmental funds.	3,893,267
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The City's total OPEB liability is not reported in the governmental funds.	(3,754,454)
--	-------------

The City's net pension liability is not reported in the governmental funds.	(22,011,820)
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The City's deferred inflows of resources related to pension and OPEB plans is not reported in the governmental funds.	(8,463,761)
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Net position of governmental activities	<u><u>\$ 81,052,600</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF LUFKIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	GENERAL FUND	DEBT SERVICE FUND	CARES GRANT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:					
Taxes:					
Property	\$ 9,149,422	\$ 3,271,653	\$ -	\$ -	\$ 12,421,075
Sales	17,249,244	-	-	-	17,249,244
Franchise	2,178,006	-	-	-	2,178,006
Other	138,963	-	-	1,242,254	1,381,217
Licenses and permits	583,411	-	-	-	583,411
Fines and forfeitures	306,925	-	-	-	306,925
Charges for services	1,774,569	-	-	946,999	2,721,568
Investment earnings (loss)	(24,231)	14,220	-	(26,757)	(36,768)
Intergovernmental	5,455,018	-	958,405	152,625	6,566,048
Other revenues	339,786	-	-	440,408	780,194
Total Revenues	<u>37,151,113</u>	<u>3,285,873</u>	<u>958,405</u>	<u>2,755,529</u>	<u>44,150,920</u>
Expenditures:					
Current:					
General government	4,739,630	-	190,810	168,950	5,099,390
Public safety	20,501,578	-	360,182	82,397	20,944,157
Cultural and recreation	3,688,045	-	-	1,704,511	5,392,556
Public works	5,227,156	-	407,413	-	5,634,569
Debt service:					
Principal	-	3,940,000	-	-	3,940,000
Interest and fiscal charges	-	1,088,745	-	-	1,088,745
Capital outlay	-	-	-	1,065,116	1,065,116
Total Expenditures	<u>34,156,409</u>	<u>5,028,745</u>	<u>958,405</u>	<u>3,020,974</u>	<u>43,164,533</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,994,704</u>	<u>(1,742,872)</u>	<u>-</u>	<u>(265,445)</u>	<u>986,387</u>
Other Financing Sources (Uses):					
Transfers in	308,663	1,956,095	-	2,246,513	4,511,271
Transfers out	<u>(1,391,285)</u>	<u>-</u>	<u>-</u>	<u>(1,128,891)</u>	<u>(2,520,176)</u>
Total Other Financing Sources (Uses)	<u>(1,082,622)</u>	<u>1,956,095</u>	<u>-</u>	<u>1,117,622</u>	<u>1,991,095</u>
Net Change in Fund Balances	1,912,082	213,223	-	852,177	2,977,482
Fund Balances - Beginning	<u>15,951,419</u>	<u>2,384,779</u>	<u>-</u>	<u>9,519,834</u>	<u>27,856,032</u>
Fund Balances - Ending	<u>\$ 17,863,501</u>	<u>\$ 2,598,002</u>	<u>\$ -</u>	<u>\$ 10,372,011</u>	<u>\$ 30,833,514</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, 2022

Net change in fund balances – total governmental funds	\$ 2,977,482
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.	(649,403)
Internal service net revenues are reported with governmental activities and the expenses not recovered through user charges are allocated to the participating funds.	(334,801)
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.	(621,620)
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.	3,820,832
Current year OPEB expenditures are reported on the fiscal year basis in the funds, but as of the measurement date in the statement of activities.	194,444
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.	3,517,314
Change in net position of governmental activities	\$ 8,904,248

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, 2022

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	
	ASSETS			
Current Assets:				
Cash and cash equivalents	\$ 1,392,758	\$ 1,364,309	\$ 2,757,067	\$ 3,964,083
Investments	6,738,741	2,450,000	9,188,741	2,900,000
Restricted Assets:				
Cash and cash equivalents	17,678,489	-	17,678,489	-
Investments - customer deposits	261,259	-	261,259	-
Interest receivable	5	-	5	-
Accounts receivable, net	1,826,077	764,008	2,590,085	877
Other receivables	35	-	35	-
Notes receivable	-	107,246	107,246	-
Interest receivable	21,832	34,588	56,420	22,339
Inventories	82,358	5,968	88,326	-
Total Current Assets	<u>28,001,554</u>	<u>4,726,119</u>	<u>32,727,673</u>	<u>6,887,299</u>
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	1,370,974	761,435	2,132,409	-
Investments	9,700,000	-	9,700,000	-
Interest receivable	31,047	2,136	33,183	-
Total Restricted Noncurrent Assets	<u>11,102,021</u>	<u>763,571</u>	<u>11,865,592</u>	<u>-</u>
Notes receivable	<u>-</u>	<u>1,684,266</u>	<u>1,684,266</u>	<u>-</u>
Capital Assets:				
Land	4,231,421	161,364	4,392,785	-
Water rights	4,129,632	-	4,129,632	-
Buildings	3,326,288	2,379,772	5,706,060	-
Machinery and equipment	20,220,249	1,288,155	21,508,404	4,725,010
Vehicles	616,478	970,562	1,587,040	14,744,828
Improvements	87,309,386	784,023	88,093,409	-
Construction in progress	7,629,089	-	7,629,089	-
Right-to-use lease assets	-	-	-	258,154
Less accumulated depreciation and amortization	<u>(62,368,269)</u>	<u>(3,509,530)</u>	<u>(65,877,799)</u>	<u>(13,427,814)</u>
Total Capital Assets, net	<u>65,094,274</u>	<u>2,074,346</u>	<u>67,168,620</u>	<u>6,300,178</u>
Total Noncurrent Assets	<u>76,196,295</u>	<u>4,522,183</u>	<u>80,718,478</u>	<u>6,300,178</u>
Total Assets	<u>104,197,849</u>	<u>9,248,302</u>	<u>113,446,151</u>	<u>13,187,477</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	274,912	138,857	413,769	-
Deferred OPEB outflows	48,337	23,727	72,064	-
Total Deferred Outflows of Resources	<u>323,249</u>	<u>162,584</u>	<u>485,833</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts/claims payable	137,977	138,316	276,293	342,266
Accrued compensated absences	86,891	56,262	143,153	-
Accrued liabilities	500,956	64,635	565,591	-
Due to other funds	607,210	-	607,210	241,998
Leases payable	-	-	-	62,430
Current liabilities payable from Restricted Assets:				
Accounts/claims payable	3,085,595	-	3,085,595	-
Customer deposits	261,259	-	261,259	-
Accrued interest payable	316,895	-	316,895	-
Total Current Liabilities	<u>4,996,783</u>	<u>259,213</u>	<u>5,255,996</u>	<u>646,694</u>
Noncurrent Liabilities:				
Accrued compensated absences	164,594	40,487	205,081	-
Leases payable	-	-	-	54,319
Financed purchases	19,481,227	-	19,481,227	-
Total OPEB liability	556,534	214,518	771,052	-
Net pension liability	675,857	341,372	1,017,229	-
Total Noncurrent Liabilities	<u>20,878,212</u>	<u>596,377</u>	<u>21,474,589</u>	<u>54,319</u>
Total Liabilities	<u>25,874,995</u>	<u>855,590</u>	<u>26,730,585</u>	<u>701,013</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	1,030,119	520,308	1,550,427	-
Deferred OPEB inflows	151,503	49,408	200,911	-
Total Deferred Inflows of Resources	<u>1,181,622</u>	<u>569,716</u>	<u>1,751,338</u>	<u>-</u>
NET POSITION				
Net invested in capital assets	60,240,114	2,074,346	62,314,460	6,183,429
Restricted for retirement of debt	1,749	-	1,749	-
Restricted for construction	14,616,710	-	14,616,710	-
Restricted for renewal and replacement	11,076,460	763,571	11,840,031	-
Unrestricted	<u>(8,470,552)</u>	<u>5,147,663</u>	<u>(3,322,889)</u>	<u>6,303,035</u>
Total Net Position	<u>\$ 77,464,481</u>	<u>\$ 7,985,580</u>	<u>\$ 85,450,061</u>	<u>\$ 12,486,464</u>

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, 2022

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	ACTIVITIES- INTERNAL SERVICE FUNDS
Operating Revenues:				
Water sales	\$ 9,834,097	\$ -	\$ 9,834,097	\$ -
Sewer service charges	8,709,951	-	8,709,951	-
Sanitation collections	-	7,800,097	7,800,097	-
Provision for bad debts	(181,283)	(92,234)	(273,517)	-
Service revenue	395,231	-	395,231	-
General and administrative	109,279	-	109,279	-
Employee premiums	-	-	-	1,056,177
Employer premiums	-	-	-	3,273,748
Equipment rental	-	-	-	2,463,852
Miscellaneous	22,076	22,344	44,420	122,971
Total Operating Revenues	18,889,351	7,730,207	26,619,558	6,916,748
Operating Expenses:				
Utility collections	617,146	-	617,146	-
Water/Sewer utilities	3,204,690	-	3,204,690	-
Wastewater treatment plant	2,214,909	-	2,214,909	-
Water production	1,834,355	-	1,834,355	-
Sanitation department	-	4,035,465	4,035,465	-
Recycling department	-	212,718	212,718	-
Insurance claims and related expenses	-	-	-	5,375,691
Equipment acquisition and related expenses	-	-	-	130,318
Depreciation and amortization	2,513,880	99,747	2,613,627	1,956,728
General and administrative	2,767,571	2,204,781	4,972,352	-
Non-departmental	1,104,050	64,459	1,168,509	-
Total Operating Expenses	14,256,601	6,617,170	20,873,771	7,462,737
Operating Income (Loss)	4,632,750	1,113,037	5,745,787	(545,989)
Nonoperating Revenues (Expenses):				
Investment earnings	49,641	85,353	134,994	3,869
Gain on sale of assets	1,514	-	1,514	50,073
Interest and fiscal charges	(343,395)	-	(343,395)	(7,754)
Total Nonoperating Revenues (Expenses)	(292,240)	85,353	(206,887)	46,188
Income (Loss) Before Contributions and Transfers	4,340,510	1,198,390	5,538,900	(499,801)
Transfers in	-	-	-	165,000
Transfers out	(2,056,095)	(100,000)	(2,156,095)	-
Total Contributions and Transfers	(2,056,095)	(100,000)	(2,156,095)	165,000
Change in Net Position	2,284,415	1,098,390	3,382,805	(334,801)
Net Position - Beginning	75,180,066	6,887,190	82,067,256	12,821,265
Net Position - Ending	\$ 77,464,481	\$ 7,985,580	\$ 85,450,061	\$ 12,486,464

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, 2022

	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	\$ 19,021,123	\$ 7,816,367	\$ 26,837,490	\$ 1,209,185
Receipts from interfund services provided	109,279	-	109,279	5,737,600
Payments to suppliers	(1,940,344)	(2,011,289)	(3,951,633)	(5,857,800)
Payments to employees	(3,296,454)	(1,669,688)	(4,966,142)	-
Payments for interfund services used	(3,692,097)	(3,169,539)	(6,861,636)	-
Net Cash Provided by Operating Activities	10,201,507	965,851	11,167,358	1,088,985
Cash Flows From Noncapital Financing Activities:				
Transfer from other funds	-	-	-	165,000
Transfer to other funds	(2,056,095)	(100,000)	(2,156,095)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(2,056,095)	(100,000)	(2,156,095)	165,000
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(5,106,440)	-	(5,106,440)	(2,007,121)
Proceeds from sale of capital assets	1,514	-	1,514	84,404
Proceeds from financed purchases	19,481,227	-	19,481,227	-
Interest and fiscal charges	(26,500)	-	(26,500)	(7,754)
Principal payments on leases payable	-	-	-	(141,405)
Net Cash Provided (Used) by Capital and Related Financing Activities	14,349,801	-	14,349,801	(2,071,876)
Cash Flows From Investing Activities:				
Purchase of investments	(14,998,300)	(2,468,964)	(17,467,264)	(2,928,718)
Investment maturities	7,454,516	-	7,454,516	-
Notes receivable principal payments	-	103,048	103,048	-
Investment earnings received	145,218	98,000	243,218	21,135
Net Cash Used by Investing Activities	(7,398,566)	(2,267,916)	(9,666,482)	(2,907,583)
Net Increase Decrease in Cash and Cash Equivalents	15,096,647	(1,402,065)	13,694,582	(3,725,474)
Cash and Cash Equivalents - Beginning	5,345,574	3,527,809	8,873,383	7,689,557
Cash and Cash Equivalents - Ending	\$ 20,442,221	\$ 2,125,744	\$ 22,567,965	\$ 3,964,083
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 4,632,750	\$ 1,113,037	\$ 5,745,787	\$ (545,989)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	2,513,880	99,747	2,613,627	1,956,728
Decrease in accounts receivable, net	231,692	88,532	320,224	30,037
(Increase) in other receivables	(35)	-	(35)	-
Decrease in inventories	83,655	1	83,656	-
(Increase) decrease in deferred pension outflows	29,849	(34,345)	(4,496)	-
Decrease in deferred OPEB outflows	17,125	4,307	21,432	-
Increase (decrease) in accounts/claims payable	2,892,584	(849)	2,891,735	(351,791)
(Decrease) in accrued compensated absences	(9,946)	(36,922)	(46,868)	-
Increase in accrued liabilities	232,159	6,268	238,427	-
Increase in due to other funds	3,677	-	3,677	-
(Decrease) in customer deposits	(7,515)	-	(7,515)	-
(Decrease) in total OPEB liability	(165,540)	(48,149)	(213,689)	-
(Decrease) in net pension liability	(874,356)	(550,516)	(1,424,872)	-
Increase in deferred pension inflows	537,123	300,284	837,407	-
Increase in deferred OPEB inflows	84,405	24,456	108,861	-
Total Adjustments	5,568,757	(147,186)	5,421,571	1,634,974
Net Cash Provided by Operating Activities	\$ 10,201,507	\$ 965,851	\$ 11,167,358	\$ 1,088,985
Noncash Financing and Investing Activities:				
Increase (decrease) in fair value of investments	\$ (129,260)	\$ (18,964)	\$ (148,224)	\$ (28,718)
Acquisition of right-to-use lease assets	\$ -	\$ -	\$ -	\$ 258,154
Proceeds from leases payable	\$ -	\$ -	\$ -	\$ 258,154

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

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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, 2022 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, 2022

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, 2022

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, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City, as well as its component unit, 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, 2022

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 70% and 73% of outstanding taxes at September 30, 2022, 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, 2022, was .531135 per \$100 of assessed valuation. The adjusted total tax levy for fiscal year 2022 was \$12,217,929, and \$11,979,785 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, 2022

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:

<u>ASSETS</u>	<u>YEARS</u>
Buildings, improvements and fixed equipment	20-50
Vehicles and equipment	5-20
Right-to-use lease assets	3

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.

The City performs a complete inventory and condition assessment on its streets 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 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

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, 2022, 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).

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

7. Compensated Absences

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

8. Long-Term Obligations

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

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

9. Leases

The City is the lessee for noncancelable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements and the proprietary fund financial statements.

At the commencement of a lease, the City measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date of the lease, plus certain initial direct costs. Subsequently, the lease asset is amortized over the lease term or its useful life, whichever is shorter, using the straight line method.

Key estimates and judgments related to leases include how the City determines (1) the discount rate used to discount the expected lease payments to present value, (2) the lease term, and (3) the lease payments.

- The City uses the interest rate charged by the lessor as the discount rate when available. When the interest rate charged by the lessor is not available, the City uses its estimated incremental borrowing rate as the discount rate
- The lease term includes the noncancelable period of the lease.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or rate, purchase option price that is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and lease liability if certain changes that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the government-wide and proprietary statements of net position.

10. 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.

11. Fund Balances

Fund balances of the governmental funds are classified as follows:

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

Restricted - amounts that are constrained as a result of constitutional provisions, enabling legislation or external parties such as creditors, grantors, or contributors.

Committed - amounts that can be used only for specific purposes due to 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. The City's adopted policy only allows the City Council or the City's finance committee to assign amounts.

Unassigned - all other spendable amounts.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

As of September 30, 2022, fund balances are composed of the following:

	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Nonspendable:				
Inventories	\$ 293,388	\$ -	\$ -	\$ 293,388
Prepaid Items	4,821	-	-	4,821
Restricted:				
Public safety	-	-	338,361	338,361
Debt service	-	2,598,002	-	2,598,002
Capital projects	-	-	5,903,763	5,903,763
Other purposes	-	-	26,142	26,142
Committed:				
Financial operations	8,539,102	-	-	8,539,102
Other purposes	-	-	1,505,440	1,505,440
Assigned:				
Other purposes	-	-	2,598,305	2,598,305
Unassigned	9,026,190	-	-	9,026,190
Total Fund Balances	\$ 17,863,501	\$ 2,598,002	\$ 10,372,011	\$ 30,833,514

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, 2022, the City has accumulated the following amounts in support of these policies:

FUND	POLICY AMOUNT	FUND TOTAL
Governmental Funds:		
General Fund - 25%	\$ 8,539,102	\$ 17,863,501
Hotel/Motel Tax Fund - 12.5%	27,221	365,050
Special Recreation Fund - 12.5%	39,201	(30,430)
Total Policy Reserves and Fund Balances	\$ 8,605,524	\$ 18,198,121

12. 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, 2022

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.

13. 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.

14. 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.

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. Implementation of New Standards

In the current fiscal year, the City implemented the following new standard. The applicable provisions of the new standard are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 87, *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

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	\$ (31,825,000)
Bond premiums	(1,902,737)
Deferred loss on refundings	1,117,494
Accrued interest payable	(121,862)
Compensated absences	<u>(4,594,391)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position of governmental activities	\$ <u>(37,326,496)</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 \$(621,620) difference are as follows:

Capital outlay	\$ 985,628
Depreciation expense	<u>(1,607,248)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	\$ <u>(621,620)</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 \$3,517,314 difference are as follows:

Fiscal year 2022 contributions before December 31, 2021	\$ 910,923
Fiscal year 2022 contributions after December 31, 2021	2,549,074
Amortization of deferred outflows and inflows of resources	2,165,531
Recognition of pension plan expense	<u>(2,108,214)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	\$ <u>3,517,314</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

Another element of that reconciliation explains that "Current year OPEB expenditures are reported on the fiscal year basis in the funds, but as of the measurement date in the statement of activities." The details of this \$194,444 difference are as follows:

Fiscal year 2022 contributions before December 31, 2021	\$ 9,836
Fiscal year 2022 contributions after December 31, 2021	28,290
Amortization of deferred outflows and inflows of resources	310,356
Recognition of OPEB plan expense	<u>(154,038)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	\$ <u>194,444</u>

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Accounting

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

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

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

B. Excess Expenditures over Appropriations

For the year ended September 30, 2022, total expenditures were under the budget in the General Fund by \$1,213,404. There were certain departments where expenditures exceeded appropriations as follows:

Department	Amount
Tax	\$ 31,233
Human Resources	2,133
Municipal Court	6,924
Police	291,838
Fire	83,038
Planning and Zoning	3,124
Fleet Management	14,852

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
Main Street/Downtown Development Fund	\$ 90	This will be covered in fiscal year 2023 by Marketing and Tourism.
Special Recreation Fund	30,430	This will be covered with increased revenues and a transfer from the General Fund.
Insurance Loss Fund	49,696	This will be covered by funds received from insurance for losses sustained in fiscal year 2022.
2012 Capital Improvement Fund	2,931	This will be covered by a transfer from the General 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, 2022 and had restricted debt service fund balance of \$2,598,002 at year end.

