

**CITY OF LUFKIN, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended September 30, 2018**

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## **INTRODUCTORY SECTION**



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July 11, 2019

**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, 2018 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, 2018. 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 35,067 according to the 2010 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 district. Council members are elected on a non-partisan basis, at three-year staggered terms with two members elected each year. The mayor serves a three-year term. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations, and for appointing the heads of the City departments.

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

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

### **Local Economy**

The City's sales tax revenues began to see some growth in Fiscal 2018 after a decline in 2016 and 2017. As internet shopping trends increase, sales tax revenues continue to be impacted. However, due to the diversity of our economy, the continued growth of our medical and aerospace industries, our status as a regional hub has helped to sustain other revenues. The expected trend is for sales tax revenues to reach a plateau and eventually show small growth annually.

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

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

The 1990 census recorded Lufkin's population at 30,206 and Angelina County's population at 69,884. The 2000 census recorded populations of 32,709 and 80,130 for the City of Lufkin and Angelina County respectively. The 2015 estimates reflect Lufkin's current population at 35,837 and the County's population at 88,255. The unemployment rate for the City, as of September 2017, according to Texas Workforce statistics, is 4.5 percent compared to 6.4 percent the previous year. The unemployment rate for Angelina County was 4.3 percent and 3.7 percent for the state. The national unemployment rate is 3.7%.

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

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

- Improve long range water availability for the City of Lufkin
  - Complete planning and development of water rights infrastructure.
- Capital Improvement Plan (CIP)
  - Phases 1 & 2
    - New Comprehensive Plan (complete)
    - Zoo Master Plan (complete)

- Kurth Memorial Library Strategic Planning (in progress)
  - Inez Tims Detention Pond (in progress)
  - Sybil Street Conditioning (complete)
- Utility Reconstruction and Expansion
  - Infiltration/Inflow sewer improvement projects (under construction)
  - Expansion of water and sewer services to Huntington along Hwy 69 South
  - Relocation of water service along Hwy 59 South in the Burke area

**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, 2018 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%	\$ 8,332,132	\$ 10,442,617
Hotel/Motel Tax Fund - 12.5%	155,840	45,805
Recreation Fund - 12.5%	39,487	94,560
	8,527,459	10,582,982
Proprietary Funds: (working capital)		
Water/Wastewater Fund - 12.5%	\$ 2,178,708	\$ 3,860,386
Solid Waste/Recycling Fund - 12.5%	828,718	5,133,061
	3,007,426	8,993,447

**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 2018 the City purchased \$1,730,654 in new/replacement equipment and is planning to replace approximately \$2,068,554 of equipment in FY 2019.

**Awards and Acknowledgments**

The City received the GFOA’s Distinguished Budget Presentation Award for its annual budget document dated September 11, 2018. In order to qualify for the Distinguished Budget Presentation Award, the City’s budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communication device. The City also received the Texas Comptroller’s Gold Circle Leadership Award, which recognizes the City for meeting a high standard for financial transparency online.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance department. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. We would also like to thank the Mayor and City Council

for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

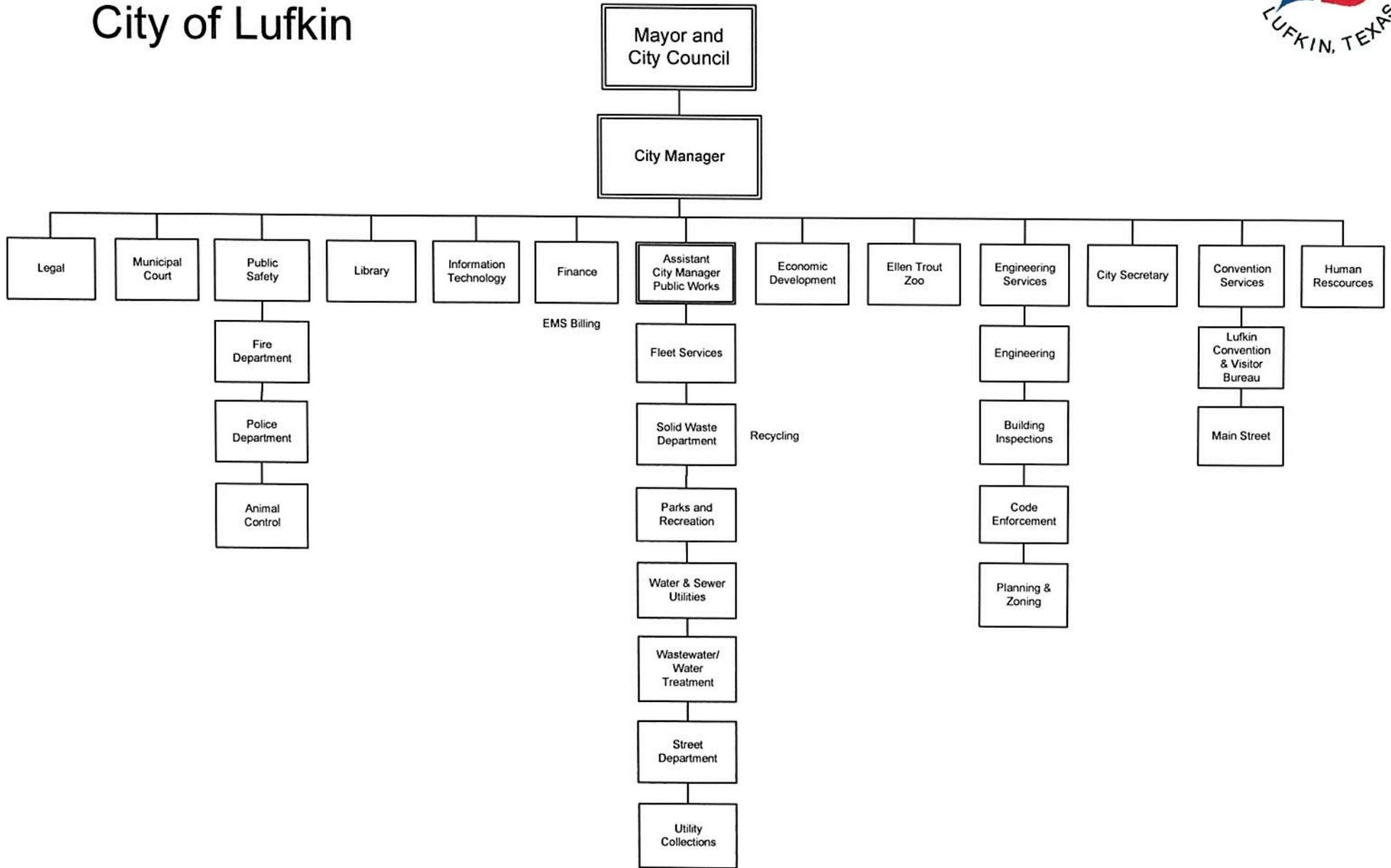
Respectfully submitted, <sup>1</sup>



Keith N. Wright, P.E. <sup>1</sup>  
City Manager



# City of Lufkin



6

**Chain of Command:**  
 City Manager  
 Assistant City Manager  
 Director Public Safety  
 City Engineer

**CITY OF LUFKIN, TEXAS  
LIST OF PRINCIPAL OFFICIALS  
SEPTEMBER 30, 2018**

GOVERNING BODY

Honorable Bob F. Brown, Mayor

CITY COUNCIL

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

OTHER PRINCIPAL OFFICIALS

Keith Wright..... City Manager  
Bruce Green ..... Deputy City Manager/City Attorney  
Jason Arnold..... Assistant to the City Manager  
Seth Elmore ..... Assistant City Attorney  
Kara Atwood..... City Secretary  
Rodney Ivy ..... Human Resources Director  
David Thomas ..... Police Chief  
Ted Lovett ..... Fire Chief  
Belinda Melancon..... Finance Director

## **FINANCIAL SECTION**

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



4000 S. Medford Drive  
Lufkin, Texas 75901

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

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lufkin, Texas (City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

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## INDEPENDENT AUDITOR'S REPORT – CONTINUED

### Report on the Financial Statements - Continued

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lufkin, Texas as of September 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matter**

##### *Change in Accounting Principle*

As described in Summary of Significant Accounting Policies Note D. 15 to the financial statements, in 2018, the City of Lufkin, Texas adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Condition Rating of the City's Street System, Comparison of Needed-to-Actual Maintenance/Preservation, Schedules of Changes in Net Pension Liability and Related Ratios, Schedule of Pension Contributions and Notes, and Schedules of Changes in Total OPEB Liability and Related Ratios as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lufkin, Texas' basic financial statements. The introductory, supplemental information, and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## INDEPENDENT AUDITOR'S REPORT – CONTINUED

### Report on the Financial Statements - Continued

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

##### *Other Information - Continued*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2019, 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 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  
July 11, 2019



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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, 2018. 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 \$130,341 (*net position*). The unrestricted net position component is \$(12,989). The unrestricted net position decrease of \$3,573 from the prior year was the result of changes in the net investment in capital assets, restricted net position, the current year change in net position and prior period adjustment.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,869, a decrease of \$85 over the prior year. The decrease is the result of decreases in the Police Seized Fund and Insurance Loss Fund and the completion of capital projects associated with the Street Construction Fund.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,305 or 4% of total general fund expenditures.
- The City's total debt decreased by \$5,205 (10%) during the fiscal year. The key factors in this decrease were \$5,205 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 and Lufkin Convention and Visitors Bureau should be reported as discretely presented component units.