DETAIL NOTES ON ALL FUNDS

A. Deposits and Investments

1. Cash Deposits

At September 30, 2022, the City's carrying amount for cash deposits including certificates of deposit was \$67,075,260 and the bank balance was \$67,910,720. 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.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS – CONTINUED

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. The level of the fair value hierarchy used to value the City’s investments subject to fair value measurement are noted in the table below.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS – CONTINUED

INVESTMENTS, INVESTMENT TYPE	AMOUNT	RATING	MATURITY DATE
Debt Securities/Obligations:			
U.S Government Obligations (Level 1):			
U.S Treasury Note	\$ 1,973,820		08/31/2023
U.S Treasury Note	1,947,500		02/29/2024
U.S Treasury Note	1,944,840		04/30/2024
Government Sponsored Enterprises (Level 1):			
Federal Home Loan Bank Bond	1,950,320	S&P AA+	06/14/2024
Federal Home Loan Bank Bond	1,970,100	S&P AA+	09/13/2024
Federal Farm Credit Bank Cons Systemwide Bonds	1,916,540	S&P AA+	11/24/2023
Federal Home Loan Mortgage Corp Reference Notes	1,944,100	S&P AA+	06/26/2023
Cash Equivalents:			
Local Government Investment Pools:			
TexPool – City	3,653,699	S&P AAAM	
TexPool – Component unit	4,964,031	S&P AAAM	
TexStar	156,945	S&P AAAM	
Money Market Mutual Funds:			
Federated Hermes Government Obligations Fund	51,239	S&P AAAM	
Deposits:			
Non-negotiable Certificates of Deposit	34,245,000		
Total Investments	\$ 56,718,134		

GASB Statement No. 40 requires a determination as to whether the City and its component unit are exposed to specific deposit and investment risks at year end and if so, the reporting of certain related disclosures. Non-negotiable certificates of deposit are 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 only limits its investments in investment pools based on credit ratings. Investment pools are required to maintain a rating of at least AAA or AAAM. Investments in obligations of or guaranteed by the U.S. government are exempted from this disclosure. The ratings for investments are shown in the table above.

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, 2022, the City was not exposed to this risk for deposits.

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities in possession of the counterparty. At September 30, 2022, the City was not exposed to this risk for investments.

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 issued by or explicitly guaranteed by the U.S. government, mutual funds, and external investment pools are excluded from this disclosure. At September 30, 2022, more than 5% of the City's investments, excluding non-negotiable certificates of deposit, were in the following:

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS – CONTINUED

ISSUER	PERCENTAGE OF INVESTMENTS
Federal Home Loan Bank	17.44%
Federal Farm Credit Bank	8.53%
Federal Home Loan Mortgage Corp	8.65%

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 maturity dates for investments in debt securities/obligations are shown in the table above. At September 30, 2022, TexPool, TexSTAR, and Federated Hermes Government Obligations Fund had weighted average maturities of 25 days, 13 days, and 15 days, respectively.

B. Receivables

Receivables as of September 30, 2022 for the City's governmental activities by individual major and nonmajor funds (governmental funds) and internal service funds in the aggregate are as follows:

	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR FUNDS	INTERNAL SERVICE FUNDS	TOTAL
Receivables:					
Taxes	\$ 593,537	\$ 234,925	\$ -	\$ -	\$ 828,462
Accounts	24,777,255	-	202,322	877	24,980,454
Other	82,961	10,168	296,740	-	389,869
Intergovernmental	1,731,451	-	-	-	1,731,451
Interest	-	-	-	22,339	22,339
Less allowance for uncollectibles	(23,440,202)	(172,392)	(192,946)	-	(23,805,540)
Total	\$ 3,745,002	\$ 72,701	\$ 306,116	\$ 23,216	\$ 4,147,035

At September 30, 2022, 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	\$ 2,488,243	\$ 1,106,674	\$ 3,594,917
Notes	-	1,791,512	1,791,512
Other	35	-	35
Interest	52,884	36,724	89,608
Less allowance for uncollectibles	(662,166)	(342,666)	(1,004,832)
Total	\$ 1,878,996	\$ 2,592,244	\$ 4,471,240

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS – CONTINUED

For the City's component unit, receivables at September 30, 2022 consisted of the following:

	EDC
Receivables:	
Notes	\$ 4,076,221
Taxes	128,885
Other	5,000
Less allowance for uncollectibles	-
Total	<u>\$ 4,210,106</u>

C. Interfund Receivables, Payables and Transfers

During the course of operations, transactions occur between individual funds that result in amounts owed between funds. Due from and to other funds at September 30, 2022 consisted of the following:

DUE FROM	DUE TO	AMOUNT	PURPOSE
	Special Revenue Funds:		
General Fund	Special Recreation Fund	\$ 22,085	Short-term advances
General Fund	Insurance Loss Fund	46,533	Short-term advances
	Capital Projects Funds:		
General Fund	2012 Capital Improvement Fund	2,931	Short-term advances
General Fund	Water and Sewer Utility Fund	607,210	Short-term advances
	Internal Service Funds:		
General Fund	Group Health Insurance Fund	241,998	Short-term advances
		<u>\$ 920,757</u>	

Transfers at September 30, 2022 consisted of the following:

	TRANSFER IN				
TRANSFER OUT	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	TOTAL
General Fund	\$ -	\$ -	\$ 1,226,285	\$ 165,000	\$ 1,391,285
Nonmajor Governmental	108,663	-	1,020,228	-	1,128,891
Water and Sewer Utility Fund	100,000	1,956,095	-	-	2,056,095
Solid Waste Disposal Fund	100,000	-	-	-	100,000
Total	<u>\$ 308,663</u>	<u>\$ 1,956,095</u>	<u>\$ 2,246,513</u>	<u>\$ 165,000</u>	<u>\$ 4,676,271</u>

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	\$ 1,744	\$ 17,692,925	\$ 2,116,229	\$ -	\$ 19,810,898
Investments	-	-	9,700,000	-	9,700,000
Investments – customer deposits	-	-	-	261,259	261,259
Interest receivable	5	45	33,138	-	33,188
Total Restricted Assets	<u>\$ 1,749</u>	<u>\$ 17,692,970</u>	<u>\$ 11,849,367</u>	<u>\$ 261,259</u>	<u>\$ 29,805,345</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS – CONTINUED

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, 2022.

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.
- .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	\$ 1,017,218
Capitalized Contract for Water Rights:	
50 year contract	220,000
40 year contract	305,600
Water Rights in Sam Rayburn Reservoir	<u>\$ 1,542,818</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS - CONTINUED

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.

Capital asset activity for the year ended September 30, 2022 was as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets not being depreciated/amortized:				
Land	\$ 4,454,290	\$ 288,301	\$ -	\$ 4,742,591
Infrastructure	69,020,767	-	-	69,020,767
Works of art	278,500	-	-	278,500
Construction in progress	777,526	626,461	(735,351)	668,636
Total capital assets not being depreciated/amortized	74,531,083	914,762	(735,351)	74,710,494
Capital assets being depreciated/amortized:				
Buildings	25,087,003	-	-	25,087,003
Improvements other than buildings	22,460,374	-	-	22,460,374
Machinery and equipment	15,771,226	1,074,074	-	16,845,300
Vehicles	17,269,520	1,739,264	(91,552)	18,917,232
Right-to-use lease assets - equipment	-	258,154	-	258,154
Total capital assets being depreciated/amortized	80,588,123	3,071,492	(91,552)	83,568,063
Less accumulated depreciation/amortization for:				
Buildings	(10,119,794)	(527,951)	-	(10,647,745)
Improvements other than buildings	(11,126,601)	(488,404)	-	(11,615,005)
Machinery and equipment	(12,344,394)	(735,916)	-	(13,080,310)
Vehicles	(11,591,240)	(1,683,553)	57,220	(13,217,573)
Right-to-use lease assets - equipment	-	(128,151)	-	(128,151)
Total accumulated depreciation/amortization	(45,182,029)	(3,563,975)	57,220	(48,688,784)
Total capital assets being depreciated/amortized, net	35,406,094	(492,483)	(34,332)	34,879,279
Governmental activities capital assets, net	\$ 109,937,177	\$ 422,279	\$ (769,683)	109,589,773
Governmental activities, capital related debt				(31,941,749)
Governmental activities, net investment in capital assets				\$ 77,648,024

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS - CONTINUED

BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets not being depreciated:				
Land	\$ 4,392,785	\$ -	\$ -	\$ 4,392,785
Water rights	4,107,918	21,714	-	4,129,632
Construction in progress	2,745,549	5,084,726	(201,186)	7,629,089
Total capital assets not being depreciated	<u>11,246,252</u>	<u>5,106,440</u>	<u>(201,186)</u>	<u>16,151,506</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	21,307,218	201,186	-	21,508,404
Vehicles	1,587,040	-	-	1,587,040
Total capital assets being depreciated	<u>116,693,727</u>	<u>201,186</u>	<u>-</u>	<u>116,894,913</u>
Less accumulated depreciation for:				
Buildings	(3,266,347)	(120,422)	-	(3,386,769)
Improvements other than buildings	(41,778,499)	(1,666,634)	-	(43,445,133)
Machinery and equipment	(16,938,378)	(797,828)	-	(17,736,206)
Vehicles	(1,280,948)	(28,743)	-	(1,309,691)
Total accumulated depreciation	<u>(63,264,172)</u>	<u>(2,613,627)</u>	<u>-</u>	<u>(65,877,799)</u>
Total capital assets being depreciated, net	<u>53,429,555</u>	<u>(2,412,441)</u>	<u>-</u>	<u>51,017,114</u>
Business-type activities capital assets, net	<u>\$ 64,675,807</u>	<u>\$ 2,693,999</u>	<u>\$ (201,186)</u>	67,168,620
Business-type activities, capital related debt				(4,854,160)
Business-type activities, net investment in capital assets				<u>\$ 62,314,460</u>
COMPONENTS UNIT	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets not being depreciated:				
Land and land improvements	\$ 5,147,878	\$ -	\$ -	\$ 5,147,878
Construction in progress	-	126,467	-	126,467
Total capital assets not being depreciated	<u>5,147,848</u>	<u>126,467</u>	<u>-</u>	<u>5,274,345</u>
Component unit capital assets, net	<u>\$ 5,147,848</u>	<u>\$ 126,467</u>	<u>\$ -</u>	5,274,345
Component unit, capital related debt				-
Component unit, net investment in capital assets				<u>\$ 5,274,345</u>

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

	TOTAL
Governmental activities:	
General government	\$ 257,045
Public safety	580,414
Cultural and recreation	524,975
Public works	244,813
Capital assets held by the government's internal service funds are charged to activities based on their equipment rental	<u>1,956,728</u>
Total governmental activities	<u>\$ 3,563,975</u>
Business-type activities:	
Water and sewer	\$ 2,513,880
Solid waste disposal	<u>99,747</u>
Total business-type activities	<u>\$ 2,613,627</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS – CONTINUED

4. Construction and Other Commitments

The government has active construction and maintenance projects as of September 30, 2022. 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, 2022, the City's commitments on construction and maintenance projects are as follows:

PROJECT	EXPENDED TO DATE	REMAINING COMMITMENT	FUNDING SOURCE
Generator, Zoo Building	\$ 13,669	\$ 13,668	Zoo Building Fund
WWP/MCC Electric Upgrade	29,470	2,430,280	CARES Grant Fund
Hurricane Creek 42" Sewer main	13,569	321,851	CARES Grant Fund
Repaint Whitehouse Elev Storage	100	684,900	CARES Grant Fund
WP #1 Electric Main Buss/MC	35,613	899,887	CARES Grant Fund
Forced Aeration Stg #3 & #4	8,875	264,625	CARES Grant Fund
Standby Generator WW#10 & #34	18,400	555,600	CARES Grant Fund
Room 202 Remodel	40,184	8,116	General Fund Construction Fund
Pines Theater Repairs	170,992	129,008	General Fund Construction Fund
FY 22 Park Improvements	1,473	498,527	General Fund Construction Fund
Bus Stops	602	159,398	2020 Capital Improvement Fund
Public Training & EOC	62,304	1,543,548	2020 Capital Improvement Fund
Jones Lake Walking Trail	111,707	73,293	2020 Capital Improvement Fund
Parks Master Plan	7,980	42,020	2020 Capital Improvement Fund
Whitehouse Dr West Ext	203,437	2,246,563	2020 Capital Improvement Fund
2020 Drainage Improvement	123,525	176,475	2013 Water Certificates of Obligation Fund
Belt Thickner	2,544	747,456	Water/Wastewater Depreciation Fund
Dig 1 & 2 Boiler Street Replacement	10,500	2,000	Water/Wastewater Depreciation Fund
US 59 Utility Relocation – Diboll	1,054,973	395,027	Water/Wastewater Depreciation Fund
Manhole Rehabilitation	674,269	10,731	Water/Wastewater Depreciation Fund
Lufkin FWD Downtown Street	126,467	2,273,533	Economic Development Corporation
Total	<u>\$ 2,710,653</u>	<u>\$ 13,476,506</u>	

F. Current Liabilities

1. Accounts/Claims Payable and Accrued Liabilities

Accounts/claims payable in the governmental and business-type activities are all for amounts due vendors. The governmental activities accrued liabilities are composed of accrued salaries and benefits of \$728,533 and other accrued liabilities of \$353,026. The business-type activities payable from restricted assets includes accounts/claims payable of \$3,085,595 for amounts due vendors, \$261,259 for customer deposits and \$316,895 for accrued interest. The business-type activities accrued liabilities are composed of accrued salaries and benefits of \$125,502 and other accrued liabilities of \$440,089.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS - CONTINUED

F. Current Liabilities

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
- The amount can be reasonably estimated.

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

G. Long-term Obligations

1. General Obligation Bonds Payable

General obligation bonds payable at September 30, 2022 consist of the following:

\$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%.	\$ 640,000
\$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%.	4,250,000
\$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%.	3,125,000
\$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%.	1,690,000
\$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%.	2,150,000
\$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%.	7,165,000
\$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%.	6,730,000
\$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%.	1,445,000
\$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>\$ 31,825,000</u>

The City expended \$1,081,995 for interest on general obligation bonds for the year ended September 30, 2022.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS - CONTINUED

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

YEAR ENDING SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
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	2,925,000	581,680	3,506,680
2028-2032	11,465,000	1,745,262	13,210,262
2033-2037	3,770,000	450,171	4,220,171
2038-2040	1,015,000	82,200	1,097,200
TOTAL	\$ 31,825,000	\$ 6,173,867	\$ 37,998,867

2. Notes Payable – Component Unit

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, 2022 were \$2,246,007 and \$1,791,512, respectively. The notes are secured by the building and sales tax revenue. The \$1,791,512 note payable is with the City's Solid Waste Disposal Fund.

The City expended \$168,423 for interest on notes payable for the year ended September 30, 2022.

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

YEAR ENDING SEPTEMBER 30,	COMPONENT UNIT		
	PRINCIPAL	INTEREST	TOTAL
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	283,695	119,790	403,485
2028-2032	1,600,655	416,769	2,017,424
2033-2035	1,124,724	85,730	1,210,454
TOTAL	\$ 4,037,519	\$ 1,207,784	\$ 5,245,303

3. Leases

In prior years, the City entered into lease agreements with Dell Financial Services (Dell) for technology equipment. During fiscal year 2022, the City entered into new lease agreements with Dell for additional technology equipment. Initial lease liabilities totaling \$121,406 were recorded for the new leases.

The leases with Dell have interest rates ranging from 4.487% to 12.885% and maturity dates ranging from October 2022 to July 2025. The City makes advance payments of principal and interest either annually or quarterly. The right-to-use lease assets associated with these leases are amortized over the lease terms. Amortization is included in depreciation and details of the right-to-use lease assets are shown in the capital asset footnote.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS - CONTINUED

The principal and interest lease payments as of September 30, 2022 are as follows:

YEAR ENDING SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2023	\$ 62,430	\$ 5,262	\$ 67,692
2024	44,848	2,272	47,120
2025	9,471	111	9,582
TOTAL	\$ 116,749	\$ 7,645	\$ 124,394

4. Financed Purchases

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. At September 30, 2022, the value of the financed purchase was \$19,841,227.

The future schedule of payments for financed purchases is as follows:

YEAR ENDING SEPTEMBER 30,	BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2023	\$ -	\$ 713,014	\$ 713,014
2024	1,091,151	475,342	1,566,493
2025	1,117,776	448,717	1,566,493
2026	1,145,049	421,444	1,566,493
2027	1,172,988	393,505	1,566,493
2028-2032	6,308,481	1,523,985	7,832,466
2033-2037	7,116,601	715,865	7,832,466
2038	1,529,181	37,312	1,566,493
TOTAL	\$ 19,481,227	\$ 4,729,184	\$ 24,210,411

5. Change in Long-term Obligations

Primary Government

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Bonds Payable:					
General obligation bonds	\$ 35,765,000	\$ -	\$ (3,940,000)	\$ 31,825,000	\$ 3,365,000
Unamortized bond premiums	2,126,203	-	(223,466)	1,902,737	-
Leases payable	-	258,154	(141,405)	116,749	62,430
Compensated absences	4,364,667	229,724	-	4,594,391	1,587,619
Total	\$ 42,255,870	\$ 487,878	\$ (4,304,871)	\$ 38,438,877	\$ 5,015,049
BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Financed purchases	\$ -	\$ 19,481,227	\$ -	\$ 19,481,227	\$ -
Compensated absences	395,102	-	(46,868)	348,234	143,153
Total	\$ 395,102	\$ 19,481,227	\$ (46,868)	\$ 19,829,461	\$ 143,153

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS - CONTINUED

Component Unit

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Notes payable	\$ 4,272,630	\$ -	\$ (235,111)	\$ 4,037,519	\$ 241,990
Compensated absences	10,603	-	(156)	10,447	10,447
Total	<u>\$ 4,283,233</u>	<u>\$ -</u>	<u>\$ (235,267)</u>	<u>\$ 4,047,966</u>	<u>\$ 252,437</u>

6. Defeased Debt

There was no defeased debt outstanding at September 30, 2022.