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

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

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

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

The City maintains twenty-three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Debt Service Fund, which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregate presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, and special revenue funds - Hotel/Motel Tax, Zoo Building, Court Security/Technology, Special Recreation, Animal Control-Kurth Grant, Animal's Attic Gift Shop, Pines Theater and Main Street/Downtown Development. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

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

**Proprietary Funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utility service and for its solid waste/recycling operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insured group health insurance plan and for its Equipment Acquisition and Amortization Fund. Though these services benefit both governmental and business-type activities, both funds are reported with the governmental activities in the 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 fund 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 concerning 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 combining statements for nonmajor governmental funds, component units, and internal services funds are presented immediately following the required supplementary information. The combining statements 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 \$130,341 at the close of fiscal year 2018. The following table reflects the condensed Statement of Net Position.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 24,445	\$ 24,650	\$ 21,596	\$ 19,408	\$ 46,041	\$ 44,058
Capital assets	112,051	112,368	65,028	66,317	177,079	178,685
Total Assets	<u>136,496</u>	<u>137,018</u>	<u>86,624</u>	<u>85,725</u>	<u>223,120</u>	<u>222,743</u>
Deferred outflows of resources	<u>4,658</u>	<u>8,511</u>	<u>480</u>	<u>1,143</u>	<u>5,138</u>	<u>9,654</u>
Long-term liabilities	53,303	58,085	371	382	53,674	58,467
Total OPEB liability	4,513	1,442	958	411	5,471	1,853
Net pension liability	29,101	33,879	2,838	3,913	31,939	37,792
Other liabilities	2,230	2,072	761	669	2,991	2,741
Total Liabilities	<u>89,147</u>	<u>95,478</u>	<u>4,928</u>	<u>5,375</u>	<u>94,075</u>	<u>100,853</u>
Deferred inflows of resources	<u>3,377</u>	<u>2,199</u>	<u>465</u>	<u>66</u>	<u>3,842</u>	<u>2,265</u>
Net Position:						
Net investment in capital assets	65,211	60,323	65,020	66,302	130,231	126,625
Restricted	2,424	2,488	10,675	9,582	13,099	12,070
Unrestricted (deficit)	(19,005)	(14,959)	6,016	5,543	(12,989)	(9,416)
Total Net Position	<u>\$ 48,630</u>	<u>\$ 47,852</u>	<u>\$ 81,711</u>	<u>\$ 81,427</u>	<u>\$ 130,341</u>	<u>\$ 129,279</u>

The largest portion of the City's net position (100%) 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 (10%) represents resources that are subject to external restrictions on how they may be used. The City had a total deficit unrestricted net position of \$12,989.

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

### Analysis of the City's Operations

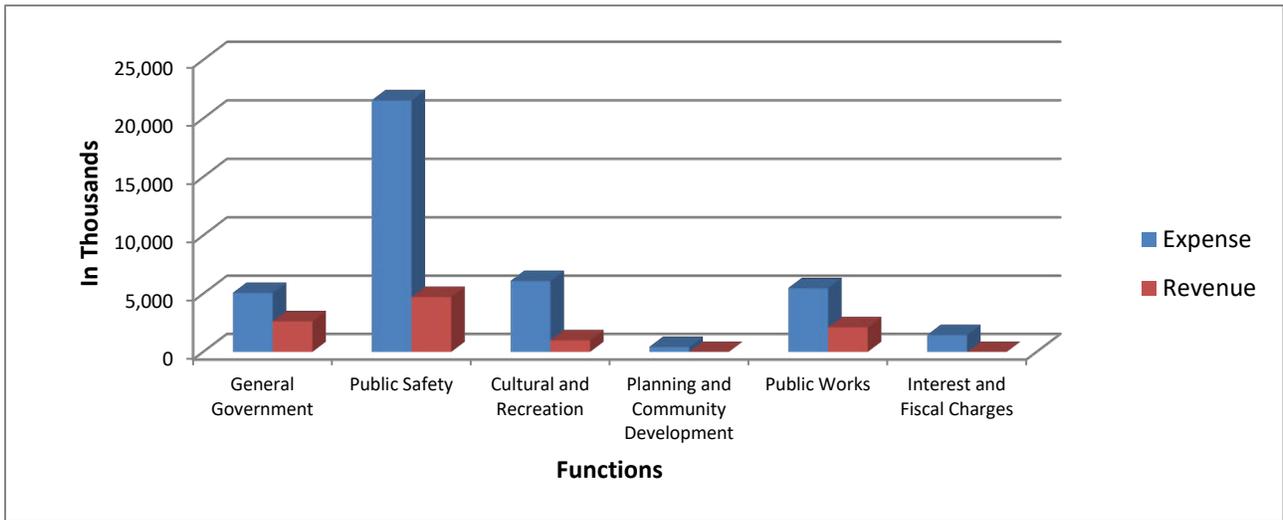
The following table provides a summary of the City's operations for the year ended September 30, 2018.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 9,847	\$ 9,889	\$ 24,855	\$ 23,420	\$ 34,702	\$ 33,309
Operating grants and contributions	423	274	-	-	423	274
Capital grants and contributions	268	(31)	-	3	268	(28)
General Revenues:						
Property taxes	10,749	10,713	-	-	10,749	10,713
Other taxes	17,195	16,558	-	-	17,195	16,558
Other	1,190	2,023	270	167	1,460	2,190
Total Revenues	<u>39,672</u>	<u>39,426</u>	<u>25,125</u>	<u>23,590</u>	<u>64,797</u>	<u>63,016</u>
Expenses:						
General government	5,086	5,086	-	-	5,086	5,086
Public safety	21,558	20,990	-	-	21,558	20,990
Cultural and recreation	6,110	6,424	-	-	6,110	6,424
Planning and community development	444	455	-	-	444	455
Public works	5,496	5,717	-	-	5,496	5,717
Interest and fiscal charges	1,463	1,839	-	-	1,463	1,839
Water and sewer	-	-	13,645	14,211	13,645	14,211
Solid waste disposal	-	-	6,556	6,484	6,556	6,484
Total Expenses	<u>40,157</u>	<u>40,511</u>	<u>20,201</u>	<u>20,695</u>	<u>60,358</u>	<u>61,206</u>
Change in Net Position before transfers	(485)	(1,085)	4,924	2,895	4,439	1,810
Transfers	<u>4,145</u>	<u>4,652</u>	<u>(4,145)</u>	<u>(4,652)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>3,660</u>	<u>3,567</u>	<u>779</u>	<u>(1,757)</u>	<u>4,439</u>	<u>1,810</u>
Net Position, Beginning	47,852	44,285	81,427	83,184	129,279	127,469
Prior Period Adjustments	<u>(2,882)</u>	<u>-</u>	<u>(495)</u>	<u>-</u>	<u>(3,377)</u>	<u>-</u>
Net Position, Restated	<u>44,970</u>	<u>44,285</u>	<u>80,932</u>	<u>83,184</u>	<u>125,902</u>	<u>127,469</u>
Net Position, Ending	<u>\$ 48,630</u>	<u>\$ 47,852</u>	<u>\$ 81,711</u>	<u>\$ 81,427</u>	<u>\$ 130,341</u>	<u>\$ 129,279</u>

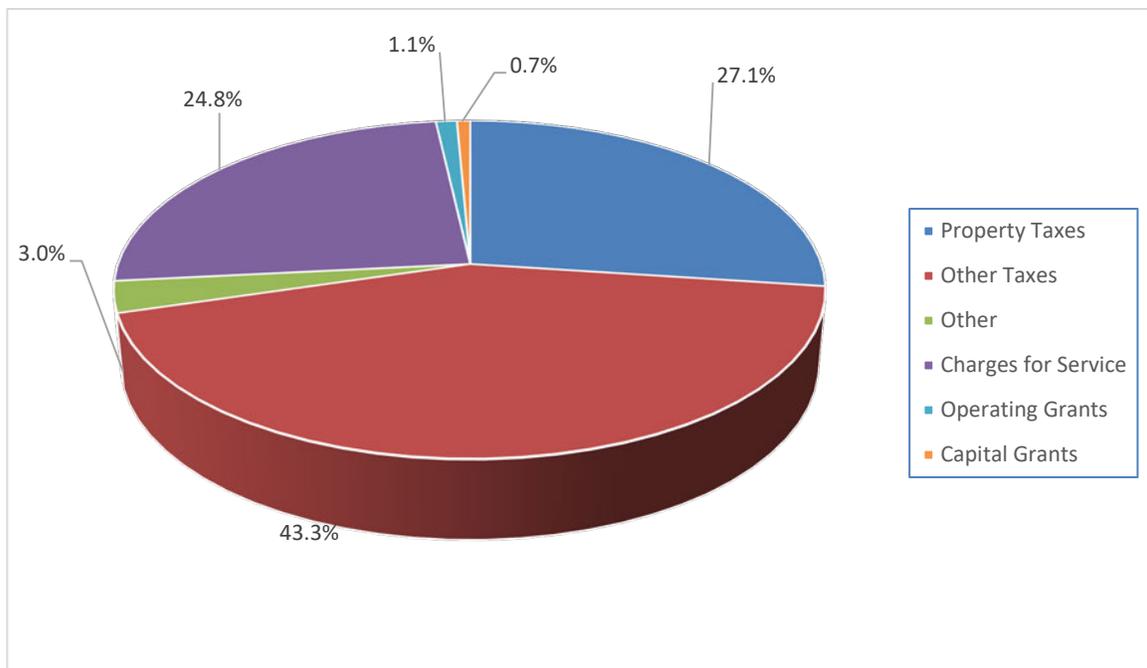
**Governmental Activities.** Governmental activities increased the City’s net position by \$3,660. Key elements of this increase are as follows:

- Other taxes increased by \$637 (4%).
- Other revenues decreased by \$833 (41%).
- Public safety expenditures increased by \$568 (3%).
- Culture and recreation expenditures decreased by \$314 (5%).
- Public works expenditures decreased by \$376 (7%).
- Transfers in decreased by \$507 (11%).

**Expenses and Program Revenues - Governmental Activities**



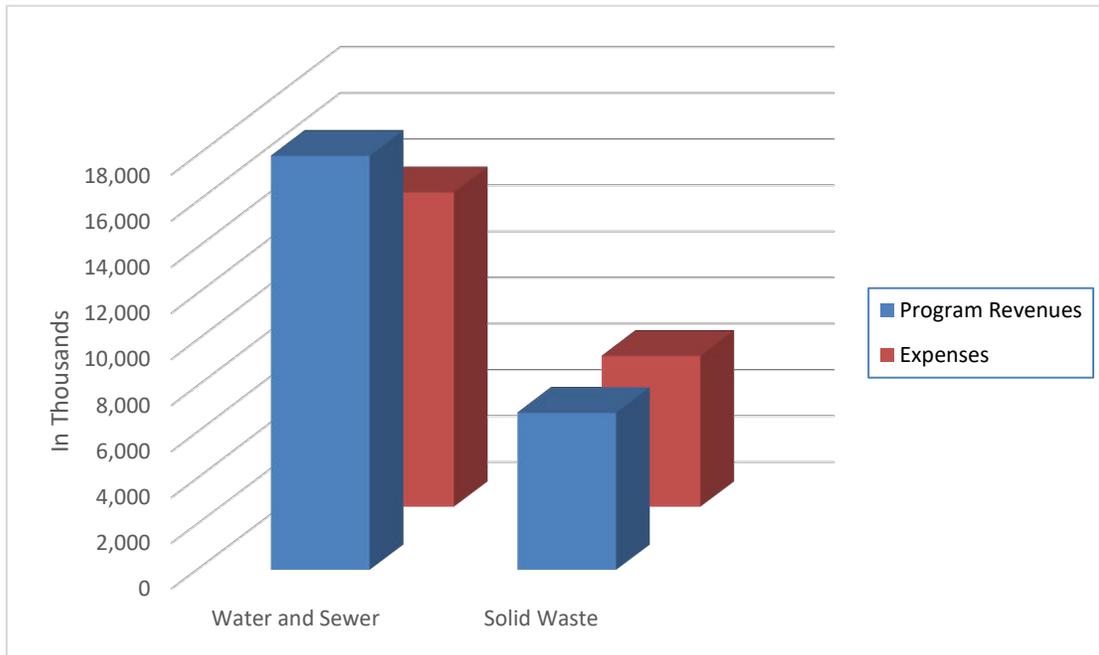
**Revenues by Source - Governmental Activities**



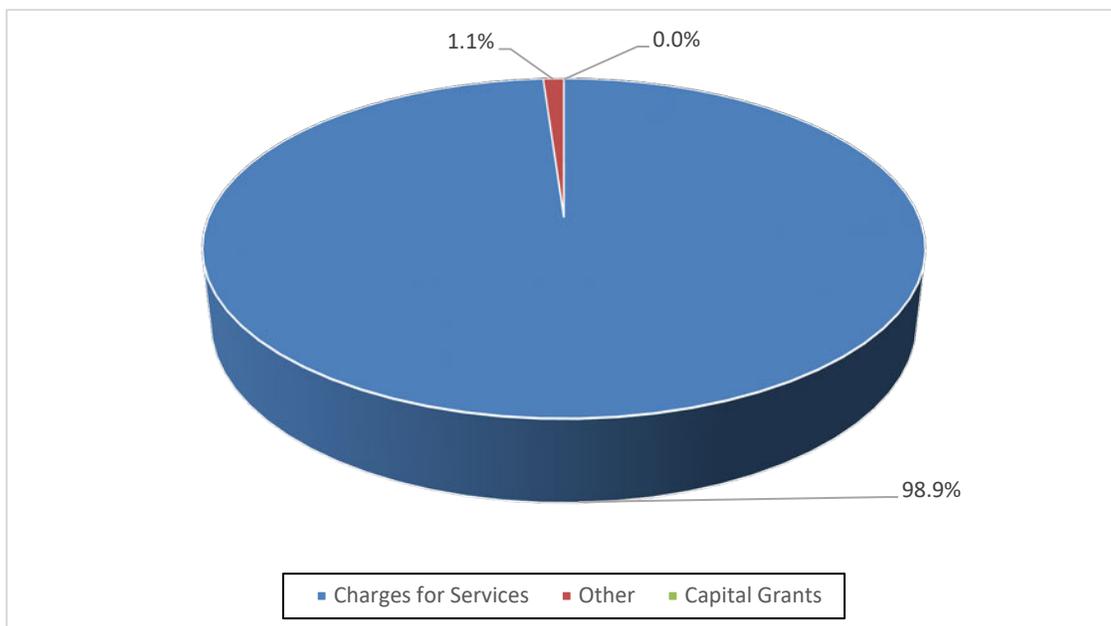
**Business-type Activities.** Business-type activities increased the City's net position by \$779. Key elements of this decrease are as follows:

- Charges for services increased by \$1,435 (6%).
- Water and sewer expenses decreased by \$566 (4%).
- Solid waste expenses increased by \$72 (1%).
- Transfers out decreased by \$507 (11%).

**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 \$14,869, a decrease of \$85 from the prior year. Eight percent of the ending fund balance, or \$1,193, 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 \$2,440, \$8,516 and \$2,425, respectively. The remaining amount, \$295, 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 \$1,305 while total fund balance was \$10,622. 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 4% of total general fund expenditures, while total fund balance represents 32% of the same amount. Fund balance of the General Fund increased by \$179 during the current fiscal year.

The Debt Service fund has a total fund balance of \$1,829, 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 \$1.

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

Unrestricted net position at the end of the current fiscal year for the Water and Sewer Utility Fund was \$2,282 and for the Solid Waste Disposal Fund was \$3,734. The total net position increased for the Water and Sewer Utility Fund by \$771 and the Solid Waste Disposal Fund increased by \$7. 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 (\$472 increase in revenues and \$18 decrease in expenditures). The major adjustments were:

- Increase of \$200 in tax revenue was primarily due to higher anticipated collections for sales taxes.
- Increase of \$108 in licenses and permits revenue was primarily due to increases in building permits and inspections revenue.
- Increase of \$71 in intergovernmental revenue was primarily due to an increase in grant revenue.
- Increase of \$56 in other revenue was primarily due to an increase in miscellaneous revenue.
- Decrease of \$216 for general government expenditures was primarily due to a reduction in non-departmental expenditures.
- Increase of \$206 for public safety expenditures was primarily due to increases in police and fire expenditures.
- Decrease of \$44 in planning and community development expenditures was primarily due to reductions in planning and zoning expenditures.
- Increase of \$40 for public works expenditures was primarily due to an increase in fleet management expenditures.

Differences between the actual results and the final budget for the General Fund were significant (\$577 increase in actual revenues and \$227 increase in actual expenditures) and can be briefly summarized as follows:

- Increase of \$477 in taxes was due to higher property, sales and franchise tax collections than the City anticipated.
- Increase of \$34 in licenses and permits revenue was primarily due to higher building permits and inspection revenue.
- Decrease of \$113 in fines and forfeitures revenue was primarily due to lower municipal court fines and forfeitures revenue.
- Decrease of \$96 in charges for services was primarily due to lower emergency medical services revenue.
- Increase of \$58 in investment earnings was primarily due to higher interest rates.
- Increase of \$220 in other revenue was due to more salvage and auction and miscellaneous revenue.
- Decrease of \$45 in general government expenditures was primarily due to less general, finance and building services expenditures.
- Increase of \$385 in public safety expenditures was primarily due to more police, fire, inspection and animal control expenditures.
- Decrease of \$54 in culture and recreation expenditures was due to less parks and library expenditures.

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

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities amounts to \$177,079 (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 56 for all streets. The City performed a complete inventory and conditions assessment during 2018. This condition assessment is performed every two years. The average rating for the City's streets at September 30, 2018 was 65; this rating remained flat 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, 2018 was \$3,851 as compared to \$4,248 for the previous year. Actual expenditures were \$3,881 for fiscal year 2018, reflecting a decrease of \$190 from fiscal year 2017.

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		
	2018	2016	2014
	Collector Streets	52%	55%
Residential Streets	31%	29%	27%

	PERCENTAGE OF LANE-MILES IN SUBSTANDARD CONDITION		
	2018	2016	2014
	Collector Streets	20%	13%
Residential Streets	24%	19%	22%

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 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

- Sybil Street - \$533
- Inez Tims - \$277

Business-type

- Kit McConnico I & I projects - \$406
- Communication equipment - \$454
- Recoat Final Clarifier - \$255
- Boiler #3 replacement - \$160
- Leach Street improvements - \$155

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
	Land	\$ 4,451	\$ 4,451	\$ 4,393	\$ 4,393	\$ 8,844
Water rights	-	-	4,007	3,989	4,007	3,989
Works of art	278	278	-	-	278	278
Buildings	15,458	14,322	2,802	2,924	18,260	17,246
Machinery and equipment	4,429	5,056	3,277	2,717	7,706	7,773
Vehicles	4,992	4,388	300	210	5,292	4,598
Improvements other than buildings	13,652	13,107	50,078	51,456	63,730	64,563
Infrastructure	67,927	67,817	-	-	67,927	67,817
Construction in progress	864	2,949	171	628	1,035	3,577
Total	\$ 112,051	\$ 112,368	\$ 65,028	\$ 66,317	\$ 177,079	\$ 178,685

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

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$46,840. The full amount of this debt is backed by the full faith and credit of the government.

**City of Lufkin, Texas' Outstanding Debt**  
General Obligation Bonds

	GOVERNMENTAL		TOTAL	
	ACTIVITIES			
	2018	2017	2018	2017
General obligation bonds	\$ 46,840	\$ 52,045	\$ 46,840	\$ 52,045
Total	\$ 46,840	\$ 52,045	\$ 46,840	\$ 52,045

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**

- The unemployment rate for the City, according to Texas Workforce statistics, is 4.3%, a 0.3% decrease from last year. The 4.3% unemployment rate for Angelina County is a decrease of 0.2% from last year. The Texas unemployment rate is 3.7%. The national unemployment rate, as recorded by the Bureau of Labor Statistics is 3.7%.
- The state sales tax revenue for the current fiscal year totaled \$13,643, an increase of \$513 from the previous year indicating a slight increase in the retail economy.
- Economic trends in the region compare favorably with state and national indices.