7. 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.

H. Deferred Inflows of Resources – Unavailable Revenues

Deferred inflows of resources related to unavailable revenues on the governmental funds balance sheet at September 30, 2022 consisted of the following:

	AMOUNT
Unavailable ad valorem taxes	\$ 238,144
Unavailable fines and forfeitures	767,769
Unavailable EMS/Ambulance charges	873,125
Unavailable miscellaneous billings	123,463
Unavailable interest income	103,790
Total unavailable revenues	<u>\$ 2,106,291</u>

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 \$1,100,000 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.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS - CONTINUED

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 (the 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. 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, 2022, the City had recorded a liability of \$256,827 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.

Changes in the balance of claims payable are as follows:

FISCAL YEAR	CLAIMS PAYABLE OCTOBER 1,	CLAIMS INCURRED	CLAIMS PAID	CLAIMS PAYABLE SEPTEMBER 30,
2020	\$ 371,270	\$ 4,637,456	\$ 4,848,786	\$ 159,940
2021	159,940	4,582,769	4,304,801	437,908
2022	437,908	3,466,054	3,647,135	256,827

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.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS - CONTINUED

K. Defined Benefit Pension Plans

1. Texas Municipal Retirement System

A. Plan Description

The City participates as one of 901 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 Texas Government Code, Subtitle G, Title 8, (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 does not receive any funding from the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at tmrs.com.

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

B. Benefits Provided

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

At retirement, the benefit is calculated 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.

The plan provisions that 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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	274
Inactive employees entitled to but not yet receiving benefits	212
Active employees	313
	<u>799</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS – CONTINUED

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee total compensation, and the City matching percentages are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), 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 compensation during the fiscal year. The contribution rates for the City of Lufkin were 16.40% and 16.27% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$2,673,596, and were equal to the required contributions.

D. Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS – CONTINUED

The target allocation and best estimates of arithmetic 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)
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

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.

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, 2020	\$ 112,208,770	\$ 99,916,589	\$ 12,292,181
Changes for the year:			
Service cost	2,496,157	-	2,496,157
Interest	7,440,772	-	7,440,772
Change of benefit terms	-	-	-
Difference between expected and actual experience	(613,968)	-	(613,968)
Changes of assumptions	-	-	-
Contributions - Employer	-	2,617,451	(2,617,451)
Contributions - Employee	-	1,117,206	(1,117,206)
Net investment income	-	13,021,438	(13,021,438)
Benefit payments, including refunds of employee contributions	(6,446,374)	(6,446,374)	-
Administrative expense	-	(60,269)	60,269
Other changes	-	413	(413)
Net changes	2,876,587	10,249,865	(7,373,278)
Balance at December 31, 2021	\$ 115,085,357	\$ 110,166,454	\$ 4,918,903

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS – CONTINUED

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	\$ 20,305,112	\$ 4,918,903	\$ (7,742,097)

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.

Financial Statement Breakdown

The City's NPL at September 30, 2022 is included in the financial statements as follows:

Governmental activities	\$ 3,846,090
Business-type activities	1,017,229
Component units	55,584
Total	<u>\$ 4,918,903</u>

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

For the year ended September 30, 2022, the City recognized pension expense (benefit) of \$(762,713).

At September 30, 2022, 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	\$ -	\$ 788,251
Changes in actuarial assumptions	38,610	-
Difference between projected and actual investment earnings	-	6,708,976
Contributions subsequent to the measurement date	1,962,208	-
Total	<u>\$ 2,000,818</u>	<u>\$ 7,497,227</u>

The City reported \$1,962,208 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, 2023. 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,	
2022	\$ (1,578,239)
2023	(3,116,304)
2024	(1,508,662)
2025	(1,255,412)
Total	<u>\$ (7,458,617)</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS - CONTINUED

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. See that report for all information about the plan fiduciary net position.

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, 2022 were \$1,369,511 and were equal to the required contributions.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS - CONTINUED

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the NPL was determined by the actuarial valuation as of December 31, 2020 and rolled forward to December 31, 2021.

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, 2022

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, 2020	\$ 40,295,254	\$ 21,466,554	\$ 18,828,700
Changes for the year:			
Service cost	733,603	-	733,603
Interest	2,894,854	-	2,894,854
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions – Employer	-	1,337,646	(1,337,646)
Contributions - Employee	-	825,851	(825,851)
Net investment income	-	2,200,328	(2,200,328)
Benefit payments, including refunds of employee contributions	(2,199,661)	(2,199,661)	-
Administrative expense	-	(72,398)	72,398
Other changes	-	-	-
Net changes	1,428,796	2,091,766	(662,970)
Balance at December 31, 2021	\$ 41,724,050	\$ 23,558,320	\$ 18,165,730

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	\$ 22,750,806	\$ 18,165,730	\$ 14,328,744

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.

Financial Statement Breakdown

The City's NPL at September 30, 2022 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, 2022, the City recognized pension expense of \$775,032.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS - CONTINUED

At September 30, 2022, 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	\$ 300,309	\$ 164,865
Changes in actuarial assumptions	732,568	15,060
Difference between projected and actual investment earnings	-	1,320,417
Contributions subsequent to the measurement date	1,014,823	-
Total	\$ <u>2,047,700</u>	\$ <u>1,500,342</u>

The City reported \$1,014,823 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, 2023. 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,	
2022	\$ (51,337)
2023	(471,825)
2024	(66,620)
2025	108,057
2026	14,260
Total	\$ <u>(467,465)</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, 2022 valuation, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>73</u>
	<u>88</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS - CONTINUED

C. Total OPEB Liability

The City's total OPEB liability of \$4,100,728 was determined by an actuarial valuation as of September 30, 2022.

Actuarial assumptions and other inputs

The total OPEB liability in the September 30, 2022 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	4.77%
Healthcare cost trends	4.50% level
Retiree contributions	Retiree paying balance of premium after City subsidy
Mortality	RPH-2014 Total Table with Projection MP-2021
Turnover	Rates vary based on gender, age, and select and ultimate at 9 years.

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate 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, 2021	\$ 4,126,063
Changes for the year:	
Service cost	97,732
Interest	93,179
Difference between expected and actual experience	(883,628)
Changes in assumptions and other inputs	(411,428)
Benefit payments	(165,000)
Rounding	2
Net changes	<u>(1,269,143)</u>
Balance at September 30, 2022	\$ <u>2,856,920</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 (3.77%)	DISCOUNT RATE (4.77%)	1% INCREASE IN DISCOUNT RATE (5.77%)
Total OPEB liability	\$ 3,017,013	\$ 2,856,920	\$ 2,703,948

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

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	\$ 2,816,164	\$ 2,856,920	\$ 2,902,393

Financial Statement Breakdown

The City's total OPEB liability at September 30, 2022 is included in the financial statements as follows:

Governmental activities	\$ 2,434,875
Business-type activities	422,045
Total	<u>\$ 2,856,920</u>

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

For the year ended September 30, 2022, the City recognized OPEB expense (benefit) of \$(240,143). At September 30, 2022, 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	\$ -	\$ 717,104
Changes in assumptions and other inputs	29,480	446,329
Total	<u>\$ 29,480</u>	<u>\$ 1,163,433</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,	
2023	\$ (452,409)
2024	(331,779)
2025	(315,099)
2026	(34,666)
Total	<u>\$ (1,133,953)</u>

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.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS – CONTINUED

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 based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	211
Inactive employees entitled to but not yet receiving benefits	53
Active employees	313
	<u>577</u>

B. Total OPEB Liability

The City's total OPEB liability of \$1,687,657 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2021 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	1.84%
Retirees' share of benefit-related costs	\$0

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.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS – CONTINUED

The actuarial assumptions used in the December 31, 2021 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, 2021.

Changes in the Total OPEB liability

	<u>TOTAL OPEB LIABILITY</u>
Balance December 31, 2020	\$ 1,592,827
Changes for the year:	
Service cost	65,436
Interest	32,224
Difference between expected and actual experience	(25,689)
Changes in assumptions or other inputs	51,587
Benefit payments	(28,728)
Net changes	94,830
Balance at December 31, 2021	\$ 1,687,657

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 (0.84%)	DISCOUNT RATE (1.84%)	1% INCREASE IN DISCOUNT RATE (2.84%)
Total OPEB liability	\$ 2,068,256	\$ 1,687,657	\$ 1,397,243

Financial Statement Breakdown

The City's total OPEB liability at September 30, 2022 is included in the financial statements as follows:

Governmental activities	\$ 1,319,579
Business-type activities	349,007
Component units	19,071
Total	\$ 1,687,657

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$165,792. At September 30, 2022 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	\$ 31,104	\$ 121,111
Changes in assumptions and other inputs	260,128	19,290
Contributions made subsequent to the measurement date	36,181	-
Total	\$ 327,413	\$ 140,401

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

DETAIL NOTES ON ALL FUNDS – CONTINUED

The City reported \$36,181 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 total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

PLAN YEAR ENDED DECEMBER 31,	
2022	\$ 56,930
2023	45,573
2024	42,352
2025	5,976
Total	<u>\$ 150,831</u>

M. Tax Abatements

The City participated in multiple agreements during fiscal year 2022 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 and has continued through fiscal year 2022. Measures taken by various governments to contain the virus have affected economic activity. Various safety and health measures have been implemented by the City to monitor and mitigate the effects of the virus on its citizens and employees. During the year, the City recognized revenue of \$1,088,706 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 public health emergency declaration has ended; however, COVID-19 is still occurring in the United States as well as around the world. As the spread of COVID-19 continues, the potential impact is difficult to assess.

O. Adoption of New Standard

The City adopted GASB Statement No. 87 as described in the Summary of Significant Accounting Policies. Prior to the implementation of this standard, leases were evaluated and treated as either capital or operating leases. After the implementation of this standard, lease liabilities and right-to-use lease assets are recorded for leases that exceed twelve months that do not transfer ownership. All of the leases in effect on the date of implementation were evaluated in accordance with GASB 87. Upon evaluation, all leases were determined to be subject to GASB 87 and were accounted for in accordance with GASB 87. The net effect on the governmental activities on the government-wide financial statements and the proprietary fund statements was an increase in total assets and total liabilities of \$136,748 as of October 1, 2021. This recorded the right-to-use lease assets and the leases payable.



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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Taxes:				
Property	\$ 8,538,272	\$ 9,075,500	\$ 9,149,422	\$ 73,922
Sales	14,416,392	16,882,528	17,249,244	366,716
Franchise	2,298,975	2,284,716	2,178,006	(106,710)
Other	97,300	121,360	138,963	17,603
Total Taxes	25,350,939	28,364,104	28,715,635	351,531
Licenses and Permits:				
Building permits and inspections	285,000	375,000	397,312	22,312
Plumbing permits and inspections	9,000	7,500	7,315	(185)
Electric permits and inspections	9,000	7,500	9,445	1,945
Heat and vent permits	6,000	6,000	6,453	453
Other permits	86,500	92,135	158,938	66,803
Licenses	2,720	3,420	3,948	528
Total Licenses and Permits	398,220	491,555	583,411	91,856
Fines and Forfeitures:				
Municipal court fines and forfeitures	401,000	344,360	306,925	(37,435)
Parking fines	50	50	-	(50)
Total Fines and Forfeitures	401,050	344,410	306,925	(37,485)
Charges for Services:				
Emergency medical services	2,400,000	1,670,014	1,701,880	31,866
Emergency medical services - County	250,016	-	-	-
Other	32,550	73,507	72,689	(818)
Total Charges for Services	2,682,566	1,743,521	1,774,569	31,048
Investment earnings (loss)	100,000	100,000	(24,231)	(124,231)
Intergovernmental:				
Grant revenues	-	176,241	580,795	404,554
General and administrative services	4,874,223	4,874,223	4,874,223	-
Total Intergovernmental	4,874,223	5,050,464	5,455,018	404,554

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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Other Revenues:				
Parks	25,000	26,138	39,123	12,985
Library	8,000	5,500	7,233	1,733
Animal shelter fees	53,750	62,750	82,347	19,597
Zone change fees	-	3,000	3,600	600
Zoo admission fees	103,000	103,000	103,000	-
Rent on city property	35,420	48,721	31,158	(17,563)
Miscellaneous	205,957	177,375	60,615	(116,760)
Salary reimbursements	6,000	8,000	12,710	4,710
Total Other Revenue	437,127	434,484	339,786	(94,698)
 Total Revenues	 34,244,125	 36,528,538	 37,151,113	 622,575
Expenditures:				
Current:				
General Government:				
City Council/City Secretary:				
Payroll costs	148,603	152,301	157,819	(5,518)
Supplies	13,700	21,200	17,229	3,971
Miscellaneous services	79,405	83,675	74,026	9,649
Sundry charges	86,220	86,220	86,414	(194)
Total City Council/City Secretary	327,928	343,396	335,488	7,908
 City Administration:				
Payroll costs	847,631	851,331	826,498	24,833
Supplies	18,927	16,688	14,145	2,543
Maintenance	3,070	3,146	1,840	1,306
Miscellaneous services	57,244	45,009	25,441	19,568
Sundry charges	29,400	29,400	28,209	1,191
Total City Administration	956,272	945,574	896,133	49,441
 Finance:				
Payroll costs	589,399	564,875	584,966	(20,091)
Supplies	22,684	25,924	23,177	2,747
Maintenance	24,950	24,950	19,514	5,436
Miscellaneous services	151,611	151,755	127,679	24,076
Sundry charges	-	100	93	7
Total Finance	788,644	767,604	755,429	12,175

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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Legal:				
Payroll costs	-	29,819	32,358	(2,539)
Supplies	2,100	2,700	2,275	425
Miscellaneous services	108,975	105,045	75,790	29,255
Total Legal	111,075	137,564	110,423	27,141
Tax:				
Miscellaneous services	230,000	230,000	261,233	(31,233)
Total Tax	230,000	230,000	261,233	(31,233)
Human Resources:				
Payroll costs	333,881	323,233	336,229	(12,996)
Supplies	6,410	8,640	6,256	2,384
Maintenance	-	180	-	180
Miscellaneous services	29,335	33,715	28,488	5,227
Sundry charges	14,100	14,100	11,028	3,072
Total Human Resources	383,726	379,868	382,001	(2,133)
Building Services:				
Payroll costs	82,924	84,472	92,025	(7,553)
Supplies	28,100	61,550	59,008	2,542
Maintenance	73,740	89,870	58,982	30,888
Miscellaneous services	150,770	147,940	129,054	18,886
Capital outlay	-	127,327	124,705	2,622
Total Building Services	335,534	511,159	463,774	47,385
Information Technology:				
Payroll costs	464,367	476,091	485,900	(9,809)
Supplies	93,495	208,938	189,909	19,029
Maintenance	138,850	138,850	104,912	33,938
Miscellaneous services	133,010	133,310	110,045	23,265
Sundry charges	-	55	55	-
Total Information Technology	829,722	957,244	890,821	66,423

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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Non-departmental:				
Payroll costs	766,474	587,442	2,392	585,050
Supplies	4,000	4,000	1,080	2,920
Maintenance	87,756	87,756	83,232	4,524
Miscellaneous services	371,947	298,747	259,166	39,581
Sundry charges	-	-	10,156	(10,156)
Capital outlay	-	825,000	288,302	536,698
Total Non-departmental	1,230,177	1,802,945	644,328	1,158,617
Total General Government	5,193,078	6,075,354	4,739,630	1,335,724
Public Safety:				
Municipal Court:				
Payroll costs	146,317	149,986	156,452	(6,466)
Supplies	10,660	10,325	9,958	367
Miscellaneous services	100,980	69,005	69,830	(825)
Total Municipal Court	257,957	229,316	236,240	(6,924)
Police:				
Payroll costs	8,375,626	8,618,520	9,010,919	(392,399)
Supplies	292,600	416,902	381,228	35,674
Maintenance	174,000	191,500	144,766	46,734
Miscellaneous services	661,865	666,865	649,191	17,674
Sundry charges	500	500	21	479
Total Police	9,504,591	9,894,287	10,186,125	(291,838)
Fire:				
Payroll costs	7,838,485	7,936,290	8,137,702	(201,412)
Supplies	490,100	459,099	389,667	69,432
Maintenance	198,890	200,104	178,601	21,503
Miscellaneous services	543,871	571,642	544,203	27,439
Total Fire	9,071,346	9,167,135	9,250,173	(83,038)
Emergency Management:				
Supplies	2,050	10,350	8,495	1,855
Miscellaneous services	56,240	47,940	47,082	858
Total Emergency Management	58,290	58,290	55,577	2,713

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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Animal Control:				
Payroll costs	590,989	546,626	566,761	(20,135)
Supplies	73,500	81,000	76,325	4,675
Maintenance	15,720	34,600	33,911	689
Miscellaneous services	101,650	115,580	96,466	19,114
Total Animal Control	781,859	777,806	773,463	4,343
Total Public Safety	19,674,043	20,126,834	20,501,578	(374,744)
Cultural and Recreation:				
Parks:				
Payroll costs	937,768	995,166	960,423	34,743
Supplies	90,900	108,196	101,804	6,392
Maintenance	65,550	67,550	53,398	14,152
Miscellaneous services	348,607	400,611	337,700	62,911
Sundry charges	80	80	47	33
Total Parks	1,442,905	1,571,603	1,453,372	118,231
Zoo:				
Payroll costs	1,387,686	1,257,585	1,212,528	45,057
Supplies	208,770	251,815	247,715	4,100
Maintenance	2,950	3,980	2,895	1,085
Miscellaneous services	190,803	205,228	184,676	20,552
Total Zoo	1,790,209	1,718,608	1,647,814	70,794
Library:				
Payroll costs	444,160	458,515	466,894	(8,379)
Supplies	14,100	14,700	10,450	4,250
Maintenance	32,935	56,708	25,645	31,063
Miscellaneous services	68,335	68,435	56,250	12,185
Capital outlay	-	-	27,620	(27,620)
Total Library	559,530	598,358	586,859	11,499
Total Cultural and Recreation	3,792,644	3,888,569	3,688,045	200,524