All of these factors were considered in preparing the City’s budget for the 2019 fiscal year.

The Water and Sewer Utility rates have not increased for the 2019 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, 2018**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash and cash equivalents	\$ 3,543,251	\$ 896,262	\$ 4,439,513	\$ 1,004,062
Investments	16,505,000	6,215,028	22,720,028	4,861,190
Receivables (net of allowance for uncollectibles)	4,102,398	3,404,262	7,506,660	243,653
Notes receivable	-	-	-	3,122,499
Inventories	288,935	94,695	383,630	-
Restricted Assets:				
Cash and cash equivalents	-	1,065,901	1,065,901	-
Investments	-	9,784,972	9,784,972	-
Receivables (net of allowance for uncollectibles)	-	135,780	135,780	-
Prepaid items	6,027	-	6,027	-
Capital assets (net of accumulated depreciation):				
Land	4,451,060	4,392,785	8,843,845	-
Water rights	-	4,007,423	4,007,423	-
Infrastructure	67,927,080	-	67,927,080	-
Works of art	278,500	-	278,500	-
Buildings	15,457,772	2,801,941	18,259,713	-
Improvements other than buildings	13,651,394	50,077,821	63,729,215	-
Machinery and equipment	4,428,350	3,276,760	7,705,110	-
Vehicles	4,992,152	300,004	5,292,156	-
Construction in progress	864,279	170,935	1,035,214	-
Total Assets	<u>136,496,198</u>	<u>86,624,569</u>	<u>223,120,767</u>	<u>9,231,404</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refundings	1,543,806	-	1,543,806	-
Deferred pension outflows	3,037,560	459,966	3,497,526	12,300
Deferred OPEB outflows	76,672	19,617	96,289	1,645
Total Deferred Outflows of Resources	<u>4,658,038</u>	<u>479,583</u>	<u>5,137,621</u>	<u>13,945</u>
LIABILITIES				
Accounts/claims payable	1,213,563	300,671	1,514,234	4,177
Accrued interest	179,345	-	179,345	7,594
Accrued liabilities	785,940	148,941	934,881	6,661
Customer deposits	28,252	-	28,252	20,000
Unearned revenue	22,741	-	22,741	-
Payable from restricted assets	-	311,612	311,612	-
Noncurrent liabilities:				
Due within one year	6,787,405	144,767	6,932,172	150,918
Due in more than one year	46,515,663	226,584	46,742,247	546,765
Total OPEB liability	4,513,374	957,991	5,471,365	50,708
Net pension liability	29,100,898	2,837,692	31,938,590	92,517
Total Liabilities	<u>89,147,181</u>	<u>4,928,258</u>	<u>94,075,439</u>	<u>879,340</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	3,377,399	464,780	3,842,179	36,540
Total Deferred Inflows of Resources	<u>3,377,399</u>	<u>464,780</u>	<u>3,842,179</u>	<u>36,540</u>
NET POSITION				
Net investment in capital assets	65,210,587	65,020,007	130,230,594	-
Restricted for:				
Retirement of debt	1,828,570	1,670	1,830,240	-
Capital projects	296,129	1,419,210	1,715,339	-
Renewal and replacement	-	9,254,161	9,254,161	-
Other	299,815	-	299,815	-
Unrestricted (deficit)	(19,005,445)	6,016,066	(12,989,379)	8,329,469
Total Net Position	<u>\$ 48,629,656</u>	<u>\$ 81,711,114</u>	<u>\$ 130,340,770</u>	<u>\$ 8,329,469</u>

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, 2018**

FUNCTIONS/PROGAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Primary Government:			
Governmental Activities:			
General government	\$ 5,085,935	\$ 2,641,811	\$ 7,000
Public safety	21,557,807	4,326,279	415,919
Cultural and recreation	6,110,599	1,012,725	-
Planning and community development	444,021	-	-
Public works	5,495,646	1,866,692	-
Interest and fiscal charges	1,462,905	-	-
Total Governmental Activities	<u>40,156,913</u>	<u>9,847,507</u>	<u>422,919</u>
Business-Type Activities:			
Water and sewer	13,645,245	17,991,143	-
Solid waste disposal	6,555,776	6,863,506	-
Total Business-Type Activities	<u>20,201,021</u>	<u>24,854,649</u>	<u>-</u>
Total Primary Government	<u>\$ 60,357,934</u>	<u>\$ 34,702,156</u>	<u>\$ 422,919</u>
Component Units	<u>\$ 2,368,347</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:  
Property taxes  
Sales taxes  
Franchise taxes  
Hotel taxes  
Other taxes  
Unrestricted investment earnings  
Gain on retirement of capital assets  
Miscellaneous revenues  
Transfers  
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning  
Prior Period Adjustment  
Net Position - Restated

Net Position - Ending

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

NET (EXPENSE) REVENUE AND  
CHANGES IN NET POSITION

CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ -	\$ (2,437,124)	\$ -	\$ (2,437,124)	\$ -
-	(16,815,609)	-	(16,815,609)	-
-	(5,097,874)	-	(5,097,874)	-
-	(444,021)	-	(444,021)	-
267,855	(3,361,099)	-	(3,361,099)	-
-	(1,462,905)	-	(1,462,905)	-
<u>267,855</u>	<u>(29,618,632)</u>	<u>-</u>	<u>(29,618,632)</u>	<u>-</u>
-	-	4,345,898	4,345,898	-
-	-	307,730	307,730	-
-	-	<u>4,653,628</u>	<u>4,653,628</u>	-
<u>\$ 267,855</u>	<u>(29,618,632)</u>	<u>4,653,628</u>	<u>(24,965,004)</u>	<u>-</u>
<u>\$ -</u>				<u>(2,368,347)</u>
	10,749,237	-	10,749,237	-
	13,642,804	-	13,642,804	1,240,255
	2,365,798	-	2,365,798	-
	1,086,878	-	1,086,878	-
	99,004	-	99,004	456,333
	354,736	270,504	625,240	112,868
	95,454	-	95,454	-
	739,766	-	739,766	126,683
	<u>4,145,383</u>	<u>(4,145,383)</u>	<u>-</u>	<u>-</u>
	<u>33,279,060</u>	<u>(3,874,879)</u>	<u>29,404,181</u>	<u>1,936,139</u>
	<u>3,660,428</u>	<u>778,749</u>	<u>4,439,177</u>	<u>(432,208)</u>
	47,852,142	81,426,823	129,278,965	8,765,479
	<u>(2,882,914)</u>	<u>(494,458)</u>	<u>(3,377,372)</u>	<u>(3,802)</u>
	<u>44,969,228</u>	<u>80,932,365</u>	<u>125,901,593</u>	<u>8,761,677</u>
	<u>\$ 48,629,656</u>	<u>\$ 81,711,114</u>	<u>\$ 130,340,770</u>	<u>\$ 8,329,469</u>

**CITY OF LUFKIN, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	GENERAL FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,044,783	\$ 330,590	\$ 1,135,547	\$ 2,510,920
Investments	9,005,000	1,500,000	1,500,000	12,005,000
Receivables:				
Taxes	554,093	244,833	-	798,926
Accounts	17,576,056	-	178,727	17,754,783
Intergovernmental	1,154,011	-	109,984	1,263,995
Other	127,396	24,987	313,178	465,561
Allowance for uncollectibles	(15,891,676)	(188,033)	(172,797)	(16,252,506)
Due from other funds	479,446	-	-	479,446
Inventories	288,935	-	-	288,935
Prepaid items	6,027	-	-	6,027
Total Assets	<u>\$ 14,344,071</u>	<u>\$ 1,912,377</u>	<u>\$ 3,064,639</u>	<u>\$ 19,321,087</u>
<b>LIABILITIES</b>				
Accounts/claims payable	\$ 664,299	\$ 3,500	\$ 224,632	\$ 892,431
Accrued liabilities	663,160	-	122,780	785,940
Due to other funds	-	-	233,919	233,919
Customer deposits	4,525	-	23,727	28,252
Unearned revenue	22,741	-	-	22,741
Total Liabilities	<u>1,354,725</u>	<u>3,500</u>	<u>605,058</u>	<u>1,963,283</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	2,366,847	80,307	41,247	2,488,401
Total Deferred Inflows of Resources	<u>2,366,847</u>	<u>80,307</u>	<u>41,247</u>	<u>2,488,401</u>
<b>FUND BALANCES</b>				
Nonspendable	294,962	-	-	294,962
Restricted	-	1,828,570	595,944	2,424,514
Committed	8,332,132	-	184,493	8,516,625
Assigned	690,374	-	1,749,867	2,440,241
Unassigned	1,305,031	-	-	1,305,031
Unassigned, Reported in Nonmajor:				
Capital Projects Funds	-	-	(111,970)	(111,970)
Total Fund Balances	<u>10,622,499</u>	<u>1,828,570</u>	<u>2,418,334</u>	<u>14,869,403</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,344,071</u>	<u>\$ 1,912,377</u>	<u>\$ 3,064,639</u>	<u>\$ 19,321,087</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, 2018**

Total fund balances – governmental funds balance sheet	\$ 14,869,403
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.	106,002,456
Certain unavailable revenues are not available to pay current-period expenditures and therefore, are deferred in the funds.	2,488,401
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.	3,551,890
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.	7,533,552
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(51,938,607)
The City's deferred outflows of resources related to OPEB and pension plans is not reported in the governmental funds.	3,114,232
The City's total OPEB liability is not reported in the governmental funds.	(4,513,374)
The City's net pension liability is not reported in the governmental funds.	(29,100,898)
The City's deferred inflows of resources related to pension plans is not reported in the governmental funds.	(3,377,399)
Net position of governmental activities	<u>\$ 48,629,656</u>