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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Public Works:				
Engineering:				
Payroll costs	495,627	456,564	467,699	(11,135)
Supplies	9,045	11,040	9,056	1,984
Maintenance	20,140	20,740	17,703	3,037
Miscellaneous services	55,970	55,595	43,551	12,044
Sundry charges	200	200	90	110
Total Engineering	580,982	544,139	538,099	6,040
Inspection:				
Payroll costs	414,948	405,888	382,292	23,596
Supplies	13,550	20,373	18,526	1,847
Maintenance	1,500	1,500	376	1,124
Miscellaneous services	39,789	36,266	30,253	6,013
Total Inspection	469,787	464,027	431,447	32,580
Planning and Zoning:				
Payroll costs	144,761	148,963	154,229	(5,266)
Supplies	2,020	2,152	1,942	210
Maintenance	985	985	499	486
Miscellaneous services	10,745	11,673	10,327	1,346
Sundry charges	100	100	-	100
Total Planning and Zoning	158,611	163,873	166,997	(3,124)
Street:				
Payroll costs	1,495,066	1,394,055	1,526,909	(132,854)
Supplies	156,060	281,920	264,012	17,908
Maintenance	1,017,650	1,007,930	954,364	53,566
Miscellaneous services	983,316	982,456	907,270	75,186
Total Street	3,652,092	3,666,361	3,652,555	13,806
Fleet Management:				
Payroll costs	412,136	375,092	407,796	(32,704)
Supplies	23,450	24,300	23,308	992
Maintenance	7,500	9,080	8,057	1,023
Miscellaneous services	15,564	14,734	12,798	1,936
Sundry charges	-	-	(25,661)	25,661
Capital outlay	-	-	11,760	(11,760)
Total Fleet Management	458,650	423,206	438,058	(14,852)
Total Public Works	5,320,122	5,261,606	5,227,156	34,450

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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Debt Service:				
Principal	16,867	16,867	-	16,867
Interest	590	590	-	590
Total Debt Service	17,457	17,457	-	17,457
Total Expenditures	33,997,344	35,369,820	34,156,409	1,213,411
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	246,781	1,158,718	2,994,704	1,835,986
Other Financing Sources (Uses):				
Transfers in	308,663	308,663	308,663	-
Transfers out	(281,285)	(1,391,285)	(1,391,285)	-
Total Other Financing Sources (Uses)	27,378	(1,082,622)	(1,082,622)	-
Net Change in Fund Balance	274,159	76,096	1,912,082	1,835,986
Fund Balance - Beginning	15,951,419	15,951,419	15,951,419	-
Fund Balance - Ending	\$ 16,225,578	\$ 16,027,515	\$ 17,863,501	\$ 1,835,986

**CITY OF LUFKIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISION SCHEDULE
SEPTEMBER 30, 2022**

Under GASB Statement No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The City adopts an annual operating budget for the general fund and several special revenue funds. The CARES Grant Fund is a major special revenue fund; however, the City does not adopt a budget for that fund. As a result, budgetary comparison information is not included.

CITY OF LUFKIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
CONDITION RATING OF THE CITY'S STREET SYSTEM
SEPTEMBER 30, 2022

The City performed a complete inventory and condition assessment during the fiscal year 2022. 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		
	2022	2020	2018
Excellent to Good	38%	36%	30%
Fair to Good	38%	36%	42%
Substandard	24%	28%	28%

	PERCENTAGE OF LANE-MILES IN EXCELLENT TO VERY GOOD CONDITION		
	2022	2020	2018
Collector Streets	42%	42%	52%
Residential Streets	33%	32%	31%

	PERCENTAGE OF LANE-MILES IN SUBSTANDARD CONDITION		
	2022	2020	2018
Collector Streets	16%	16%	20%
Residential Streets	24%	27%	24%

The average rating for the City's streets at September 30, 2022 was 69.9; this rating decreased 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, 2022

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>
2022	\$	3,666	\$	3,653
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

	2022	2021	2020	2019
Total Pension Liability				
Service cost	\$ 2,496,157	\$ 2,736,434	\$ 2,639,764	\$ 2,586,703
Interest (on the total pension liability)	7,440,772	7,211,963	6,953,019	6,711,583
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(613,968)	(440,211)	(596,481)	(979,881)
Change of assumptions	-	-	183,393	-
Benefit payments, including refunds of employee contributions	(6,446,374)	(5,550,196)	(5,233,433)	(4,302,780)
Net change in total pension liability	2,876,587	3,957,990	3,946,262	4,015,625
Total pension liability - beginning	112,208,770	108,250,780	104,304,518	100,288,893
Total pension liability - ending (a)	<u>\$ 115,085,357</u>	<u>\$ 112,208,770</u>	<u>\$ 108,250,780</u>	<u>\$ 104,304,518</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 2,617,451	\$ 2,823,749	\$ 2,790,024	\$ 2,776,942
Contributions - employee	1,117,206	1,222,402	1,195,236	1,168,189
Net investment income	13,021,438	7,156,704	12,804,596	(2,570,224)
Benefit payments, including refunds of employee contributions	(6,446,374)	(5,550,196)	(5,233,433)	(4,302,780)
Administrative expense	(60,269)	(46,323)	(72,356)	(49,678)
Other	413	(1,807)	(2,174)	(2,595)
Net change in plan fiduciary net position	10,249,865	5,604,529	11,481,893	(2,980,146)
Plan fiduciary net position - beginning	99,916,589	94,312,060	82,830,167	85,810,313
Plan fiduciary net position - ending (b)	<u>\$ 110,166,454</u>	<u>\$ 99,916,589</u>	<u>\$ 94,312,060</u>	<u>\$ 82,830,167</u>
Net pension liability - ending (a) - (b)	<u>\$ 4,918,903</u>	<u>\$ 12,292,181</u>	<u>\$ 13,938,720</u>	<u>\$ 21,474,351</u>
Plan fiduciary net position as a percentage of total pension liability	95.73%	89.05%	87.12%	79.41%
Covered payroll	\$ 15,960,082	\$ 17,462,884	\$ 17,074,796	\$ 16,688,409
Net pension liability as a percentage of covered payroll	30.82%	70.39%	81.63%	128.68%

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

Note: Only eight 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."

	2018		2017		2016		2015
\$	2,582,456	\$	2,515,515	\$	2,299,919	\$	2,123,077
	6,388,272		6,052,902		5,894,713		5,650,445
	-		-		-		-
	(48,701)		83,312		(192,026)		(776,242)
	-		-		948,593		-
	(3,965,957)		(3,467,542)		(3,725,580)		(3,466,727)
	4,956,070		5,184,187		5,225,619		3,530,553
	95,332,823		90,148,636		84,923,017		81,392,464
\$	100,288,893	\$	95,332,823	\$	90,148,636	\$	84,923,017

\$	2,732,648	\$	2,520,598	\$	2,509,431	\$	2,486,016
	1,152,313		1,122,282		1,086,453		1,034,606
	10,461,909		4,771,526		104,308		3,824,460
	(3,965,957)		(3,467,542)		(3,725,580)		(3,466,727)
	(54,219)		(53,883)		(63,532)		(39,929)
	(2,748)		(2,903)		(3,138)		(3,283)
	10,323,946		4,890,078		(92,058)		3,835,143
	75,486,367		70,596,289		70,688,347		66,853,204
\$	85,810,313	\$	75,486,367	\$	70,596,289	\$	70,688,347
\$	14,478,580	\$	19,846,456	\$	19,552,347	\$	14,234,670

	85.56%		79.18%		78.31%		83.24%
\$	16,448,764	\$	16,032,603	\$	15,446,063	\$	14,772,880
	88.02%		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

	2022	2021	2020	2019
Actuarially determined contribution	\$ 2,673,596	\$ 2,624,529	\$ 2,766,399	\$ 2,783,374
Contributions in relation to the actuarially determined contribution	(2,673,596)	(2,624,529)	(2,766,399)	(2,783,374)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 16,398,015	\$ 16,067,598	\$ 17,061,271	\$ 16,964,478
Contributions as a percentage of covered payroll	16.30%	16.33%	16.21%	16.41%

Note: GASB 68, paragraph 46 requires that the data in this schedule be presented as of the City's current fiscal year as opposed to the time period covered by the measurement date of January 1, 2021 - December 31, 2021.

Note: Only eight 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."

2018	2017	2016	2015
\$ 2,779,508	\$ 2,668,749	\$ 2,606,843	\$ 2,507,504
(2,779,508)	(2,668,749)	(2,606,843)	(2,507,504)
\$ -	\$ -	\$ -	\$ -
\$ 16,708,530	\$ 16,261,675	\$ 16,454,792	\$ 15,328,570
16.64%	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, 2022

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	24 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.

Pre-retirement mortality rates were based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Post-retirement mortality rates are based on the 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by scale UMP.

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

	2022	2021	2020	2019
Total Pension Liability				
Service cost	\$ 733,603	\$ 749,266	\$ 727,443	\$ 766,457
Interest (on the total pension liability)	2,894,854	2,777,817	2,656,220	2,547,901
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	(2,199,661)	(1,920,513)	(1,647,873)	(1,583,037)
Net change in total pension liability	1,428,796	3,046,700	1,735,790	1,515,695
Total pension liability - beginning	40,295,254	37,248,554	35,512,764	33,997,069
Total pension liability - ending (a)	<u>\$ 41,724,050</u>	<u>\$ 40,295,254</u>	<u>\$ 37,248,554</u>	<u>\$ 35,512,764</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,337,646	\$ 1,329,748	\$ 1,226,324	\$ 1,181,244
Contributions - employee	825,851	820,975	757,122	729,289
Net investment income	2,200,328	2,303,589	3,041,687	(1,079,360)
Benefit payments, including refunds of employee contributions	(2,199,661)	(1,920,513)	(1,647,873)	(1,583,037)
Administrative expense	(72,398)	(42,995)	(60,545)	(33,643)
Other	-	-	-	-
Net change in plan fiduciary net position	2,091,766	2,490,804	3,316,715	(785,507)
Plan fiduciary net position - beginning	21,466,554	18,975,750	15,659,035	16,444,542
Plan fiduciary net position - ending (b)	<u>\$ 23,558,320</u>	<u>\$ 21,466,554</u>	<u>\$ 18,975,750</u>	<u>\$ 15,659,035</u>
Net pension liability - ending (a) - (b)	<u>\$ 18,165,730</u>	<u>\$ 18,828,700</u>	<u>\$ 18,272,804</u>	<u>\$ 19,853,729</u>
Plan fiduciary net position as a percentage of total pension liability	56.50%	53.30%	50.90%	44.10%
Covered payroll	\$ 5,815,582	\$ 5,781,514	\$ 5,331,845	\$ 5,135,838
Net pension liability as a percentage of covered payroll	312.40%	325.70%	342.70%	386.60%

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

Note: Only eight 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 2022, 2020, 2018 and 2016 was determined from the beginning of year total pension liability, using the roll forward procedures allowed by GASB 68.

2018	2017	2016	2015
\$ 744,133	\$ 717,504	\$ 696,606	\$ 648,006
2,429,092	2,502,453	2,373,987	2,282,146
-	-	-	-
-	(1,480,396)	-	227,196
-	(836,604)	-	-
-	-	-	421,584
(1,639,827)	(2,175,654)	(1,974,776)	(1,437,981)
1,533,398	(1,272,697)	1,095,817	2,140,951
32,463,671	33,736,368	32,640,551	30,499,600
\$ 33,997,069	\$ 32,463,671	\$ 33,736,368	\$ 32,640,551
\$ 1,178,934	\$ 1,112,799	\$ 1,146,462	\$ 1,094,156
727,352	718,762	666,247	627,405
1,877,559	982,695	(336,255)	714,645
(1,639,827)	(2,175,654)	(1,974,776)	(1,437,981)
(35,273)	(25,850)	(43,114)	(28,082)
-	-	-	-
2,108,745	612,752	(541,436)	970,143
14,335,797	13,723,045	14,264,481	13,294,338
\$ 16,444,542	\$ 14,335,797	\$ 13,723,045	\$ 14,264,481
\$ 17,552,527	\$ 18,127,874	\$ 20,013,323	\$ 18,376,070
48.40%	44.20%	40.70%	43.70%
\$ 5,122,197	\$ 5,061,704	\$ 5,047,326	\$ 4,753,068
342.70%	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

	2022	2021	2020
Total OPEB Liability			
Service cost	\$ 65,436	\$ 57,628	\$ 40,980
Interest (on the total OPEB liability)	32,224	37,015	46,683
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(25,689)	(25,043)	(206,789)
Change of assumptions	51,587	211,296	208,856
Benefit payments	(28,728)	(10,478)	(10,245)
Net change in total OPEB liability	94,830	270,418	79,485
Total OPEB liability - beginning	1,592,827	1,322,409	1,242,924
Total OPEB liability - ending	<u>\$ 1,687,657</u>	<u>\$ 1,592,827</u>	<u>\$ 1,322,409</u>
 Covered-employee payroll	 \$ 15,960,082	 \$ 17,462,884	 \$ 17,074,796
 Total OPEB liability as a percentage of covered-employee payroll	 10.57%	 9.12%	 7.74%

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

Note: Only five 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.

2019		2018	
\$	46,728	\$	41,122
	37,682		36,976
	-		-
	125,364		-
	(77,750)		87,631
	(8,344)		(8,224)
	123,680		157,505
	1,119,244		961,739
\$	1,242,924	\$	1,119,244
\$	16,688,409	\$	16,448,764
	7.45%		6.80%

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

	2022	2021	2020
Total OPEB Liability			
Service cost	\$ 97,732	\$ 97,732	\$ 86,944
Interest (on the total OPEB liability)	93,179	92,609	126,109
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(883,628)	-	(180,646)
Change of assumptions	(411,428)	-	(503,186)
Benefit payments	(165,000)	(165,000)	(165,000)
Rounding	-	(6)	3
Net change in total OPEB liability	(1,269,145)	25,335	(635,776)
Total OPEB liability - beginning	4,126,063	4,100,728	4,736,504
Total OPEB liability - ending	<u>\$ 2,856,918</u>	<u>\$ 4,126,063</u>	<u>\$ 4,100,728</u>
 Covered-employee payroll	 \$ 6,074,739	 \$ 6,301,241	 \$ 7,379,883
 Total OPEB liability as a percentage of covered-employee payroll	 47.03%	 65.48%	 55.57%

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

Note: Only five 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.

2019		2018	
\$	86,944	\$	83,552
	178,935		174,999
	-		-
	-		-
	232,796		-
	(165,000)		(165,000)
	333,675		93,551
	4,402,829		4,309,278
\$	4,736,504	\$	4,402,829
\$	7,719,774	\$	6,824,675
	61.36%		64.51%

SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Hotel/Motel Tax Fund - To account for the revenue received from the Hotel/Motel occupancy tax.

Zoo Building Fund - To account for admission fees and donations and expenditures of the zoo.

Main Street/Downtown Development Fund - To account for revenues and expenditures for the development of the downtown area.

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 Grant.

Court Security/Technology Fund - To account for Security/Technology fee assessed on Municipal Court fines.

Police Grants Fund - To account for grants received by the Police Department that require separate funds.

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

Special Recreation Fund - To account for revenue and expenditures from recreational classes sponsored by the City.

Insurance Loss Fund - To account for 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.

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.

FEMA Grant Fund - To account for FEMA Grant.

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

Convention Services Fund - To account for the operations of all convention services.

CAPITAL PROJECTS FUNDS

General Fund 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 the costs of 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.

CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 3,493,026	\$ 2,806,694	\$ 6,299,720
Investments	1,050,000	3,100,000	4,150,000
Receivables:			
Accounts	202,322	-	202,322
Other	280,169	16,571	296,740
Allowance for uncollectibles	(192,946)	-	(192,946)
Total assets	<u>\$ 4,832,571</u>	<u>\$ 5,923,265</u>	<u>\$ 10,755,836</u>
LIABILITIES			
Accounts/claims payable	\$ 237,580	\$ -	\$ 237,580
Accrued liabilities	16,353	-	16,353
Due to other funds	68,618	2,931	71,549
Customer deposits	19,621	-	19,621
Total Liabilities	<u>342,172</u>	<u>2,931</u>	<u>345,103</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	22,151	16,571	38,722
Total Deferred Inflows of Resources	<u>22,151</u>	<u>16,571</u>	<u>38,722</u>
FUND BALANCES			
Restricted	364,503	5,903,763	6,268,266
Committed	1,505,440	-	1,505,440
Assigned	2,598,305	-	2,598,305
Total Fund Balances	<u>4,468,248</u>	<u>5,903,763</u>	<u>10,372,011</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,832,571</u>	<u>\$ 5,923,265</u>	<u>\$ 10,755,836</u>

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:			
Other taxes	\$ 1,242,254	\$ -	\$ 1,242,254
Charges for services	946,999	-	946,999
Investment earnings (loss)	3,139	(29,896)	(26,757)
Intergovernmental	149,425	3,200	152,625
Other revenues	440,383	25	440,408
Total Revenues	<u>2,782,200</u>	<u>(26,671)</u>	<u>2,755,529</u>
Expenditures:			
Current:			
General government	168,950	-	168,950
Public safety	82,397	-	82,397
Cultural and recreation	1,704,511	-	1,704,511
Capital outlay:			
General government	-	45,528	45,528
Public safety	-	803,426	803,426
Cultural and recreation	-	214,540	214,540
Public works	-	1,622	1,622
Total Expenditures	<u>1,955,858</u>	<u>1,065,116</u>	<u>3,020,974</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>826,342</u>	<u>(1,091,787)</u>	<u>(265,445)</u>
Other Financing Sources (Uses):			
Transfers in	1,020,228	1,226,285	2,246,513
Transfers out	(1,128,891)	-	(1,128,891)
Total Other Financing Sources (Uses)	<u>(108,663)</u>	<u>1,226,285</u>	<u>1,117,622</u>
Net Change in Fund Balances	717,679	134,498	852,177
Fund Balances - Beginning	<u>3,750,569</u>	<u>5,769,265</u>	<u>9,519,834</u>
Fund Balances - Ending	<u><u>\$ 4,468,248</u></u>	<u><u>\$ 5,903,763</u></u>	<u><u>\$ 10,372,011</u></u>

CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2022

	HOTEL/ MOTEL TAX FUND	ZOO BUILDING FUND	MAIN STREET/ DOWNTOWN DEVELOPMENT FUND	POLICE SEIZED FUND
ASSETS				
Cash and cash equivalents	\$ 114,839	\$ 1,395,472	\$ 23	\$ 310,730
Investments	-	1,050,000	-	-
Receivables:				
Accounts	-	-	-	-
Other	267,026	6,859	-	872
Allowance for uncollectibles	-	-	-	-
Total Assets	<u>\$ 381,865</u>	<u>\$ 2,452,331</u>	<u>\$ 23</u>	<u>\$ 311,602</u>
LIABILITIES				
Accounts/claims payable	\$ (1,792)	\$ 537	\$ 113	\$ 221,800
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Customer deposits	18,286	-	-	-
Total Liabilities	<u>16,494</u>	<u>537</u>	<u>113</u>	<u>221,800</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	321	6,859	-	872
Total Deferred Inflows of Resources	<u>321</u>	<u>6,859</u>	<u>-</u>	<u>872</u>
FUND BALANCES				
Restricted	-	-	-	88,930
Committed	365,050	-	-	-
Assigned	-	2,444,935	(90)	-
Total Fund Balances	<u>365,050</u>	<u>2,444,935</u>	<u>(90)</u>	<u>88,930</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 381,865</u>	<u>\$ 2,452,331</u>	<u>\$ 23</u>	<u>\$ 311,602</u>

HOME INVESTMENT PROGRAM FUND	COURT SECURITY/ TECHNOLOGY FUND	POLICE GRANTS FUND	PINES THEATER SPECIAL EVENTS FUND	SPECIAL RECREATION FUND	INSURANCE LOSS FUND
\$ 5	\$ 108,065	\$ 17,839	\$ 49,658	\$ 1,000	\$ -
-	-	-	-	-	-
-	200,864	-	-	1,458	-
-	303	50	828	-	37
-	(192,946)	-	-	-	-
<u>\$ 5</u>	<u>\$ 116,286</u>	<u>\$ 17,889</u>	<u>\$ 50,486</u>	<u>\$ 2,458</u>	<u>\$ 37</u>
\$ -	\$ 377	\$ -	\$ 48	\$ 6,098	\$ 3,163
-	-	-	-	3,247	-
-	-	-	-	22,085	46,533
-	-	-	3,905	-	-
<u>-</u>	<u>377</u>	<u>-</u>	<u>3,953</u>	<u>31,430</u>	<u>49,696</u>
-	8,221	50	139	1,458	37
<u>-</u>	<u>8,221</u>	<u>50</u>	<u>139</u>	<u>1,458</u>	<u>37</u>
5	107,688	17,839	-	-	-
-	-	-	-	(30,430)	(49,696)
-	-	-	46,394	-	-
<u>5</u>	<u>107,688</u>	<u>17,839</u>	<u>46,394</u>	<u>(30,430)</u>	<u>(49,696)</u>
<u>\$ 5</u>	<u>\$ 116,286</u>	<u>\$ 17,889</u>	<u>\$ 50,486</u>	<u>\$ 2,458</u>	<u>\$ 37</u>

CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET - CONTINUED
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2022

	ANIMAL CONTROL - KURTH GRANT FUND	POLICE DARE CONTRIBUTION GRANT FUND	ANIMAL'S ATTIC GIFT SHOP FUND	FIRE GRANTS FUND
ASSETS				
Cash and cash equivalents	\$ 121,140	\$ 109	\$ 107,340	\$ 2,764
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Other	340	-	301	8
Allowance for uncollectibles	-	-	-	-
Total Assets	<u>\$ 121,480</u>	<u>\$ 109</u>	<u>\$ 107,641</u>	<u>\$ 2,772</u>
LIABILITIES				
Accounts/claims payable	\$ -	\$ -	\$ 383	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Customer deposits	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>383</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	340	-	301	8
Total Deferred Inflows of Resources	<u>340</u>	<u>-</u>	<u>301</u>	<u>8</u>
FUND BALANCES				
Restricted	121,140	-	-	2,764
Committed	-	-	-	-
Assigned	-	109	106,957	-
Total Fund Balances	<u>121,140</u>	<u>109</u>	<u>106,957</u>	<u>2,764</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 121,480</u>	<u>\$ 109</u>	<u>\$ 107,641</u>	<u>\$ 2,772</u>

FEMA GRANT FUND	LUFKIN CONVENTION AND VISITORS BUREAU FUND	CONVENTION SERVICES FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ 26,137	\$ 826,593	\$ 411,312	\$ 3,493,026
-	-	-	1,050,000
-	-	-	202,322
73	2,318	1,154	280,169
-	-	-	(192,946)
<u>\$ 26,210</u>	<u>\$ 828,911</u>	<u>\$ 412,466</u>	<u>\$ 4,832,571</u>
\$ -	\$ 4,144	\$ 2,709	\$ 237,580
-	4,576	8,530	16,353
-	-	-	68,618
-	-	(2,570)	19,621
<u>-</u>	<u>8,720</u>	<u>8,669</u>	<u>342,172</u>
73	2,318	1,154	22,151
<u>73</u>	<u>2,318</u>	<u>1,154</u>	<u>22,151</u>
26,137	-	-	364,503
-	817,873	402,643	1,505,440
-	-	-	2,598,305
<u>26,137</u>	<u>817,873</u>	<u>402,643</u>	<u>4,468,248</u>
<u>\$ 26,210</u>	<u>\$ 828,911</u>	<u>\$ 412,466</u>	<u>\$ 4,832,571</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, 2022

	HOTEL/ MOTEL TAX FUND	ZOO BUILDING FUND	MAIN STREET/ DOWNTOWN DEVELOPMENT FUND	POLICE SEIZED FUND
Revenues:				
Other taxes	\$ 1,242,254	\$ -	\$ -	\$ -
Charges for services	-	452,495	-	-
Investment earnings (loss)	2,477	2,607	141	(274)
Intergovernmental	-	-	-	-
Other revenues	-	52,352	100	41,982
Total Revenues	<u>1,244,731</u>	<u>507,454</u>	<u>241</u>	<u>41,708</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	47,943
Cultural and recreation	217,769	210,848	-	-
Total Expenditures	<u>217,769</u>	<u>210,848</u>	<u>-</u>	<u>47,943</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,026,962</u>	<u>296,606</u>	<u>241</u>	<u>(6,235)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(980,307)	(28,599)	(39,921)	-
Total Other Financing Sources (Uses)	<u>(980,307)</u>	<u>(28,599)</u>	<u>(39,921)</u>	<u>-</u>
Net Change in Fund Balances	46,655	268,007	(39,680)	(6,235)
Fund Balances - Beginning	<u>318,395</u>	<u>2,176,928</u>	<u>39,590</u>	<u>95,165</u>
Fund Balances - Ending	<u>\$ 365,050</u>	<u>\$ 2,444,935</u>	<u>\$ (90)</u>	<u>\$ 88,930</u>

HOME INVESTMENT PROGRAM FUND	COURT SECURITY/ TECHNOLOGY FUND	POLICE GRANTS FUND	PINES THEATER SPECIAL EVENTS FUND	SPECIAL RECREATION FUND	INSURANCE LOSS FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	9,088	317,442	-
-	130	(82)	(50)	(20)	(15)
-	-	44,643	-	15,618	-
-	18,373	-	-	-	188,784
-	18,503	44,561	9,038	333,040	188,769
-	-	-	-	-	168,950
-	10,044	14,197	-	-	-
-	-	-	68,865	313,610	-
-	10,044	14,197	68,865	313,610	168,950
-	8,459	30,364	(59,827)	19,430	19,819
-	-	-	165,620	-	-
-	-	-	-	(29,564)	-
-	-	-	165,620	(29,564)	-
-	8,459	30,364	105,793	(10,134)	19,819
5	99,229	(12,525)	(59,399)	(20,296)	(69,515)
\$ 5	\$ 107,688	\$ 17,839	\$ 46,394	\$ (30,430)	\$ (49,696)

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, 2022

	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 (loss)	(9)	-	100	(15)
Intergovernmental	89,164	-	-	-
Other revenues	-	-	69,806	-
Total Revenues	<u>89,155</u>	<u>-</u>	<u>69,906</u>	<u>(15)</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	10,213
Cultural and recreation	-	-	21,553	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>21,553</u>	<u>10,213</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>89,155</u>	<u>-</u>	<u>48,353</u>	<u>(10,228)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(50,500)	-	-	-
Total Other Financing Sources (Uses)	<u>(50,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	38,655	-	48,353	(10,228)
Fund Balances - Beginning	<u>82,485</u>	<u>109</u>	<u>58,604</u>	<u>12,992</u>
Fund Balances - Ending	<u>\$ 121,140</u>	<u>\$ 109</u>	<u>\$ 106,957</u>	<u>\$ 2,764</u>

FEMA GRANT FUND	LUFKIN CONVENTION AND VISITORS BUREAU FUND	CONVENTION SERVICES FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ -	\$ 1,242,254
-	-	167,974	946,999
(1)	(2,148)	298	3,139
-	-	-	149,425
-	68,986	-	440,383
(1)	66,838	168,272	2,782,200
-	-	-	168,950
-	-	-	82,397
-	342,080	529,786	1,704,511
-	342,080	529,786	1,955,858
(1)	(275,242)	(361,514)	826,342
-	90,451	764,157	1,020,228
-	-	-	(1,128,891)
-	90,451	764,157	(108,663)
(1)	(184,791)	402,643	717,679
26,138	1,002,664	-	3,750,569
\$ 26,137	\$ 817,873	\$ 402,643	\$ 4,468,248

CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2022

	GENERAL FUND CONSTRUCTION FUND	DRAINAGE MITIGATION FUND	TEXAS CAPITAL GRANT FUND
ASSETS			
Cash and cash equivalents	\$ 1,374,048	\$ 36,770	\$ 53
Investments	600,000	-	-
Receivables:			
Other	5,541	103	-
Total Assets	<u>\$ 1,979,589</u>	<u>\$ 36,873</u>	<u>\$ 53</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	5,541	103	-
Total Deferred Inflows of Resources	<u>5,541</u>	<u>103</u>	<u>-</u>
FUND BALANCES			
Restricted	1,974,048	36,770	53
Total Fund Balances	<u>1,974,048</u>	<u>36,770</u>	<u>53</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,979,589</u>	<u>\$ 36,873</u>	<u>\$ 53</u>

CONVENTION CENTER FUND	2010 CAPITAL IMPROVEMENT FUND	2012 CAPITAL IMPROVEMENT FUND	2020 CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
\$ 29,815	\$ 2,130	\$ -	\$ 1,363,878	\$ 2,806,694
-	-	-	2,500,000	3,100,000
84	6	-	10,837	16,571
<u>\$ 29,899</u>	<u>\$ 2,136</u>	<u>\$ -</u>	<u>\$ 3,874,715</u>	<u>\$ 5,923,265</u>
\$ -	\$ -	\$ 2,931	\$ -	\$ 2,931
-	-	2,931	-	2,931
84	6	-	10,837	16,571
<u>84</u>	<u>6</u>	<u>-</u>	<u>10,837</u>	<u>16,571</u>
29,815	2,130	(2,931)	3,863,878	5,903,763
<u>29,815</u>	<u>2,130</u>	<u>(2,931)</u>	<u>3,863,878</u>	<u>5,903,763</u>
<u>\$ 29,899</u>	<u>\$ 2,136</u>	<u>\$ -</u>	<u>\$ 3,874,715</u>	<u>\$ 5,923,265</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, 2022

	GENERAL FUND CONSTRUCTION FUND	DRAINAGE MITIGATION FUND	TEXAS CAPITAL GRANT FUND
Revenues:			
Investment earnings (loss)	\$ (8,733)	\$ (26)	\$ -
Intergovernmental	3,200	-	-
Other revenues	-	25	-
Total Revenues	(5,533)	(1)	-
Expenditures:			
Capital outlay:			
General government	44,926	-	-
Public safety	803,426	-	-
Cultural and recreation	172,465	-	-
Public works	-	-	-
Total Expenditures	1,020,817	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,026,350)	(1)	-
Other Financing Sources (Uses):			
Transfers in	1,226,285	-	-
Total Other Financing Sources (Uses)	1,226,285	-	-
Net Change in Fund Balances	199,935	(1)	-
Fund Balances - Beginning	1,774,113	36,771	53
Fund Balances - Ending	\$ 1,974,048	\$ 36,770	\$ 53

CONVENTION CENTER FUND	2010 CAPITAL IMPROVEMENT FUND	2012 CAPITAL IMPROVEMENT FUND	2020 CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
\$ (94)	\$ (38)	\$ (9)	\$ (20,996)	\$ (29,896)
-	-	-	-	3,200
-	-	-	-	25
(94)	(38)	(9)	(20,996)	(26,671)
-	-	-	602	45,528
-	-	-	-	803,426
-	-	-	42,075	214,540
-	-	-	1,622	1,622
-	-	-	44,299	1,065,116
(94)	(38)	(9)	(65,295)	(1,091,787)
-	-	-	-	1,226,285
-	-	-	-	1,226,285
(94)	(38)	(9)	(65,295)	134,498
29,909	2,168	(2,922)	3,929,173	5,769,265
\$ 29,815	\$ 2,130	\$ (2,931)	\$ 3,863,878	\$ 5,903,763

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 purchase of equipment and motor vehicles that is rented to other departments, and related costs.

Technology Amortization Fund - To account for the lease/purchase and related costs of technology equipment that is rented to other departments.

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2022

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TECHNOLOGY AMORTIZATION	TOTAL
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,404,445	\$ 1,405,317	\$ 1,154,321	\$ 3,964,083
Investments	600,000	2,300,000	-	2,900,000
Accounts receivable (net of allowance for uncollectibles)	877	-	-	877
Interest receivable	5,622	13,480	3,237	22,339
Total Current Assets	<u>2,010,944</u>	<u>3,718,797</u>	<u>1,157,558</u>	<u>6,887,299</u>
Noncurrent Assets:				
Capital Assets:				
Machinery and equipment	-	4,698,907	26,103	4,725,010
Vehicles	-	14,744,828	-	14,744,828
Right-to-use lease assets	-	-	258,154	258,154
Less accumulated depreciation and amortization	-	(13,299,228)	(128,586)	(13,427,814)
Total Capital Assets, Net	<u>-</u>	<u>6,144,507</u>	<u>155,671</u>	<u>6,300,178</u>
Total Assets	<u>2,010,944</u>	<u>9,863,304</u>	<u>1,313,229</u>	<u>13,187,477</u>
LIABILITIES				
Current Liabilities:				
Accounts/claims payable	342,266	-	-	342,266
Due to other funds	241,998	-	-	241,998
Leases payable	-	-	62,430	62,430
Total Current Liabilities	<u>584,264</u>	<u>-</u>	<u>62,430</u>	<u>646,694</u>
Noncurrent Liabilities:				
Leases payable	-	-	54,319	54,319
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>54,319</u>	<u>54,319</u>
Total Liabilities	<u>584,264</u>	<u>-</u>	<u>116,749</u>	<u>701,013</u>
NET POSITION				
Net investment in capital assets	-	6,144,507	38,922	6,183,429
Unrestricted	1,426,680	3,718,797	1,157,558	6,303,035
Total Net Position	<u>\$ 1,426,680</u>	<u>\$ 9,863,304</u>	<u>\$ 1,196,480</u>	<u>\$ 12,486,464</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, 2022

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TECHNOLOGY AMORTIZATION	TOTAL
Operating Revenues:				
Employee premiums	\$ 1,056,177	\$ -	\$ -	\$ 1,056,177
Employer premiums	3,273,748	-	-	3,273,748
Equipment rental	-	2,262,352	201,500	2,463,852
Miscellaneous	122,971	-	-	122,971
Total Operating Revenues	<u>4,452,896</u>	<u>2,262,352</u>	<u>201,500</u>	<u>6,916,748</u>
Operating Expenses:				
Insurance claims and related expenses	5,375,691	-	-	5,375,691
Equipment acquisition and related expenses	-	14,673	115,645	130,318
Depreciation and amortization	-	1,828,142	128,586	1,956,728
Total Operating Expenses	<u>5,375,691</u>	<u>1,842,815</u>	<u>244,231</u>	<u>7,462,737</u>
Operating Income (Loss)	<u>(922,795)</u>	<u>419,537</u>	<u>(42,731)</u>	<u>(545,989)</u>
Nonoperating Revenues (Expenses):				
Investment earnings (loss)	1,707	6,825	(4,663)	3,869
Gain on sale of assets	-	50,073	-	50,073
Interest and fiscal charges	-	-	(7,754)	(7,754)
Total Nonoperating Revenues (Expenses)	<u>1,707</u>	<u>56,898</u>	<u>(12,417)</u>	<u>46,188</u>
Income (Loss) Before Transfers	<u>(921,088)</u>	<u>476,435</u>	<u>(55,148)</u>	<u>(499,801)</u>
Transfers:				
Transfers in	165,000	-	-	165,000
Total Transfers	<u>165,000</u>	<u>-</u>	<u>-</u>	<u>165,000</u>
Change in Net Position	<u>(756,088)</u>	<u>476,435</u>	<u>(55,148)</u>	<u>(334,801)</u>
Net Position - Beginning	<u>2,182,768</u>	<u>9,386,869</u>	<u>1,251,628</u>	<u>12,821,265</u>
Net Position - Ending	<u>\$ 1,426,680</u>	<u>\$ 9,863,304</u>	<u>\$ 1,196,480</u>	<u>\$ 12,486,464</u>