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

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	GENERAL FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Taxes:				
Property	\$ 7,701,995	\$ 3,032,418	\$ -	\$ 10,734,413
Sales	13,642,804	-	-	13,642,804
Franchise	2,365,798	-	-	2,365,798
Other	99,004	-	1,086,878	1,185,882
Licenses and permits	388,137	-	-	388,137
Fines and forfeitures	991,563	-	-	991,563
Charges for services	2,576,386	-	1,012,725	3,589,111
Investment earnings	147,509	45,822	31,246	224,577
Intergovernmental	4,881,844	-	591,551	5,473,395
Other revenues	583,938	-	506,126	1,090,064
Total Revenues	<u>33,378,978</u>	<u>3,078,240</u>	<u>3,228,526</u>	<u>39,685,744</u>
Expenditures:				
Current:				
General government	4,401,162	-	371,487	4,772,649
Public safety	19,864,480	-	472,185	20,336,665
Cultural and recreation	3,849,194	-	1,973,677	5,822,871
Planning and community development	224,569	-	-	224,569
Public works	4,989,121	-	-	4,989,121
Debt service:				
Principal	-	5,205,000	-	5,205,000
Interest and fiscal charges	-	1,475,608	-	1,475,608
Capital outlay	-	-	864,403	864,403
Total Expenditures	<u>33,328,526</u>	<u>6,680,608</u>	<u>3,681,752</u>	<u>43,690,886</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>50,452</u>	<u>(3,602,368)</u>	<u>(453,226)</u>	<u>(4,005,142)</u>
Other Financing Sources (Uses):				
Transfers in	420,906	3,602,845	436,476	4,460,227
Transfers out	(291,476)	-	(248,368)	(539,844)
Total Other Financing Sources (Uses)	<u>129,430</u>	<u>3,602,845</u>	<u>188,108</u>	<u>3,920,383</u>
Net Change in Fund Balances	179,882	477	(265,118)	(84,759)
Fund Balances - Beginning	<u>10,442,617</u>	<u>1,828,093</u>	<u>2,683,452</u>	<u>14,954,162</u>
Fund Balances - Ending	<u>\$ 10,622,499</u>	<u>\$ 1,828,570</u>	<u>\$ 2,418,334</u>	<u>\$ 14,869,403</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, 2018**

Net change in fund balances – total governmental funds	\$	(84,759)
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.		156,409
Internal service net revenues are reported with governmental activities and the expenses not recovered through user charges are allocated to the participating funds.		(306,285)
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.		(426,263)
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.		4,646,552
Increase in total OPEB liability is reported as the amount earned in the statement of activities but is the amount paid in the funds.		(112,250)
Current year pension expenditures are reported on the fiscal year basis in the funds, and as actuarially determined on the measurement date in the statement of activities.		<u>(212,976)</u>
Change in net position of governmental activities	\$	<u><u>3,660,428</u></u>

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

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Revenues:				
Taxes:				
Property	\$ 7,667,400	\$ 7,642,400	\$ 7,701,995	\$ 59,595
Sales	13,070,864	13,347,248	13,642,804	295,556
Franchise	2,330,000	2,274,713	2,365,798	91,085
Other	94,980	98,600	99,004	404
Total Taxes	<u>23,163,244</u>	<u>23,362,961</u>	<u>23,809,601</u>	<u>446,640</u>
Licenses and Permits:				
Building permits and inspections	130,000	240,000	279,278	39,278
Plumbing permits and inspections	13,000	13,000	15,315	2,315
Electric permits and inspections	15,000	15,000	4,863	(10,137)
Heat and vent permits	17,000	17,000	19,265	2,265
Other permits	67,025	66,725	66,599	(126)
Licenses	3,675	2,180	2,817	637
Total Licenses and Permits	<u>245,700</u>	<u>353,905</u>	<u>388,137</u>	<u>34,232</u>
Fines and Forfeitures:				
Municipal court fines and forfeitures	816,000	834,970	696,521	(138,449)
Red light fines and costs	280,000	270,000	294,937	24,937
Parking fines	175	50	105	55
Total Fines and Forfeitures	<u>1,096,175</u>	<u>1,105,020</u>	<u>991,563</u>	<u>(113,457)</u>
Charges for Services:				
Emergency medical services	2,404,500	2,404,000	2,298,632	(105,368)
Emergency medical services - County	237,000	240,695	244,835	4,140
Other	32,550	28,085	32,919	4,834
Total Charges for Services	<u>2,674,050</u>	<u>2,672,780</u>	<u>2,576,386</u>	<u>(96,394)</u>
Investment earnings	<u>60,000</u>	<u>90,000</u>	<u>147,509</u>	<u>57,509</u>
Intergovernmental:				
Grant revenues	-	71,019	99,223	28,204
General and administrative services	4,782,621	4,782,621	4,782,621	-
Total Intergovernmental	<u>4,782,621</u>	<u>4,853,640</u>	<u>4,881,844</u>	<u>28,204</u>

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

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>Other Revenues:</b>				
Parks	29,500	25,000	25,633	633
Library	23,000	18,000	18,773	773
Animal shelter fees	66,900	61,473	73,075	11,602
Zone change fees	2,000	1,500	2,400	900
Zoo admission fees	103,000	104,029	104,924	895
Rent on city property	25,260	25,260	27,406	2,146
Salvage and auction	-	-	95,454	95,454
Miscellaneous	48,200	128,429	236,273	107,844
Salary reimbursements	10,000	-	-	-
Total Other Revenue	<u>307,860</u>	<u>363,691</u>	<u>583,938</u>	<u>220,247</u>
Total Revenues	<u>32,329,650</u>	<u>32,801,997</u>	<u>33,378,978</u>	<u>576,981</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government:</b>				
<b>City Council/City Secretary:</b>				
Payroll costs	138,806	131,743	137,027	(5,284)
Supplies	20,350	20,800	20,074	726
Miscellaneous services	97,255	93,965	76,418	17,547
Sundry charges	112,970	114,970	111,760	3,210
Total City Council/City Secretary	<u>369,381</u>	<u>361,478</u>	<u>345,279</u>	<u>16,199</u>
<b>City Administration:</b>				
Payroll costs	486,418	672,938	692,572	(19,634)
Supplies	13,560	14,085	13,251	834
Miscellaneous services	32,310	31,785	25,184	6,601
Sundry charges	500	500	260	240
Total City Administration	<u>532,788</u>	<u>719,308</u>	<u>731,267</u>	<u>(11,959)</u>
<b>Finance:</b>				
Payroll costs	558,676	559,432	555,442	3,990
Supplies	34,600	29,777	26,057	3,720
Maintenance	27,455	25,092	26,742	(1,650)
Miscellaneous services	161,630	163,610	150,671	12,939
Sundry charges	-	85	85	-
Total Finance	<u>782,361</u>	<u>777,996</u>	<u>758,997</u>	<u>18,999</u>

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

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Legal:				
Payroll costs	276,899	88,257	94,876	(6,619)
Supplies	4,750	4,750	3,989	761
Miscellaneous services	26,439	26,439	18,281	8,158
Total Legal	<u>308,088</u>	<u>119,446</u>	<u>117,146</u>	<u>2,300</u>
Tax:				
Miscellaneous services	221,370	221,370	215,579	5,791
Total Tax	<u>221,370</u>	<u>221,370</u>	<u>215,579</u>	<u>5,791</u>
Human Resources:				
Payroll costs	363,500	357,146	387,408	(30,262)
Supplies	15,650	9,200	6,912	2,288
Miscellaneous services	39,925	45,125	37,243	7,882
Sundry charges	31,100	31,100	28,730	2,370
Total Human Resources	<u>450,175</u>	<u>442,571</u>	<u>460,293</u>	<u>(17,722)</u>
Building Services:				
Payroll costs	88,976	94,997	93,745	1,252
Supplies	23,600	20,600	18,177	2,423
Maintenance	77,500	119,038	93,880	25,158
Miscellaneous services	135,600	136,550	118,648	17,902
Total Building Services	<u>325,676</u>	<u>371,185</u>	<u>324,450</u>	<u>46,735</u>
Information Technology:				
Payroll costs	620,198	610,379	618,275	(7,896)
Supplies	82,005	99,033	98,589	444
Maintenance	265,958	248,488	247,740	748
Miscellaneous services	165,710	159,376	148,723	10,653
Total Information Technology	<u>1,133,871</u>	<u>1,117,276</u>	<u>1,113,327</u>	<u>3,949</u>
Non-departmental:				
Payroll costs	316,122	88,580	84,082	4,498
Supplies	-	3,996	3,996	-
Miscellaneous services	222,233	223,181	246,718	(23,537)
Sundry charges	-	28	28	-
Total Non-departmental	<u>538,355</u>	<u>315,785</u>	<u>334,824</u>	<u>(19,039)</u>
Total General Government	<u>4,662,065</u>	<u>4,446,415</u>	<u>4,401,162</u>	<u>45,253</u>

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

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Public Safety:				
Municipal Court:				
Payroll costs	336,462	316,335	309,086	7,249
Supplies	16,670	12,661	12,699	(38)
Miscellaneous services	82,175	79,164	77,576	1,588
Total Municipal Court	<u>435,307</u>	<u>408,160</u>	<u>399,361</u>	<u>8,799</u>
Police:				
Payroll costs	8,235,467	8,396,261	8,822,295	(426,034)
Supplies	338,022	372,218	343,350	28,868
Maintenance	167,685	176,200	138,737	37,463
Miscellaneous services	615,208	612,178	548,652	63,526
Sundry charges	1,000	-	-	-
Total Police	<u>9,357,382</u>	<u>9,556,857</u>	<u>9,853,034</u>	<u>(296,177)</u>
Fire:				
Payroll costs	7,017,763	7,083,796	7,221,625	(137,829)
Supplies	403,150	411,410	380,161	31,249
Maintenance	206,664	178,464	156,269	22,195
Miscellaneous services	420,865	423,976	402,894	21,082
Sundry charges	100	100	-	100
Total Fire	<u>8,048,542</u>	<u>8,097,746</u>	<u>8,160,949</u>	<u>(63,203)</u>
Inspection:				
Payroll costs	490,674	472,115	489,476	(17,361)
Supplies	16,860	15,345	13,740	1,605
Maintenance	1,500	1,500	628	872
Miscellaneous services	44,722	43,422	38,503	4,919
Total Inspection	<u>553,756</u>	<u>532,382</u>	<u>542,347</u>	<u>(9,965)</u>
Emergency Management:				
Supplies	1,320	1,320	165	1,155
Miscellaneous services	48,535	48,290	45,015	3,275
Total Emergency Management	<u>49,855</u>	<u>49,610</u>	<u>45,180</u>	<u>4,430</u>

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

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Animal Control:				
Payroll costs	550,163	555,465	558,203	(2,738)
Supplies	65,700	65,100	62,679	2,421
Maintenance	18,000	18,475	53,494	(35,019)
Miscellaneous services	108,354	109,113	109,724	(611)
Total Animal Control	<u>742,217</u>	<u>748,153</u>	<u>784,100</u>	<u>(35,947)</u>
City Marshall:				
Payroll costs	73,419	73,904	73,215	689
Supplies	9,405	8,118	2,442	5,676
Maintenance	300	300	229	71
Miscellaneous services	3,520	4,170	3,623	547
Total City Marshall	<u>86,644</u>	<u>86,492</u>	<u>79,509</u>	<u>6,983</u>
Total Public Safety	<u>19,273,703</u>	<u>19,479,400</u>	<u>19,864,480</u>	<u>(385,080)</u>
Cultural and Recreation:				
Parks:				
Payroll costs	1,109,517	1,083,293	1,125,614	(42,321)
Supplies	115,594	105,164	95,010	10,154
Maintenance	100,744	118,844	95,771	23,073
Miscellaneous services	434,910	420,276	362,911	57,365
Sundry charges	80	80	-	80
Total Parks	<u>1,760,845</u>	<u>1,727,657</u>	<u>1,679,306</u>	<u>48,351</u>
Zoo:				
Payroll costs	1,081,325	1,127,992	1,162,010	(34,018)
Supplies	204,960	204,105	182,831	21,274
Maintenance	4,000	3,760	3,589	171
Miscellaneous services	190,959	181,284	173,183	8,101
Total Zoo	<u>1,481,244</u>	<u>1,517,141</u>	<u>1,521,613</u>	<u>(4,472)</u>
Library:				
Payroll costs	534,086	531,130	530,150	980
Supplies	20,950	19,950	17,933	2,017
Maintenance	35,545	37,620	35,518	2,102
Miscellaneous services	75,775	70,000	64,674	5,326
Total Library	<u>666,356</u>	<u>658,700</u>	<u>648,275</u>	<u>10,425</u>
Total Cultural and Recreation	<u>3,908,445</u>	<u>3,903,498</u>	<u>3,849,194</u>	<u>54,304</u>

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

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Planning and Community Development:				
Planning and Zoning:				
Payroll costs	224,747	185,984	203,339	(17,355)
Supplies	9,550	7,925	5,935	1,990
Maintenance	4,900	1,408	1,208	200
Miscellaneous services	15,330	15,172	14,087	1,085
Total Planning and Zoning	<u>254,527</u>	<u>210,489</u>	<u>224,569</u>	<u>(14,080)</u>
Total Planning and Community Development	<u>254,527</u>	<u>210,489</u>	<u>224,569</u>	<u>(14,080)</u>
Public Works:				
Engineering:				
Payroll costs	541,697	543,066	540,123	2,943
Supplies	15,460	16,230	14,095	2,135
Maintenance	21,290	19,780	17,930	1,850
Miscellaneous services	74,268	62,642	57,891	4,751
Total Engineering	<u>652,715</u>	<u>641,718</u>	<u>630,039</u>	<u>11,679</u>
Street:				
Payroll costs	1,634,294	1,573,058	1,654,489	(81,431)
Supplies	182,270	188,685	174,939	13,746
Maintenance	1,041,150	1,086,870	1,057,361	29,509
Miscellaneous services	1,009,130	1,001,976	994,442	7,534
Total Street	<u>3,866,844</u>	<u>3,850,589</u>	<u>3,881,231</u>	<u>(30,642)</u>
Fleet Management:				
Payroll costs	362,063	432,130	450,889	(18,759)
Supplies	19,850	22,249	22,006	243
Maintenance	12,050	9,706	9,658	48
Miscellaneous services	16,963	14,458	14,070	388
Sundry charges	-	-	(18,772)	18,772
Total Fleet Management	<u>410,926</u>	<u>478,543</u>	<u>477,851</u>	<u>692</u>
Total Public Works	<u>4,930,485</u>	<u>4,970,850</u>	<u>4,989,121</u>	<u>(18,271)</u>

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

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Debt Service:				
Principal	86,706	86,706	-	86,706
Interest	4,176	4,176	-	4,176
Total Debt Service	<u>90,882</u>	<u>90,882</u>	<u>-</u>	<u>90,882</u>
Total Expenditures	<u>33,120,107</u>	<u>33,101,534</u>	<u>33,328,526</u>	<u>(226,992)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(790,457)</u>	<u>(299,537)</u>	<u>50,452</u>	<u>349,989</u>
Other Financing Sources (Uses):				
Transfers in	378,368	420,906	420,906	-
Transfers out	(291,476)	(291,476)	(291,476)	-
Total Other Financing Sources (Uses)	<u>86,892</u>	<u>129,430</u>	<u>129,430</u>	<u>-</u>
Net Change in Fund Balance	(703,565)	(170,107)	179,882	349,989
Fund Balance - Beginning	<u>10,442,617</u>	<u>10,442,617</u>	<u>10,442,617</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 9,739,052</u>	<u>\$ 10,272,510</u>	<u>\$ 10,622,499</u>	<u>\$ 349,989</u>

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

**CITY OF LUFKIN, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2018**

ASSETS	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 510,556	\$ 385,706	\$ 896,262	\$ 1,032,331
Investments	2,215,028	4,000,000	6,215,028	4,500,000
<b>Restricted Assets:</b>				
Cash and cash equivalents	1,649	-	1,649	-
Investments - customer deposits	284,972	-	284,972	-
Interest receivable	21	-	21	-
Accounts receivable (net of allowance for uncollectibles)	2,463,747	845,765	3,309,512	-
Interest receivable	38,418	56,332	94,750	71,639
Inventories	88,726	5,969	94,695	-
Total Current Assets	<u>5,603,117</u>	<u>5,293,772</u>	<u>10,896,889</u>	<u>5,603,970</u>
<b>Noncurrent Assets:</b>				
<b>Restricted Assets:</b>				
Cash and cash equivalents	907,721	156,531	1,064,252	-
Investments	9,000,000	500,000	9,500,000	-
Interest receivable	127,328	8,431	135,759	-
Total Restricted Noncurrent Assets	<u>10,035,049</u>	<u>664,962</u>	<u>10,700,011</u>	<u>-</u>
<b>Capital Assets:</b>				
Land	4,231,421	161,364	4,392,785	-
Water rights	4,007,423	-	4,007,423	-
Buildings	3,326,288	2,379,772	5,706,060	-
Machinery and equipment	17,010,493	1,288,155	18,298,648	5,879,943
Vehicles	507,273	1,013,263	1,520,536	10,188,933
Improvements	85,798,644	784,023	86,582,667	-
Construction in progress	170,935	-	170,935	-
Less accumulated depreciation	(52,532,417)	(3,118,968)	(55,651,385)	(10,020,745)
Total Capital Assets (Net of Accumulated Depreciation)	<u>62,520,060</u>	<u>2,507,609</u>	<u>65,027,669</u>	<u>6,048,131</u>
Total Noncurrent Assets	<u>72,555,109</u>	<u>3,172,571</u>	<u>75,727,680</u>	<u>6,048,131</u>
Total Assets	<u>78,158,226</u>	<u>8,466,343</u>	<u>86,624,569</u>	<u>11,652,101</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflows	312,896	147,070	459,966	-
Deferred OPEB outflows	13,770	5,847	19,617	-
Total Deferred Outflows of Resources	<u>326,666</u>	<u>152,917</u>	<u>479,583</u>	<u>-</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts/claims payable	175,284	125,387	300,671	321,132
Accrued compensated absences	93,560	43,545	137,105	-
Accrued liabilities	105,072	43,869	148,941	-
Due to other funds	-	-	-	245,527
<b>Current liabilities payable from Restricted Assets:</b>				
Accounts/claims payable	26,640	-	26,640	-
Customer deposits	284,972	-	284,972	-
Notes payable - current maturities	7,662	-	7,662	-
Total Current Liabilities	<u>693,190</u>	<u>212,801</u>	<u>905,991</u>	<u>566,659</u>
<b>Noncurrent Liabilities:</b>				
Accrued compensated absences	184,576	42,008	226,584	-
Total OPEB liability	699,744	258,247	957,991	-
Net pension liability	1,784,921	1,052,771	2,837,692	-
Total Noncurrent Liabilities	<u>2,669,241</u>	<u>1,353,026</u>	<u>4,022,267</u>	<u>-</u>
Total Liabilities	<u>3,362,431</u>	<u>1,565,827</u>	<u>4,928,258</u>	<u>566,659</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension inflows	317,769	147,011	464,780	-
Total Deferred Inflows of Resources	<u>317,769</u>	<u>147,011</u>	<u>464,780</u>	<u>-</u>
<b>NET POSITION</b>				
Net invested in capital assets	62,512,398	2,507,609	65,020,007	6,048,131
Restricted for retirement of debt	1,670	-	1,670	-
Restricted for construction	1,419,210	-	1,419,210	-
Restricted for renewal and replacement	8,589,199	664,962	9,254,161	-
Unrestricted	2,282,215	3,733,851	6,016,066	5,037,311
Total Net Position	<u>\$ 74,804,692</u>	<u>\$ 6,906,422</u>	<u>\$ 81,711,114</u>	<u>\$ 11,085,442</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, 2018**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	
Operating Revenues:				
Water sales	\$ 9,369,817	\$ -	\$ 9,369,817	\$ -
Sewer service charges	8,207,646	-	8,207,646	-
Sanitation collections	-	6,895,365	6,895,365	-
Provision for bad debts	(143,599)	(41,302)	(184,901)	-
Service revenue	411,293	-	411,293	-
General and administrative	129,186	-	129,186	-
Employee premiums	-	-	-	1,054,290
Employer premiums	-	-	-	3,470,661
Equipment rental	-	-	-	1,585,186
Miscellaneous	16,800	9,443	26,243	1,191,068
Total Operating Revenues	<u>17,991,143</u>	<u>6,863,506</u>	<u>24,854,649</u>	<u>7,301,205</u>
Operating Expenses:				
Utility collections	852,640	-	852,640	-
Water/Sewer utilities	3,368,079	-	3,368,079	-
Wastewater treatment plant	2,055,872	-	2,055,872	-
Water production	1,896,317	-	1,896,317	-
Sanitation department	-	3,674,867	3,674,867	-
Recycling department	-	481,135	481,135	-
Insurance claims and related expenses	-	-	-	6,340,461
Depreciation and amortization	2,450,711	129,509	2,580,220	1,717,091
General and administrative	2,641,151	2,252,636	4,893,787	-
Non-departmental	336,679	17,629	354,308	-
Total Operating Expenses	<u>13,601,449</u>	<u>6,555,776</u>	<u>20,157,225</u>	<u>8,057,552</u>
Operating Income (Loss)	<u>4,389,694</u>	<u>307,730</u>	<u>4,697,424</u>	<u>(756,347)</u>
Nonoperating Revenues (Expenses):				
Investment earnings	194,520	75,984	270,504	84,649
Interest expense	(383)	-	(383)	-
Gain (loss) on sale of assets	(43,413)	-	(43,413)	140,413
Total Nonoperating Revenues (Expenses)	<u>150,724</u>	<u>75,984</u>	<u>226,708</u>	<u>225,062</u>
Income Before Contributions and Transfers	<u>4,540,418</u>	<u>383,714</u>	<u>4,924,132</u>	<u>(531,285)</u>
Transfers in	2,107,905	-	2,107,905	225,000
Transfers out	(5,877,050)	(376,238)	(6,253,288)	-
Total Contributions and Transfers	<u>(3,769,145)</u>	<u>(376,238)</u>	<u>(4,145,383)</u>	<u>225,000</u>
Change in Net Position	<u>771,273</u>	<u>7,476</u>	<u>778,749</u>	<u>(306,285)</u>
Net Position - Beginning	74,416,438	7,010,385	81,426,823	11,391,727
Prior Period Adjustment	(383,019)	(111,439)	(494,458)	-
Net Position - Restated	<u>74,033,419</u>	<u>6,898,946</u>	<u>80,932,365</u>	<u>11,391,727</u>
Net Position - Ending	<u>\$ 74,804,692</u>	<u>\$ 6,906,422</u>	<u>\$ 81,711,114</u>	<u>\$ 11,085,442</u>