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2022

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TECHNOLOGY AMORTIZATION	TOTAL
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 1,209,185	\$ -	\$ -	\$ 1,209,185
Receipts from interfund services provided	3,273,748	2,262,352	201,500	5,737,600
Payments to suppliers	(5,657,118)	(85,037)	(115,645)	(5,857,800)
Net Cash Provided (Used) by Operating Activities	<u>(1,174,185)</u>	<u>2,177,315</u>	<u>85,855</u>	<u>1,088,985</u>
Cash Flows From Noncapital Financing Activities:				
Transfer from other funds	<u>165,000</u>	<u>-</u>	<u>-</u>	<u>165,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>165,000</u>	<u>-</u>	<u>-</u>	<u>165,000</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(1,981,018)	(26,103)	(2,007,121)
Proceeds from sale of capital assets	-	84,404	-	84,404
Interest and fiscal charges	-	-	(7,754)	(7,754)
Principal payments on leases payable	-	-	(141,405)	(141,405)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(1,896,614)</u>	<u>(175,262)</u>	<u>(2,071,876)</u>
Cash Flows From Investing Activities:				
Purchase of investments	(604,644)	(2,317,802)	(6,272)	(2,928,718)
Investment earnings received	3,847	17,288	-	21,135
Net Cash Used by Investing Activities	<u>(600,797)</u>	<u>(2,300,514)</u>	<u>(6,272)</u>	<u>(2,907,583)</u>
Net Decrease in Cash and Cash Equivalents	(1,609,982)	(2,019,813)	(95,679)	(3,725,474)
Cash and Cash Equivalents - Beginning	3,014,427	3,425,130	1,250,000	7,689,557
Cash and Cash Equivalents - Ending	<u>\$ 1,404,445</u>	<u>\$ 1,405,317</u>	<u>\$ 1,154,321</u>	<u>\$ 3,964,083</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	<u>\$ (922,795)</u>	<u>\$ 419,537</u>	<u>\$ (42,731)</u>	<u>\$ (545,989)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	-	1,828,142	128,586	1,956,728
Decrease in accounts receivable	30,037	-	-	30,037
(Decrease) in accounts/claims payable	(281,427)	(70,364)	-	(351,791)
Total Adjustments	<u>(251,390)</u>	<u>1,757,778</u>	<u>128,586</u>	<u>1,634,974</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,174,185)</u>	<u>\$ 2,177,315</u>	<u>\$ 85,855</u>	<u>\$ 1,088,985</u>
Noncash Financing and Investing Activities:				
Increase (decrease) in fair value of investments	<u>\$ (4,644)</u>	<u>\$ (17,802)</u>	<u>\$ (6,272)</u>	<u>\$ (28,718)</u>
Acquisition of right-to-use lease assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,154</u>	<u>\$ 258,154</u>
Proceeds from leases payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,154</u>	<u>\$ 258,154</u>

CITY OF LUFKIN, TEXAS
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
WATER AND SEWER UTILITY ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Utility Collections:	
Payroll costs	\$ 452,600
Supplies	106,708
Maintenance of equipment	9,626
Miscellaneous services	48,212
Total Utility Collections	<u>617,146</u>
Water/Sewer Utilities	
Payroll costs	1,611,345
Supplies	252,471
Maintenance of equipment	881,166
Miscellaneous services	459,708
Total Water/Sewer Utilities	<u>3,204,690</u>
Wastewater Treatment Plant:	
Payroll costs	929,579
Supplies	435,692
Maintenance of equipment	174,309
Miscellaneous services	675,329
Total Wastewater Treatment Plant	<u>2,214,909</u>
Water Production:	
Payroll costs	136,423
Supplies	334,696
Maintenance of equipment	168,040
Miscellaneous services	1,195,196
Total Water Production	<u>1,834,355</u>
Depreciation and amortization	2,513,880
General and administrative	2,767,571
Non-departmental	1,104,050
Total Operating Expenses	<u><u>\$ 14,256,601</u></u>

CITY OF LUFKIN, TEXAS
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
SOLID WASTE DISPOSAL ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Sanitation:	
Payroll costs	\$ 1,215,953
Supplies	505,801
Maintenance of equipment	316,235
Miscellaneous services	1,997,476
Total Sanitation	<u>4,035,465</u>
Recycling:	
Payroll costs	117,509
Supplies	20,896
Maintenance of equipment	21,169
Miscellaneous services	53,144
Total Recycling	<u>212,718</u>
Depreciation and amortization	99,747
General and administrative	2,204,781
Non-departmental	64,459
Total Operating Expenses	<u>\$ 6,617,170</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, 2022

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Property taxes	\$ 3,077,958	\$ 3,195,000	\$ 3,271,653	\$ 76,653
Investment earnings	25,000	25,000	14,220	(10,780)
Total Revenues	3,102,958	3,220,000	3,285,873	65,873
Expenditures:				
Debt service:				
Principal:				
2011 general obligation refunding bonds	485,000	485,000	485,000	-
2012 certificates of obligation	350,000	350,000	350,000	-
2013 certificates of obligation	235,000	235,000	235,000	-
2014 general obligation refunding bonds	525,000	525,000	525,000	-
2015 general obligation refunding bonds	650,000	650,000	650,000	-
2016 general obligation refunding bonds	465,000	465,000	465,000	-
2017 general obligation refunding bonds	815,000	815,000	815,000	-
2020 certificates of obligation	170,950	170,950		170,950
2020 general obligation refunding bonds	415,000	415,000	415,000	-
Total Principal	4,110,950	4,110,950	3,940,000	170,950
Interest and fiscal charges:				
2011 general obligation refunding bonds	25,900	25,900	25,900	-
2012 certificates of obligation	96,188	96,188	96,188	-
2013 certificates of obligation	109,658	109,658	109,657	1
2014 general obligation refunding bonds	66,450	66,450	66,450	-
2015 general obligation refunding bonds	97,300	97,300	97,300	-
2016 general obligation refunding bonds	226,575	226,575	226,575	-
2017 general obligation refunding bonds	197,376	197,376	197,375	1
2020 certificates of obligation	170,950	170,950	170,950	-
2020 general obligation refunding bonds	91,600	91,600	91,600	-
Paying agent fees	6,350	6,350	6,750	(400)
Total Interest and Fiscal Charges	1,088,347	1,088,347	1,088,745	(398)
Total Expenditures	5,199,297	5,199,297	5,028,745	170,552
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(2,096,339)	(1,979,297)	(1,742,872)	236,425
Other Financing Sources (Uses):				
Transfers in	1,956,095	1,956,095	1,956,095	-
Total Other Financing Sources (Uses)	1,956,095	1,956,095	1,956,095	-
Net Change in Fund Balances	(140,244)	(23,202)	213,223	236,425
Fund Balances - Beginning	2,384,779	2,384,779	2,384,779	-
Fund Balances - Ending	\$ 2,244,535	\$ 2,361,577	\$ 2,598,002	\$ 236,425

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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Other taxes	\$ 950,000	\$ 1,003,610	\$ 1,242,254	\$ 238,644
Investment earnings	1,070	1,070	2,477	1,407
Total Revenues	<u>951,070</u>	<u>1,004,680</u>	<u>1,244,731</u>	<u>240,051</u>
Expenditures:				
Current:				
Cultural and recreation	841,687	854,950	217,769	637,181
Total Expenditures	<u>841,687</u>	<u>854,950</u>	<u>217,769</u>	<u>637,181</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>109,383</u>	<u>149,730</u>	<u>1,026,962</u>	<u>877,232</u>
Other Financing Sources (Uses):				
Transfers out	(779,305)	(779,305)	(980,307)	(201,002)
Total Other Financing Sources (Uses)	<u>(779,305)</u>	<u>(779,305)</u>	<u>(980,307)</u>	<u>(201,002)</u>
Net Change in Fund Balances	(669,922)	(629,575)	46,655	676,230
Fund Balances - Beginning	<u>318,395</u>	<u>318,395</u>	<u>318,395</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (351,527)</u>	<u>\$ (311,180)</u>	<u>\$ 365,050</u>	<u>\$ 676,230</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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ 348,500	\$ 348,500	\$ 452,495	\$ 103,995
Investment earnings	14,000	14,000	2,607	(11,393)
Other revenues	34,741	35,640	52,352	16,712
Total Revenues	<u>397,241</u>	<u>398,140</u>	<u>507,454</u>	<u>109,314</u>
Expenditures:				
Current:				
Cultural and recreation	334,011	307,715	210,848	96,867
Total Expenditures	<u>334,011</u>	<u>307,715</u>	<u>210,848</u>	<u>96,867</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>63,230</u>	<u>90,425</u>	<u>296,606</u>	<u>206,181</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	34,631	61,826	268,007	206,181
Fund Balances - Beginning	<u>2,176,928</u>	<u>2,176,928</u>	<u>2,176,928</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,211,559</u>	<u>\$ 2,238,754</u>	<u>\$ 2,444,935</u>	<u>\$ 206,181</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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 400	\$ 400	\$ 130	\$ (270)
Other revenues	22,000	20,000	18,373	(1,627)
Total Revenues	<u>22,400</u>	<u>20,400</u>	<u>18,503</u>	<u>(1,897)</u>
Expenditures:				
Current:				
Public safety	12,220	10,545	10,044	501
Total Expenditures	<u>12,220</u>	<u>10,545</u>	<u>10,044</u>	<u>501</u>
Net Change in Fund Balances	10,180	9,855	8,459	(1,396)
Fund Balances - Beginning	<u>99,229</u>	<u>99,229</u>	<u>99,229</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 109,409</u>	<u>\$ 109,084</u>	<u>\$ 107,688</u>	<u>\$ (1,396)</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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ 361,568	\$ 381,868	\$ 317,442	\$ (64,426)
Investment earnings (loss)	1,000	1,000	(20)	(1,020)
Intergovernmental	-	15,618	15,618	-
Other revenues	(2,000)	-	-	-
Total Revenues	<u>360,568</u>	<u>398,486</u>	<u>333,040</u>	<u>(65,446)</u>
Expenditures:				
Current:				
Cultural and recreation	<u>298,010</u>	<u>401,285</u>	<u>313,610</u>	<u>87,675</u>
Total Expenditures	<u>298,010</u>	<u>401,285</u>	<u>313,610</u>	<u>87,675</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>62,558</u>	<u>(2,799)</u>	<u>19,430</u>	<u>22,229</u>
Other Financing Sources (Uses):				
Transfers out	<u>(29,564)</u>	<u>(29,564)</u>	<u>(29,564)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(29,564)</u>	<u>(29,564)</u>	<u>(29,564)</u>	<u>-</u>
Net Change in Fund Balances	32,994	(32,363)	(10,134)	22,229
Fund Balances - Beginning (deficit)	<u>(20,296)</u>	<u>(20,296)</u>	<u>(20,296)</u>	<u>-</u>
Fund Balances - Ending (deficit)	<u>\$ 12,698</u>	<u>\$ (52,659)</u>	<u>\$ (30,430)</u>	<u>\$ 22,229</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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings (loss)	\$ 500	\$ 500	\$ (9)	\$ (509)
Intergovernmental revenue	50,000	50,000	89,164	39,164
Total Revenues	50,500	50,500	89,155	38,655
Expenditures:				
Current:				
Public safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,500	50,500	89,155	38,655
Other Financing Sources (Uses):				
Transfers out	(50,500)	(50,500)	(50,500)	-
Total Other Financing Sources (Uses)	(50,500)	(50,500)	(50,500)	-
Net Change in Fund Balances	-	-	38,655	38,655
Fund Balances - Beginning	82,485	82,485	82,485	-
Fund Balances - Ending	\$ 82,485	\$ 82,485	\$ 121,140	\$ 38,655

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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 400	\$ 400	\$ 100	\$ (300)
Other revenues	-	61,000	69,806	8,806
Total Revenues	400	61,400	69,906	8,506
Expenditures:				
Current:				
Cultural and recreation	-	-	21,553	(21,553)
Total Expenditures	-	-	21,553	(21,553)
Net Change in Fund Balances	400	61,400	48,353	(13,047)
Fund Balances - Beginning	58,604	58,604	58,604	-
Fund Balances - Ending	\$ 59,004	\$ 120,004	\$ 106,957	\$ (13,047)

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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ 7,000	\$ 13,145	\$ 9,088	\$ (4,057)
Investment earnings (loss)	256	256	(50)	(306)
Total Revenues	<u>7,256</u>	<u>13,401</u>	<u>9,038</u>	<u>(4,363)</u>
Expenditures:				
Current:				
Cultural and recreation	79,500	71,310	68,865	2,445
Total Expenditures	<u>79,500</u>	<u>71,310</u>	<u>68,865</u>	<u>2,445</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(72,244)</u>	<u>(57,909)</u>	<u>(59,827)</u>	<u>(1,918)</u>
Other Financing Sources (Uses):				
Transfers in	165,620	165,620	165,620	-
Total Other Financing Sources (Uses)	<u>165,620</u>	<u>165,620</u>	<u>165,620</u>	<u>-</u>
Net Change in Fund Balances	93,376	107,711	105,793	(1,918)
Fund Balances - Beginning (deficit)	<u>(59,399)</u>	<u>(59,399)</u>	<u>(59,399)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 33,977</u>	<u>\$ 48,312</u>	<u>\$ 46,394</u>	<u>\$ (1,918)</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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 300	\$ 300	\$ 141	\$ (159)
Other revenue	-	-	100	100
Total Revenues	300	300	241	(59)
Expenditures:				
Current:				
Cultural and recreation	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	300	300	241	(59)
Other Financing Sources (Uses):				
Transfers out	-	(39,890)	(39,921)	(31)
Total Other Financing Sources (Uses)	-	(39,890)	(39,921)	(31)
Net Change in Fund Balances	300	(39,590)	(39,680)	(90)
Fund Balances - Beginning	39,590	39,590	39,590	-
Fund Balances - Ending (deficit)	\$ 39,890	\$ -	\$ (90)	\$ (90)

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, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings (loss)	\$ 2,244	\$ 2,244	\$ (2,148)	\$ (4,392)
Other revenues	169,000	57,639	68,986	11,347
Total Revenues	171,244	59,883	66,838	6,955
Expenditures:				
Current:				
Culture and recreation	261,695	423,227	342,080	81,147
Total Expenditures	261,695	423,227	342,080	81,147
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(90,451)	(363,344)	(275,242)	88,102
Other Financing Sources (Uses):				
Transfers in	521,137	521,137	90,451	(430,686)
Total Other Financing Sources (Uses)	521,137	521,137	90,451	(430,686)
Net Change in Fund Balances	430,686	157,793	(184,791)	(342,584)
Fund Balances - Beginning	1,002,664	1,002,664	1,002,664	-
Fund Balances - Ending	\$ 1,433,350	\$ 1,160,457	\$ 817,873	\$ (342,584)

CITY OF LUFKIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
CONVENTION SERVICES - SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ -	\$ 30	\$ 167,974	\$ 167,944
Investment earnings	1,530	1,530	298	(1,232)
Other revenues	166,000	173,500	-	(173,500)
Total Revenues	167,530	175,060	168,272	(6,788)
Expenditures:				
Current:				
Cultural and recreation	599,366	534,641	529,786	4,855
Nongovernmental	-	17,200	-	17,200
Total Expenditures	599,366	551,841	529,786	22,055
Excess (Deficiency) of Revenues Over (Under) Expenditures	(431,836)	(376,781)	(361,514)	15,267
Other Financing Sources (Uses):				
Transfers in	724,236	764,126	764,157	31
Total Other Financing Sources (Uses)	724,236	764,126	764,157	31
Net Change in Fund Balances	292,400	387,345	402,643	15,298
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	\$ 292,400	\$ 387,345	\$ 402,643	\$ 15,298

STATISTICAL SECTION

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

		FISCAL YEAR									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental Activities											
Net investment in capital assets		\$ 77,648	\$ 74,172	\$ 70,995	\$ 70,132	\$ 65,211	\$ 60,323	\$ 56,575	\$ 51,434	\$ 38,764	\$ 43,330
Restricted		8,867	8,458	6,762	2,710	2,424	2,488	2,263	5,016	6,604	7,133
Unrestricted		(5,462)	(10,481)	(16,985)	(20,771)	(19,005)	(14,959)	(14,553)	(11,680)	15,691	7,863
Total Governmental Activities		\$ 81,053	\$ 72,149	\$ 60,772	\$ 52,071	\$ 48,630	\$ 47,852	\$ 44,285	\$ 44,770	\$ 61,059	\$ 58,326
Business-type activities											
Net investment in capital assets		\$ 62,315	\$ 64,676	\$ 65,903	\$ 64,980	\$ 65,020	\$ 66,302	\$ 67,655	\$ 67,005	\$ 67,260	\$ 65,900
Restricted		26,458	10,505	8,801	9,456	10,675	9,582	8,583	1,294	1,308	2,419
Unrestricted		(3,323)	6,886	5,840	5,715	6,016	5,543	6,946	14,873	16,603	14,075
Total Business-Type Activities		\$ 85,450	\$ 82,067	\$ 80,544	\$ 80,151	\$ 81,711	\$ 81,427	\$ 83,184	\$ 83,172	\$ 85,171	\$ 82,394
Primary government											
Net investment in capital assets		\$ 139,963	\$ 138,848	\$ 136,898	\$ 135,112	\$ 130,231	\$ 126,625	\$ 124,230	\$ 118,439	\$ 106,024	\$ 109,230
Restricted		35,325	18,963	15,563	12,166	13,099	12,070	11,629	6,310	7,912	9,552
Unrestricted		(8,785)	(3,595)	(11,145)	(15,056)	(12,989)	(9,416)	(8,390)	3,193	32,294	21,938
Total Primary Government		\$ 166,503	\$ 154,216	\$ 141,316	\$ 132,222	\$ 130,341	\$ 129,279	\$ 127,469	\$ 127,942	\$ 146,230	\$ 140,720

Source: City of Lufkin accounting records.



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

	FISCAL YEAR				
	2022	2021	2020	2019	2018
Expenses:					
Governmental Activities:					
General government	\$ 4,625	\$ 4,637	\$ 5,185	\$ 4,899	\$ 5,086
Public safety	20,228	19,518	20,611	21,592	21,558
Cultural and recreation	5,536	5,391	6,050	7,062	6,110
Planning and community development	-	-	-	-	444
Public works	5,256	5,551	5,557	6,209	5,496
Interest and fiscal charges	986	1,137	1,355	1,300	1,463
Total Governmental Activities	<u>36,631</u>	<u>36,234</u>	<u>38,758</u>	<u>41,062</u>	<u>40,157</u>
Business-Type Activities:					
Water and sewer	14,600	13,529	13,978	13,966	13,645
Solid waste disposal	6,617	6,653	6,613	6,907	6,556
Total Business-Type Activities	<u>21,217</u>	<u>20,182</u>	<u>20,591</u>	<u>20,873</u>	<u>20,201</u>
Total Primary Government	<u>\$ 57,848</u>	<u>\$ 56,416</u>	<u>\$ 59,349</u>	<u>\$ 61,935</u>	<u>\$ 60,358</u>
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 2,460	\$ 2,321	\$ 2,346	\$ 2,263	\$ 2,642
Public safety	1,929	4,056	4,285	3,596	4,326
Cultural and recreation	947	814	564	1,049	1,013
Planning and community development	-	-	-	-	-
Public works	2,385	2,550	2,716	2,591	1,866
Operating grants and contributions	1,692	942	2,359	320	423
Capital grants and contributions	-	235	37	-	268
Total Governmental Activities	<u>9,413</u>	<u>10,918</u>	<u>12,307</u>	<u>9,819</u>	<u>10,538</u>
Business-type activities:					
Charges for services:					
Water and sewer	18,889	17,622	17,766	16,983	17,991
Solid waste disposal	7,730	7,365	7,023	6,724	6,864
Capital grants and contributions	-	-	-	-	-
Total Business-Type Activities	<u>26,619</u>	<u>24,987</u>	<u>24,789</u>	<u>23,707</u>	<u>24,855</u>
Total Primary Government	<u>\$ 36,032</u>	<u>\$ 35,905</u>	<u>\$ 37,096</u>	<u>\$ 33,526</u>	<u>\$ 35,393</u>
Net (expense)/revenue:					
Governmental Activities	\$ (27,218)	\$ (25,316)	\$ (26,451)	\$ (31,243)	\$ (29,619)
Business-Type Activities	5,402	4,805	4,198	2,834	4,654
Total Primary Government	<u>\$ (21,816)</u>	<u>\$ (20,511)</u>	<u>\$ (22,253)</u>	<u>\$ (28,409)</u>	<u>\$ (24,965)</u>
General Revenues and Transfers:					
Governmental Activities:					
Taxes:					
Property taxes	\$ 12,472	\$ 11,793	\$ 11,339	\$ 10,953	\$ 10,749
Sales taxes	17,249	15,970	14,021	14,009	13,643
Franchise taxes	2,178	2,221	2,333	2,536	2,366
Hotel tax	1,242	1,072	901	1,155	1,087
Other	139	114	84	106	99
Unrestricted investment earnings	32	216	493	571	354
Gain on retirement of capital assets	50	203	544	19	96
Miscellaneous revenues	604	812	1,407	418	740
Transfers	2,156	3,519	4,030	4,917	4,145
Total Governmental Activities	<u>36,122</u>	<u>35,920</u>	<u>35,152</u>	<u>34,684</u>	<u>33,279</u>
Business-Type Activities:					
Unrestricted investment earnings	135	219	226	462	270
Gain on retirement of capital assets	2	18	(1)	61	-
Miscellaneous revenues	-	-	-	-	-
Transfers	(2,156)	(3,519)	(4,030)	(4,917)	(4,145)
Total Business-Type Activities	<u>(2,019)</u>	<u>(3,282)</u>	<u>(3,805)</u>	<u>(4,394)</u>	<u>(3,875)</u>
Total Primary Government	<u>\$ 34,103</u>	<u>\$ 32,638</u>	<u>\$ 31,347</u>	<u>\$ 30,290</u>	<u>\$ 29,404</u>
Change in Net Position:					
Governmental Activities	\$ 8,904	\$ 10,604	\$ 8,701	\$ 3,441	\$ 3,660
Business-type activities	3,383	1,523	393	(1,560)	779
Total Primary Government	<u>\$ 12,287</u>	<u>\$ 12,127</u>	<u>\$ 9,094</u>	<u>\$ 1,881</u>	<u>\$ 4,439</u>

Source: City of Lufkin accounting records.

FISCAL YEAR				
2017	2016	2015	2014	2013
\$ 5,086	\$ 4,509	\$ 2,786	\$ 1,789	\$ 2,069
20,990	21,465	19,892	20,712	20,204
6,424	6,475	6,381	6,259	7,113
455	528	97	487	359
5,717	5,447	1,678	3,368	4,285
1,839	2,094	2,323	2,654	2,467
40,511	40,518	33,157	35,269	36,497
14,211	13,450	12,277	13,635	13,229
6,484	6,247	5,751	5,882	5,477
20,695	19,697	18,028	19,517	18,706
<u>\$ 61,206</u>	<u>\$ 60,215</u>	<u>\$ 51,185</u>	<u>\$ 54,786</u>	<u>\$ 55,203</u>
\$ 2,452	\$ 2,386	\$ 2,940	\$ 3,065	\$ 4,896
4,809	3,627	3,748	3,607	2,017
1,109	1,091	1,311	1,285	1,293
40	39	-	-	117
1,479	1,461	-	-	681
274	248	410	-	-
(31)	965	702	-	-
10,132	9,817	9,111	7,957	9,004
16,774	16,880	16,172	15,493	16,316
6,646	6,236	6,374	6,221	6,137
3	104	102	-	-
23,423	23,220	22,648	21,714	22,453
<u>\$ 33,555</u>	<u>\$ 33,037</u>	<u>\$ 31,759</u>	<u>\$ 29,671</u>	<u>\$ 31,457</u>
\$ (30,379)	\$ (30,701)	\$ (24,046)	\$ (27,312)	\$ (27,493)
2,728	3,523	4,620	2,197	3,747
<u>\$ (27,651)</u>	<u>\$ (27,178)</u>	<u>\$ (19,426)</u>	<u>\$ (25,115)</u>	<u>\$ (23,746)</u>
\$ 10,713	\$ 10,685	\$ 10,802	\$ 10,768	\$ 9,535
13,130	13,270	12,909	12,054	12,286
2,359	2,383	2,480	2,513	2,322
972	1,151	926	877	1,171
97	117	93	95	661
240	252	108	143	145
25	75	98	94	471
1,758	1,014	461	752	-
4,652	3,723	4,023	253	5,835
33,946	32,670	31,900	27,549	32,426
167	168	55	81	48
-	43	35	57	7
-	-	-	131	-
(4,652)	(3,723)	(4,023)	(253)	(5,835)
(4,485)	(3,512)	(3,933)	16	(5,780)
<u>\$ 29,461</u>	<u>\$ 29,158</u>	<u>\$ 27,967</u>	<u>\$ 27,565</u>	<u>\$ 26,646</u>
\$ 3,567	\$ 1,969	\$ 7,854	\$ 237	\$ 4,933
(1,757)	11	687	2,213	(2,033)
<u>\$ 1,810</u>	<u>\$ 1,980</u>	<u>\$ 8,541</u>	<u>\$ 2,450</u>	<u>\$ 2,900</u>

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

FISCAL YEAR	PROPERTY TAXES	SALES TAXES	FRANCHISE TAXES	MIXED BEVERAGE TAXES	HOTEL TAXES	TOTAL
2022	\$ 12,472	\$ 17,249	\$ 2,178	\$ 139	\$ 1,242	\$ 33,280
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

Source: City of Lufkin accounting records

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

	FISCAL YEAR									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund:										
Nonspendable	\$ 299	\$ 292	\$ 278	\$ 313	\$ 295	\$ 251	\$ 214	\$ 253	\$ 249	\$ 199
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	8,539	8,314	8,397	8,324	8,332	8,330	8,148	7,733	7,645	7,841
Assigned	-	-	-	656	690	704	428	-	-	398
Unassigned	9,026	7,345	4,080	1,725	1,305	1,158	1,690	3,183	2,411	1,190
Total General Fund	<u>\$ 17,864</u>	<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>
All Other Governmental Funds:										
Nonspendable:										
Special Revenue Funds	\$ -	\$ -	\$ -	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:										
Debt Service Fund	2,598	2,385	2,299	2,164	1,829	1,828	1,407	1,811	1,991	2,280
Special Revenue Funds	365	303	188	312	300	368	217	309	484	440
Capital Project Funds	5,904	5,769	4,274	234	296	292	639	1,501	2,165	4,413
Committed:										
Special Revenue Funds	1,505	1,232	138	252	184	212	49	1,786	92	104
Capital Project Funds	-	-	-	-	-	136	980	-	-	-
Assigned:										
Special Revenue Funds	2,598	2,216	1,908	1,836	1,750	1,675	1,455	(52)	1,871	1,879
Unassigned:										
Special Revenue Funds	-	-	-	-	(112)	-	-	-	-	-
Capital Project Funds	-	-	-	(189)	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 12,970</u>	<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>

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			
	2022	2021	2020	2019
Revenues:				
Taxes	\$ 33,230	\$ 31,183	\$ 28,713	\$ 28,727
Licenses and permits	583	475	721	440
Fines and forfeitures	307	382	425	735
Charges for services	2,722	3,797	3,399	3,468
Investment earnings (loss)	(37)	392	484	302
Intergovernmental	6,566	7,705	5,866	5,200
Other revenues	780	965	1,074	683
Total Revenues	44,151	44,899	40,682	39,555
Expenditures:				
General government	5,099	4,425	5,022	4,532
Public safety	20,944	20,287	20,382	19,673
Cultural and recreation	5,393	5,052	5,508	5,983
Planning and community development	-	-	-	-
Public works	5,635	5,244	5,187	5,475
Debt service:				
Principal	3,940	4,846	5,445	5,265
Interest and fiscal charges	1,089	1,288	1,152	1,358
Bond issuance costs	-	-	216	-
Capital outlay	1,065	937	917	1,263
Total Expenditures	43,165	42,079	43,829	43,549
Excess of Revenues Over (Under) Expenditures	986	2,820	(3,147)	(3,994)
Other Financing Sources (Uses):				
Bond proceeds	-	-	-	-
Refunding bonds proceeds	-	-	5,085	-
Premiums	-	-	820	-
Bonds/Certificates of Obligations issued	-	-	4,630	-
Payment to refunded bond escrow agent	-	-	(5,318)	-
Transfers in	4,511	5,913	5,124	5,325
Transfers out	(2,520)	(3,309)	(1,259)	(573)
Total Other Financing Sources (Uses)	1,991	2,604	9,082	4,752
Net Change In Fund Balances	\$ 2,977	\$ 5,424	\$ 5,935	\$ 758
Debt service as a percentage of noncapital expenditures	11.95%	14.91%	15.88%	15.66%

Source: City of Lufkin accounting records

FISCAL YEAR					
2018	2017	2016	2015	2014	2013
\$ 27,929	\$ 27,328	\$ 27,557	\$ 26,816	\$ 25,961	\$ 25,220
388	330	322	298	319	287
992	1,107	1,064	1,048	1,192	1,186
3,589	3,875	3,905	3,606	3,386	3,227
225	146	110	90	127	141
5,473	4,473	5,353	5,126	6,577	4,992
1,090	1,560	1,039	875	1,063	1,174
39,686	38,819	39,350	37,859	38,625	36,227
4,773	4,430	4,195	4,071	3,843	3,522
20,337	19,711	19,543	18,726	18,177	17,148
5,823	5,812	6,445	5,721	5,597	5,410
224	429	421	390	431	473
4,989	5,221	4,788	4,345	4,570	4,575
5,205	4,685	4,535	5,054	5,010	4,334
1,476	1,815	1,926	2,193	2,455	2,448
-	122	233	131	104	100
864	1,483	2,153	1,568	4,569	6,107
43,691	43,708	44,239	42,199	44,756	44,117
(4,005)	(4,889)	(4,889)	(4,340)	(6,131)	(7,890)
-	-	-	151	5,259	-
-	9,355	9,080	-	-	-
-	464	898	-	-	48
-	-	-	-	-	7,100
-	(9,690)	(9,893)	-	-	-
4,460	4,941	4,956	4,191	4,717	4,752
(540)	(454)	(1,450)	(725)	(5,681)	(1,141)
3,920	4,616	3,591	3,617	4,295	10,759
\$ (85)	\$ (273)	\$ (1,298)	\$ (723)	\$ (1,836)	\$ 2,869
15.60%	15.68%	15.91%	18.11%	23.21%	23.15%

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

FISCAL YEAR	PROPERTY TAXES	SALES TAXES	FRANCHISE TAXES	MIXED BEVERAGE TAXES	HOTEL TAXES	TOTAL
2022	\$ 12,422	\$ 17,249	\$ 2,178	\$ 139	\$ 1,242	\$ 33,230
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

Source: City of Lufkin accounting records

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

FISCAL YEAR	TAX RATE			# OF OUTLETS			SALES INFORMATION				
	REGULAR RATE	PROPERTY TAX RELIEF RATE	ECONOMIC/ INDUSTRIAL DEV SEC 4B RATE	TOTAL RATE	AVERAGE OUTLETS	% CHANGE PRIOR YEAR	GROSS SALES (000's)	TAXABLE		% CHANGE PRIOR YEAR TAX SALES	TAXABLE SALES AS % OF GROSS SALES
								SALES (000's)	SALES (000's)		
2022	1.000%	0.375%	0.125%	1.500%	1,701	4.74%	\$ 4,079,826	\$ 1,050,743		7.30%	25.75%
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	-	3,134,183	828,784		-	26.44%

TAXABLE SALES BY INDUSTRY
LAST TEN FISCAL YEARS

FISCAL YEAR	TAXABLE SALES BY INDUSTRY				
	RETAIL TRADE (000's)	ACCOMMODATION FOOD SERVICE (000's)	WHOLESALE TRADE (000's)	INFORMATION (000's)	MISC ⁽¹⁾ (000's)
2022	\$ 26,565	\$ 619,556	\$ 172,412	\$ 59,988	\$ 121,979
2021	22,120	592,356	154,049	51,056	103,858
2020	21,100	539,113	136,499	50,599	91,639
2019	35,763	511,999	143,245	50,753	101,636
2018	28,416	507,145	138,222	51,051	102,334
2017	20,768	495,452	132,118	41,734	90,524
2016	25,236	506,108	130,113	51,875	88,087
2015	38,485	495,129	127,784	47,615	86,955
2014	73,552	483,795	117,845	40,916	84,587
2013	51,024	474,307	113,450	44,725	81,607

(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					
2022	\$ 1,059,830	\$ 1,212,868	\$ 466,168	\$ -	\$ 377,370	\$ 2,361,496	0.531135	\$ 2,738,866	86.22%
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%

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	
2022	0.39114	0.14000	0.53114	0.99130	0.26200	1.25330	
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	
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	
2022	0.41891	0.01821	0.43712	0.14611	0.01792	0.16403	2.38559
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

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	2022			2013		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Pilgrim Industries Inc.	\$ 40,834	1	1.83%	\$ 23,346	4	1.21%
Oncor Electric Delivery Co.LLC	35,265	2	1.58%	21,842	5	1.13%
Lufkin Gears, LLC	27,141	3	1.22%	-	-	-
Banc of America Leasing and Capital, LLC	23,966	4	1.08%	-	-	-
Brookshire Bros Inc	23,304	5	1.05%	27,862	3	1.44%
Lockheed Martin	16,089	6	0.72%	-	-	-
Lufkin GKD Partners LP	14,861	7	0.68%	15,465	7	0.80%
Georgia Pacific Chemicals LLC	14,780	8	0.66%	24,806	6	1.28%
GVD Stonebridge LLC	13,158	9	0.59%	-	-	-
ARC LMLuftex001 LLC	12,577	10	0.56%	-	-	-
Lufkin Industries	-	-	-	73802	1	3.81%
Consolidated Comm of Texas	-	-	-	32,878	2	1.70%
Piney Woods Healthcare Systems LP	-	-	-	15,376	8	0.79%
Aspen Power LLC	-	-	-	20,400	9	1.05%
Keystone Southloop of Lufkin	-	-	-	12,827	10	66.00%

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				
2022	\$ 12,218	\$ 11,980	98.05%	-	\$ 11,980	98.05%
2021	11,551	11,364	98.38%	76	11,440	99.04%
2020	11,325	11,027	97.37%	216	11,243	99.28%
2019	10,935	10,664	97.52%	205	10,869	99.40%
2018	10,652	10,447	98.08%	153	10,600	99.51%
2017	10,615	10,428	98.24%	141	10,569	99.57%
2016	10,552	10,307	97.68%	207	10,514	99.64%
2015	10,311	10,103	97.97%	179	10,282	99.72%
2014	9,927	9,734	98.06%	165	9,899	99.72%
2013	9,893	9,552	96.55%	319	9,871	99.78%

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 ¹	PER CAPITA ¹
	GENERAL OBLIGATION BONDS	CERTIFICATES OF OBLIGATION	LEASES	NOTES PAYABLE	WATER WORKS AND SEWER SYSTEM BONDS		NOTES PAYABLE	FINANCED PURCHASES			
2022	\$ 19,820	\$ 12,005	\$ 117	\$ -	\$ -	-	\$ -	19,481	\$ 51,423	6.31%	1,505.71
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

¹ 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 ¹ OF PROPERTY</u>	<u>PER CAPITA ²</u>
2022	\$ 19,820	\$ 2,598	\$ 17,222	0.63%	504.28
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

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

² 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, 2022
(amounts expressed in thousands)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE ¹	ESTIMATED SHARE OF OVERLAPPING DEBT
Direct:			
City of Lufkin	\$ 31,825	100.00%	\$ 31,825
Overlapping:			
Angelina County	710	50.77%	360
Angelina College	10,300	50.14%	5,164
Hudson Independent School District	9,685	14.17%	1,372
Lufkin Independent School District	97,685	80.07%	78,216
Total Overlapping	118,380		85,114
Total Direct and Overlapping Debt	\$ 150,205		\$ 116,939

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

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

¹ 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, 2022

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 by the 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, 2022 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 ¹</u>	<u>NET AVAILABLE REVENUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>COVERAGE</u>
2022	\$ 18,889	\$ 11,742	\$ 7,147	\$ -	\$ 343	20.84
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

Source: City of Lufkin accounting records.