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, 2018**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 17,460,225	\$ 6,827,951	\$ 24,288,176	\$ 2,245,358
Receipts from interfund services provided	129,186	-	129,186	5,055,847
Payments to suppliers	(4,646,209)	(2,021,228)	(6,667,437)	(6,210,628)
Payments to employees	(3,102,290)	(1,277,863)	(4,380,153)	-
Payments for interfund services used	(3,314,160)	(3,128,555)	(6,442,715)	-
Net Cash Provided by Operating Activities	<u>6,526,752</u>	<u>400,305</u>	<u>6,927,057</u>	<u>1,090,577</u>
Cash Flows From Noncapital Financing Activities:				
Transfer from other funds	2,107,905	-	2,107,905	225,000
Transfer to other funds	(5,877,050)	(376,238)	(6,253,288)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(3,769,145)</u>	<u>(376,238)</u>	<u>(4,145,383)</u>	<u>225,000</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,188,188)	(177,892)	(1,366,080)	(1,877,219)
Principal paid on capital debt	(7,315)	-	(7,315)	-
Interest and fees paid on capital debt	(383)	-	(383)	-
Proceeds from sale of capital assets	31,911	-	31,911	191,201
Net Cash Used by Capital and Related Financing Activities	<u>(1,163,975)</u>	<u>(177,892)</u>	<u>(1,341,867)</u>	<u>(1,686,018)</u>
Cash Flows From Investing Activities:				
Purchase of investments	(7,528,826)	(2,712,972)	(10,241,798)	(2,514,413)
Investment maturities	6,028,826	2,712,972	8,741,798	3,014,413
Investment earnings received	139,126	61,852	200,978	70,484
Net Cash Provided (Used) by Investing Activities	<u>(1,360,874)</u>	<u>61,852</u>	<u>(1,299,022)</u>	<u>570,484</u>
Net Increase (Decrease) in Cash and Cash Equivalents	232,758	(91,973)	140,785	200,043
Cash and Cash Equivalents - Beginning	1,187,168	634,210	1,821,378	832,288
Cash and Cash Equivalents - Ending	<u>\$ 1,419,926</u>	<u>\$ 542,237</u>	<u>\$ 1,962,163</u>	<u>\$ 1,032,331</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 4,389,694	\$ 307,730	\$ 4,697,424	\$ (756,347)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and amortization	2,450,711	129,509	2,580,220	1,717,091
(Increase) in accounts receivable, net	(401,829)	(35,815)	(437,644)	-
(Increase) in inventories	(41,272)	-	(41,272)	-
Decrease in deferred pension outflows	464,557	198,763	663,320	-
Increase (decrease) in accounts/claims payable	102,177	(22,160)	80,017	126,304
Increase (decrease) in accrued compensated absences	(7,910)	4,913	(2,997)	-
Increase (decrease) in accrued liabilities	(648)	4,092	3,444	-
Increase in due to other funds	-	-	-	3,529
Increase in customer deposits	9,087	-	9,087	-
Increase in total OPEB liability	37,182	14,962	52,144	-
(Decrease) in net pension liability	(754,723)	(320,463)	(1,075,186)	-
Increase in deferred pension inflows	279,726	118,774	398,500	-
Total Adjustments	<u>2,137,058</u>	<u>92,575</u>	<u>2,229,633</u>	<u>1,846,924</u>
Net Cash Provided by Operating Activities	<u>\$ 6,526,752</u>	<u>\$ 400,305</u>	<u>\$ 6,927,057</u>	<u>\$ 1,090,577</u>

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

The Lufkin Industrial Development Authority (Authority) was created by the Development Corporation Act of 1979 and the approval of the City Council and has been in operation since August 1979. The Authority was created to encourage industrial development in the City of Lufkin. The Texas Housing Finance Corporation Act and the approval of the City Council created Lufkin Housing Finance Corporation to encourage safe, decent housing in the City. The Texas Health Facilities Development Act and the approval of the City Council created Lufkin Health Facilities Development Corporation to encourage health care, research, and education and to assist with the maintenance of public health. As of September 30, 2018 and for the year then ended, there were no assets, liabilities, fund equity, revenues or expenditures for the Authority, the Texas Housing Finance Corporation, or the Lufkin Health Facilities Development Corporation.

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

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

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The government reports the following major governmental funds:

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

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund type:

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utility fund, solid waste disposal fund, and internal service funds are charges to customers for sales and services. The water and sewer utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**1. Deposits and Investments**

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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

The City, as well as its component units, is authorized to invest in 1) U.S. Treasury securities, 2) obligations of U.S. Government Agencies and Instrumentalities (excluding principal only and interest only mortgage backed securities, collateralized mortgage obligations, and real estate mortgage investment conduits), 3) obligations of the State of Texas or its agencies or instrumentalities along with obligations of counties, cities, and other political subdivisions of this State 4) fully insured and collateralized deposits at eligible depositories, 4) repurchase agreements, 5) money market mutual funds registered with and regulated by the Securities & Exchange Commission categorized as "Treasury" or "Government", and 6) eligible investment pools authorized by City Council and the Board of Directors. The EDC is also authorized to invest in land and improvements for economic development. 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 two in local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operate under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The local government investment pools are valued and reported at amortized cost, which approximates fair value.

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

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**2. Receivables and Payables**

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

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The trade accounts receivable allowance for uncollectibles is based on an aging of past due accounts and historical collections. The property tax receivable allowance is equal to 74% and 77% of outstanding taxes at September 30, 2018, 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, 2018, was .531135 per \$100 of assessed valuation. The adjusted total tax levy for fiscal year 2018 was \$10,651,944, and \$10,447,474 was collected for a current collection rate of 98%.

**3. Inventories and Prepaid Items**

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

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

**CITY OF LUFKIN, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 SEPTEMBER 30, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**4. Restricted Assets**

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

**5. Capital Assets**

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

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

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

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

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

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

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

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

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

For the year ended September 30, 2018, the City has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The City reports the deferred outflows related to the deferred loss on refunding bonds issued in prior years on the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows and inflows related to the Texas Municipal Retirement System (TMRS) and the Firemen's Relief and Retirement Fund of Lufkin, Texas (Firemen's Fund) net pension liability and related to OPEB for TMRS are reported on the government-wide and proprietary fund statements of net position. The TMRS and Firemen's Fund deferred outflows and inflows are detailed in detail notes on all funds (K and L).

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

**7. Compensated Absences**

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

**8. Long-Term Obligations**

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

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

**9. Interfund Activity**

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**10. Fund Balances**

Fund balances of the governmental funds are classified as follows:

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

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

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

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

*Unassigned* - all other spendable amounts.