¹ Excludes depreciation

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

FISCAL YEAR	POPULATION ¹	PERSONAL INCOME ¹ (AMOUNTS EXPRESSED IN THOUSANDS)	PER CAPITA PERSONAL INCOME	MEDIAN AGE	EDUCATION LEVEL IN YEARS OF FORMAL SCHOOLING	SCHOOL ENROLLMENT ²	UNEMPLOYMENT RATE ¹
2022	34,152	814,901	23.86	34.0	13.1	7,360	4.3
2021	34,074	799,853	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

Data Sources

¹ Texas Workforce Solutions

² 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**

	2022				2017			
	EMPLOYER	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	
Lufkin ISD		1000+	1	4.50%	1000+	1	4.26%	
CHI St. Lukes Health		1000+	2	3.94%		5	3.01%	
Pilgrim's Pride		1000+	3	3.81%	1000+	2	3.60%	
Lufkin State Supported Living Center		1000+	4	3.46%	1000+	4	3.05%	
Brookshire Brothers/Polk Oil		1000+	5	3.22%	1000+	3	3.05%	
Woodland Heights Medical Systems		500-999	6	1.70%	1000+	6	3.00%	
Georgia Pacific		500-999	7	1.60%	-	7	-	
City of Lufkin		400-500	8	1.34%	500-999	8	1.57%	
Walmart		400-500	9	1.24%	400-500	9	1.25%	
Angelina County		400-500	10	1.17%	-	10	1.20%	

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General government	31	30	32	30	32	32	31	31	27	27
Public Safety:										
Police:										
Officers	76	76	77	77	77	77	79	78	76	76
Civilians	40	37	43	42	49	49	39	37	39	39
Fire:										
Officers	75	84	83	79	79	79	79	79	79	79
Civilians	2	2	2	1	1	1	2	2	2	2
Cultural and recreation	64	64	70	69	70	69	69	69	67	66
Community development	4	2	4	4	7	10	10	10	11	11
Public works	55	54	59	57	48	50	58	58	58	58
Water	31	31	32	32	32	33	33	33	33	33
Sewer	34	33	38	40	40	38	37	38	38	38
Solid waste	29	28	30	34	34	33	33	33	34	34
Total	441	441	470	465	469	471	470	468	464	463

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Police										
Physical arrests	1,403	1,389	1,438	1,484	1,809	1,678	1,534	1,589	1,779	1,770
Parking violations	6	5	5	9	47	199	37	25	178	26
Traffic violations	2,604	1,654	2,991	4,317	5,614	6,892	5,905	6,708	9,481	8,401
Fire										
Number of calls answered ⁽¹⁾	9,783	15,170	13,431	12,932	13,722	11,972	12,975	13,181	12,465	11,969
Inspections	180	210	301	850	727	276	517	337	375	458
Highways and streets										
Street resurfacing (miles)	3.86	5.50	3.63	3.50	3.95	5.02	3.75	3	3	3
Potholes repaired	1,018	91	612	855	566	625	525	661	568	580
Sanitation										
Refuse collected (cu yd/day)	333	418	980	511	511	511	510	417	511	407
Recyclables collected (tons/day)	6	6	48	12	12	12	12	12	12	12
Cultural and recreation										
Community center rentals	242	242	242	242	242	242	242	242	283	252
Water										
New connections	231	224	218	111	113	118	59	125	27	110
Water mains breaks	249	329	387	408	585	599	475	460	414	465
Average daily consumption (thousands of gallons)	7,899	7,782	7,578	7,163	7,726	11,460	11,910	10,571	7,354	6,192
Wastewater										
Average daily sewage treatment (thousands of gallons)	5,707	5,623	5,829	5,974	5,330	5,474	5,667	4,964	5,175	5,463

Source: Various city departments

- (1) Starting FY2013 the methodology for measuring number of Fire calls answered include EMS and Fire calls.
(2) Starting January 2022 calls answered and inspection are only accounted for within City limits.

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

FUNCTION	FISCAL YEAR									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	22	22	22	22	22	22	22	22	19
Fire:										
Fire stations	4	4	4	4	4	4	4	4	5	5
Sanitation:										
Collection trucks	19	19	19	19	19	19	19	19	19	19
Highways and Streets:										
Streets (miles)	209.1	209.1	208.9	208.9	211.4	211.4	211.4	211.4	211.4	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	650.0	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	11	13	13	13
Community centers	3	3	2	2	2	2	2	2	2	2
Water:										
Water mains (miles)	707	705	704	702	698	697	694	685	685	685
Fire hydrants	1,983	1,973	1,965	1,958	1,948	1,931	1,770	1,770	1,770	1,759
Maximum daily capacity in thousands of gallons	19,000	19,000	19,000	19,000	19,000	17,000	17,000	17,000	17,000	17,000
Sewer:										
Sanitary sewers (miles)	276.4	276.4	275.1	274.6	274.2	276.0	273.5	272.7	272.7	272.5
Storm sewers (miles)	18.2	18.2	17.8	17.1	17.1	17.0	17.0	16.9	16.9	16.9
Maximum daily treatment capacity in thousands of gallons	11,300	11,300	11,300	11,300	13,000	11,300	11,300	11,300	11,300	11,300

Sources: Various city departments.

CITY OF LUFKIN, TEXAS
WATER, SEWER AND SANITATION RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Approved Rates

The monthly billing rates for water, sewer, and sanitation services as approved by the City Council effective October 1, 2021 were as follows:

Water Rates

Residential per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	\$ 14.08
Next 8,000 gallons	3.61 per thousand
Above 10,000 gallons	4.17 per thousand

Commercial per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	14.08
Next 48,000 gallons	3.61 per thousand
Above 50,000 gallons	4.17 per thousand

Irrigation per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	14.08
Next 8,000 gallons	3.61 per thousand
Above 10,000 gallons	4.17 per thousand

Residential per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	21.11
Next 8,000 gallons	5.41 per thousand
Above 10,000 gallons	6.26 per thousand

Commercial per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	21.11
Next 48,000 gallons	5.41 per thousand
Above 50,000 gallons	6.26 per thousand

Irrigation per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	21.11
Next 8,000 gallons	5.41 per thousand
Above 10,000 gallons	6.26 per thousand

Residential per thousand gallons Burke Water:

First 2,000 gallons (minimum)	23.92
Next 8,000 gallons	6.16 per thousand
Above 10,000 gallons	7.09 per thousand

Commercial per thousand gallons Burke Water:

First 2,000 gallons (minimum)	23.92
Next 48,000 gallons	6.16 per thousand
Above 50,000 gallons	7.09 per thousand

Irrigation per thousand gallons Burke Water:

First 2,000 gallons (minimum)	23.92
Next 8,000 gallons	6.16 per thousand
Above 10,000 gallons	7.09 per thousand

Industrial per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	332.97
Above 2,000 gallons	2.36 per thousand

Industrial per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	499.44
Above 2,000 gallons	3.61 per thousand

Wholesale per thousand gallons:

First 2,000 gallons (minimum)	11.92
Above 2,000 gallons	2.07 per thousand

CITY OF LUFKIN, TEXAS
WATER, SEWER AND SANITATION RATES - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Untreated Wholesale per thousand gallons:

First 2,000 gallons (minimum)	11.92
Above 2,000 gallons	1.25 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, \$ 12.72
 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	4.12	+12.72 Stops at 20,000
Commercial:	Consumption in 1000 X	4.56	+12.72 Does not stop

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

User charge = (V x Cv) + Cc
 Where Cc = Customer charge, \$ 12.72
 V = metered water use in 1,000 gallons
 Cv = user charge for volume per 1,000 gallons

General:	Consumption in 1000 X	4.56	+12.72 Does not stop
Restaurant:	Consumption in 1000 X	8.98	+12.72 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, 2022

Commercial and Industrial Users Rates:

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

$$\text{User charge} = Cc + V (Cv + (Cb \times \text{BOD}) + (Cs \times \text{TSS}))$$

Where: Cc = Customer charge, \$ 12.72

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

Cv = User charge for volume per 1,000 gallons

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

BOD = Biochemical oxygen demand, mg/1

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

TSS = Total suspended solids, mg/1

$$\text{Formula: } 12.72 + V (2.46 + (.004233 \times \text{BOD}) + (.00231642 \times \text{TSS}))$$

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, 2022:</u>	<u>Water</u>	<u>Sewer</u>
Number of metered customers	16,357	15,435
Gallons of water pumped	2,862,263,460	-
Gallons of water sold	2,181,768,180	-

**CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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	10-1-21 to	100,000
	Deductible	9-30-22	2,500
	Auto Liability	10-1-21 to	1,000,000
	Deductible	9-30-22	500
	Law Enforcement Liability	10-1-21 to	1,000,000
	Deductible	9-30-22	10,000
	Errors and Omissions Liability	10-1-21 to	1,000,000
	Deductible	9-30-22	10,000
	General Liability	10-1-21 to	1,000,000
	Deductible	9-30-22	10,000
	Real and Personal	10-1-21 to	
	Deductible	9-30-22	2,500
	City Hall/Police		9,343,142
	City Hall/Police contents		1,758,355
	Civic Center		12,903,762
	Civic Center contents		1,610,000
	Pines Theatre-Convention Center		1,947,326
	Industrial Building EDC 1007 Commerce Center Dr.		6,528,964
	Fine Arts		513,450
	Sewer Treatment Plant		1,025,778
	Recycling Building		825,667
	Recycling Building contents		575,000
	Recycling Warehouse -SW		206,806
	Wastewater Administration Building		480,081
	Administration Building contents-WW		50,000
	Solid Waste Building		685,459
	Solid Waste Building contents		782,000
	Fleet Office/Maint Shop/Extras		1,721,047
	Animal Control-Main Bldg		1,249,664
	Animal Control -shelter/kennels		193,953
	Animal Control Barn		42,711
	Kurth Memorial Library		8,596,796
	Kurth Memorial Library contents		5,000,000
	Police Monopole Antenna		170,099
	Community Center Building - Brandon Park		306,380
	Community Center Building - Brandon Park- contents		6,900
	Community Center Building - Chambers Park		328,839
	Fire Station 1		857,082
	Fire Station 1 contents		132,250
	Fire Station 3		403,747
	Fire Station 3 contents		29,325
	Fire Station #3/Generator/Tower/FlagPole/Fence		2,155,950
	Fire Station 4		1,286,794
	Fire Station 4 contents		142,600
	Fire Station 5		1,588,634

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Fire Station 5 contents		115,000
	Fire Building -2815 S John Redditt Dr		389,985
	Fire Communication Tower -Trailwood Blvd		60,497
	Fire Administration Bldg/Extra		532,398
	Fire-Storage Bldg 111 E. Shepherd Ave		139,300
	Fire Station 2 - 2M gal Water Tower		6,770,463
	Ellis Ave Building Police		380,637
	Southbase Police Office- contents		92,000
	Small Animal Building - Zoo		392,063
	Small Animal Building - Zoo (Content)		5,750
	Entrance Gift/Food Concession Zoo		133,198
	Entrance Gift/Food Concession Content		86,250
	Hippo Pool Zoo		129,821
	Large Cat Exhibit Zoo		140,077
	Large Cat Exhibit Zoo Content		4,025
	Office/Residence Zoo		155,787
	Office/Residence Zoo Content		9,200
	Clinic/Isolation Zoo		140,337
	Clinic/Isolation Zoo Content		126,500
	Necropsy/Freezer Zoo		74,778
	Necropsy/Freezer Zoo Content		40,250
	Giraffe/Rhino Exhibit Zoo		207,454
	Giraffe/Rhino Exhibit Zoo Content		17,250
	Admissions/Restroom		172,273
	Admissions/Restroom Content		9,200
	Entrance Cover/Zoo Circle		4,544
	Hippoquarium Building		125,667
	Hippoquarium Building Content		23,000
	Zoo-African Area Restroom/Extra		118,528
	Zoo-African Area Restroom/Extra-Contents		3,450
	Zoo-Animal Exhibit/Holding w/Pool		42,451
	Zoo-Animal Exhibit/Holding w/Pool		4,600
	Zoo-Educational Bldg/Offices		1,492,431
	Zoo-Educational Bldg/Offices-contents		198,950
	Zoo-Komodo Dragon		59,717
	Zoo-Komodo Dragon contents		1,150
	Asia Building		120,735
	Asia Building-Contents		3,450
	Rotary Parrot Exhibits		38,297
	Vet Shed-Contents		10,350
	Zoo-entrance gates		46,736
	Hay Storage		63,354
	Maintenance Building-3306 Martin Luther King Jr. Blvd		212,389
	Memorial Shelter-Zoo		29,470
	Zoo Protective Awning		13,242
	Zoo Fiber Optic Cable		103,858
	Zoo-Sign Front Entrance		17,950
	Zoo Commissary/Generator		856,260
	Zoo Commissary/Generator contents		46,000
	Zoo Lakefront Restroom		140,000
	Parks- Offices/3Bay Garage		541,875
	Offices/3Bay Garage Content		345,000
	Spray Play/Canopy/Sail		41,544
	Spray Play - Chambers		132,418
	Spray Play - Kiwanis		132,418
	Spray Play - Jones Park		132,418

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Basketball/Tennis Court Pavillion-Jones Park		702,077
	Restrooms-Jones Park		81,528
	Restroom/Pavilion #2		74,778
	Pavilion #1-Jones Park		131,511
	Pavilion #3-Jones Park		42,711
	Floating Dock-Jones Park		50,655
	Concession/Restroom/MTC/Pavilion		427,633
	Concession/Restroom - contents		57,500
	(8 Fields) of Light Poles		1,038,574
	Concession- Windsor-Morris Frank Park		162,666
	Restroom-Girls Complex Morris Frank Park		159,161
	(5 Fields) of Lights Boys Complex (Morris Frank Park)		649,108
	(3) SB Fields w/(10) Light Poles-Girls Complex Morris F Pk		168,768
	Parking Lot Lights		129,821
	Storage Building-111 S 3rd St ENG		130,991
	Storage Building-Contents		34,500
	Parks Restrooms- Boys complex @ Morris Frank Park		143,583
	Parks Equipment/Maint Old Moffett & Morris Frank Park		40,375
	Parks Restrooms/storage Old Moffett & Kit McConnico		153,709
	Umpire Changing Station @ Kit McConnico		30,248
	Parks Kurth Lake Lodge		215,764
	Kurth Lake Lodge contents		11,500
	Kurth Lake Caretaker's House/Engineering		151,372
	Kurth Lake Lodge Pier		52,531
	Kurth Lake Lodge Board Ramp		20,012
	Restroom -Chambers Park		63,224
	Pavillion 1 Chambers Park		134,885
	Pavillion 2 Chambers Park		53,357
	Bleacher covers (various sizes) Kit McConnico		67,117
	(6) Signs various locations		144,102
	Restrooms -Kiwanis Park		69,325
	Pavilion #1 Kiwanis Park		141,635
	Pavilion#1 Kiwanis Park		48,034
	Gazebo-Kiwanis Park		81,787
	Restroom-Grace Dunn Richardson Park		98,015
	Pavilion -Grace Dunn Richardson Park		95,939
	Amphitheatre with Mural		142,804
	Louisiana Pine Snake Building		132,664
	Pavilion- Mantooth Park		104,276
	Recreation Center-516 Montrose		4,270,123
	Lift Station 701		324,555
	Lift Station 702		227,187
	Lift Station 704		32,455
	Lift Station 706		64,911
	Lift Station 710		63,319
	Lift Station 711		64,911
	Lift Station 713		64,911
	Lift Station 714		32,455
	Lift Station 716		32,455
	Lift Station 722		64,911
	Lift Station 724		64,911
	Lift Station 715S		32,455
	Lift Station 720S		6,491
	Lift Station 725		19,473
	Lift Station 727		12,982
	Water Well 3		64,911

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Water Well 5		64,911
	Water Well 6		64,911
	Water Well 7		64,911
	Water Well 9		64,911
	Water Well 10		64,911
	Water Well 12		259,642
	Water Well 13		259,642
	Water Well 14		259,642
	Water Well 15		259,642
	Water Well #24		64,911
	Water Well #25		64,911
	Water Well #28		64,911
	Water Well #29		64,911
	Water Well #30		64,911
	Water Well #31		64,911
	Water Well #32		64,911
	Water Well #33		64,911
	Water Well #34		64,911
	Water Plant #2-Generator 600kw		129,219
	500k gal Elevated Water Tank-200 Windsor -IT		1,587,590
	Paul Parker Municipal Court - 222 E. Shepherd		1,639,793
	Intake Structure(River)/Pump station#1(2)-2636 Kurth Dr.		2,596,434
	Booster Pumping Station -N. Davisville Rd		2,596,434
	Intake Structure/Pump Station (Rivercrest Red)		2,596,434
	Warehouse _Public works-305 Davis		410,237
	Office/Extras_Public works-305 Davis		1,024,553
	Vehicle storage-Public works		167,990
	Wash Bay_Public works-305 Davis		153,862
	Training Building_Police-111 Armory Dr		707,529
	1M gal Elev Water Tank/Extras WWTP- 321 Ellen St.		2,682,117
	Booster Pump Bldg/lab/office		173,131
	2M gal Ground Water Tank#2 MLK Jr. Blvd		1,659,381
	1Mgal Ground Water Tank#1 WWTP-MLK Jr. Blvd		976,909
	1Mgal Ground Water Tank#2 WWTP-MLK Jr. Blvd		976,909
	1Mgal Ground Water Tank#3 WWTP-MLK Jr. Blvd		976,909
	1Mgal Ground Water Tank#4 WWTP-MLK Jr. Blvd		976,909
	Warehouse Building@WWTP		226,928
	Hold Tank Pump House @ WWTP		291,969
	New Shop @WWTP		165,522
	New Digester Bldg #3 @WWTP		248,478
	Old Digester Bldgs #1&2		217,581
	Blower #6 Bldg @ WWTP		214,466
	Chlorine/SO2 Bldg		119,566
	Daft Bldg@ WWTP		164,485
	Digester #1 @WWTP		3,894,651
	Digester #2 @WWTP		3,894,651
	Digester #3 @WWTP		3,894,651
	2M gal Ground Water Tank -467 Peoples St.@WWTP		1,659,381
	2M gal Ground Water Tank -467 Peoples St.@WWTP		1,659,381
	Pump House/3Pumps/SCADA		907,996
	Chlorine Bldg WP#3 Peoples St. @WWTP		269,707
	Coverage Extensions		
	Deductible		2,500
	Valuable Papers & Records		10,000
	Accounts Receivable		10,000

**CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Loss of Revenues		50,000
	Personal Property - Employees		5,000
	Leasehold Interest		5,000
	Outdoors Trees & Shrubs (\$250.00 each)		10,000
	Supplemental Sewage Backup Deductible		500
	each structure		25,000
	each occurrence		50,000
	Mobile Equipment	10-1-21 to	
	Deductible	9-30-22	2,500
	Mustang Cat Motorgrader		151,064
	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 200LC Excavator		128,950
	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
	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 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

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	2020 Ditch Witch Vacuum Excav		67,776
	2020 Caterpillar Mini Excavator		80,000
	2020 Various mobile equip		269,057
	2022 John Deere Mini Excavator #5402		60,531
	2023 John Deere Backhoe-Street		95,565
	2022 Kawasaki Mule Model (3)-Parks		36,345
	Auto Physical Damage	10-1-21 to	
	Deductible each vehicle	9-30-22	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



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 10, 2023.

Report on 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**

Report on 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
August 10, 2023