As of September 30, 2018, fund balances are composed of the following:

	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Nonspendable:				
Inventories	\$ 288,935	\$ -	\$ -	288,935
Prepaid items	6,027	-	-	6,027
Restricted:				
Public safety	-	-	214,607	214,607
Debt service	-	1,828,570	-	1,828,570
Capital projects	-	-	296,129	296,129
Other purposes	-	-	85,208	85,208
Committed:				
Financial operations	8,332,132	-	-	8,332,132
Other purposes	-	-	184,493	184,493
Assigned:				
2019 budget deficit	690,374	-	-	690,374
Other purposes	-	-	1,749,867	1,749,867
Unassigned	1,305,031	-	(111,970)	1,193,061
Total Fund Balances	<u>\$ 10,622,499</u>	<u>\$ 1,828,570</u>	<u>\$ 2,418,334</u>	<u>\$ 14,869,403</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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, 2018, the City has accumulated the following amounts in support of these policies:

FUND	POLICY AMOUNT	FUND TOTAL
Governmental Funds:		
General Fund - 25%	\$ 8,332,132	\$ 10,622,499
Hotel/Motel Tax Fund - 12.5%	155,840	123,017
Recreation Fund - 12.5%	39,487	100,827
Total Policy Reserves and Fund Balances	\$ <u>8,527,459</u>	\$ <u>10,846,343</u>

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

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

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

**12. Use of Estimates**

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

**13. Statement of Cash Flows**

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**14. 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.

**15. New Accounting Standard Adopted**

The City implemented GASB Statement No. 75, “Accounting and Financial Reporting and Postemployment Benefit Plans Other than Pensions”. This statement was issued in June 2015 and was effective for fiscal years beginning after June 15, 2017. The City has implemented the provisions of this statement for the year ended September 30, 2018. See Note N for more information.

**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 \$(51,938,607) are as follows:

Bonds payable	\$	(46,840,000)
Bond premiums		(1,850,886)
Deferred loss on refundings		1,543,806
Accrued interest payable		(179,345)
Compensated absences		<u>(4,612,182)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position of governmental activities	\$	<u><u>(51,938,607)</u></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 \$(426,263) difference are as follows:

Capital outlay	\$	1,355,960
Depreciation expense		<u>(1,782,223)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	\$	<u><u>(426,263)</u></u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

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

Another element of that reconciliation explains that "Current year pension expenditures are reported on the fiscal year basis in the funds, but as actuarially determined on the measurement date in the statement of activities." The details of this \$(212,976) difference are as follows:

Fiscal year 2018 contributions before December 31, 2017	\$ 804,184
Fiscal year 2018 contributions after December 31, 2017	2,566,920
Amortization of deferred outflows and inflows of resources	(775,429)
Recognition of pension plan expense	<u>(2,808,651)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (212,976)</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 during the year.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

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

**B. Excess Expenditures over Appropriations**

For the year ended September 30, 2018, total expenditures exceeded the budget in the General Fund by \$226,992. As a result, we will more closely monitor activities of the departments to allow for adjustments to be made to cover excess expenditures.

In addition, there were certain departments where expenditures exceeded appropriations as follows:

Department	Amount
City Administration	\$ 11,959
Human Resources	17,722
Non-departmental	19,039
Police	296,177
Fire	63,203
Inspection	9,965
Animal Control	35,947
Zoo	4,472
Planning and Zoning	14,080
Street	30,642

**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
Pines Theater Special Events Fund	\$ 30,865	The activities of this fund cross fiscal years. Events are prepaid causing expenditures to exceed revenues.
Insurance Loss Fund	39,351	Fiscal year 2018 was impacted by several losses causing excess expenditures in this fund.

**D. Compliance with Debt Ordinances**

Debt ordinances on all general obligation bonds require that income from tax revenues be segregated and deposited into the Debt Service Fund annually. The amount required is the next anticipated bond interest and principal payment, but such annual deposits shall never be less than 2% of the original bond principal. The City satisfactorily complied with the bond ordinance requirements during the year ended September 30, 2018 and had restricted debt service fund balance of \$1,828,570 at year end.

**DETAIL NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**1. Cash Deposits**

At September 30, 2018, the City's carrying amount for cash deposits including certificates of deposit was \$37,870,932 and the bank balance was \$39,301,225. 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, 2018**

**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 District 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.

Investments at September 30, 2018 consisted of the following:

	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
<b>Primary Government:</b>				
Non-negotiable certificates of deposits	\$ 32,505,000	\$ -	\$ -	-
TexPool investment pool	1,250,416	-	-	-
TexStar investment pool	127,652	-	-	-
Total primary government	<u>33,883,068</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Component Units:</b>				
<b>EDC:</b>				
Non-negotiable certificates of deposits	500,000	-	-	-
Land and improvements	4,361,190	-	4,361,190	-
TexPool investment pool	134,732	-	-	-
TexStar investment pool	13,754	-	-	-
Total EDC	<u>5,009,676</u>	<u>-</u>	<u>4,361,190</u>	<u>-</u>
<b>LCVB:</b>				
TexPool investment pool	93,877	-	-	-
TexStar investment pool	9,584	-	-	-
Total LCVB	<u>103,461</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>5,113,137</u>	<u>-</u>	<u>4,361,190</u>	<u>-</u>
Total investments	<u>\$ 38,996,205</u>	<u>\$ -</u>	<u>\$ 4,361,190</u>	<u>\$ -</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

All of the above items with a maturity dates of three months or less from the date of purchase and investment pools are included in cash equivalents for financial reporting purposes.

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

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

*Custodial Credit Risk - Deposits:* This is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City requires its deposits to be secured by pledged collateral with a fair value equal to or greater than 102% of the deposits, less any amount insured by the FDIC. At September 30, 2018, the City was not exposed to custodial credit risk for deposits.

*Concentration of Credit Risk:* This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not limit the amount it may invest in any one issuer. Investments in external investment pools are excluded from this disclosure by GASB 40. There were no issuers that exceeded 5% of total investments at September 30, 2018.

*Interest Rate Risk:* This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity to changes in interest rates. The City's investment policy limits investment maturities for each fund type as follows: 1) for operating funds and the internal investment fund - the weighted average days to maturity is limited to less than 300 days with a maximum allowable maturity of two years, 2) for construction, bond and loan funds – maturity limited to the anticipated cash flow requirements of the projects or the "temporary period" as defined by federal tax law whichever is shorter, 3) for debt service and bond reserve funds – maturity limited to debt payment dates, and 4) for depreciation funds – maturity limited to anticipated cash flow requirements. The weighted average maturities at September 30, 2018 for TexPool and TexSTAR were 28 days and 32 days, respectively.

*Investment Valuation*

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.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

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.

For the City and its component units, investment pools are measured at amortized cost and are exempt from fair value reporting.

**B. Receivables**

Receivables as of September 30, 2018 for the City’s governmental activities by individual major and nonmajor funds (governmental funds) and internal service funds in the aggregate, including the related allowances for uncollectible accounts are as follows:

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>NONMAJOR FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL</u>
Receivables:					
Taxes	\$ 554,093	\$ 244,883	\$ -	\$ -	\$ 798,926
Accounts	17,576,056	-	178,727	-	17,754,783
Other	127,396	24,987	313,178	71,639	537,200
Intergovernmental	1,154,011	-	109,984	-	1,263,995
Less allowance for uncollectibles	<u>(15,891,676)</u>	<u>(188,033)</u>	<u>(172,797)</u>	<u>-</u>	<u>(16,252,506)</u>
Total	<u>\$ 3,519,880</u>	<u>\$ 81,787</u>	<u>\$ 429,092</u>	<u>\$ 71,639</u>	<u>\$ 4,102,398</u>

At September 30, 2018, receivables for the City’s business-type activities by major fund are as follows:

	<u>WATER AND SEWER UTILITY FUND</u>	<u>SOLID WASTE DISPOSAL FUND</u>	<u>TOTAL</u>
Receivables:			
Accounts	\$ 3,004,250	\$ 1,038,284	\$ 4,042,534
Other	38,418	56,332	94,750
Less allowance for uncollectibles	<u>(540,503)</u>	<u>(192,519)</u>	<u>(733,022)</u>
Total	<u>\$ 2,502,165</u>	<u>\$ 902,097</u>	<u>\$ 3,404,262</u>

For the City’s component units, receivables at September 30, 2018, including the related allowances for uncollectible accounts, consisted of the following:

	<u>EDC</u>	<u>LCVB</u>	<u>TOTAL</u>
Receivables:			
Notes	\$ 3,122,499	\$ -	\$ 3,122,499
Taxes	98,571	117,047	215,618
Other	22,719	5,316	28,035
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,243,789</u>	<u>\$ 122,363</u>	<u>\$ 3,366,152</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

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

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Amounts due from and to other funds at September 30, 2018 consisted of the following:

<u>DUE FROM</u>	<u>DUE TO</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
	Special Revenue Funds:		
General Fund	Pines Theater Special Events Fund	\$ 26,005	Short-term advances
General Fund	Insurance Loss Fund	59,629	Short-term advances
	Internal Service Funds:		
General Fund	Group Health Insurance Fund	245,527	Short-term advances
	Capital Projects Funds:		
General Fund	Street Construction Fund	<u>148,285</u>	Short-term advances
		<u>\$ 479,446</u>	

Transfers at September 30, 2018 consisted of the following:

<u>TRANSFER OUT</u>	<u>TRANSFER IN</u>					<u>TOTAL</u>
	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>WATER AND SEWER UTILITY FUND</u>	
General Fund	\$ -	\$ -	126,476	\$ 165,000	\$ -	\$ 291,476
Nonmajor Governmental Water and Sewer Utility Fund	178,368	-	70,000	-	-	248,368
Solid Waste Disposal Fund	100,000	3,546,645	62,500	60,000	2,107,905	5,877,050
	<u>142,538</u>	<u>56,200</u>	<u>177,500</u>	<u>-</u>	<u>-</u>	<u>376,238</u>
<b>TOTAL</b>	<u>\$ 420,906</u>	<u>\$ 3,602,845</u>	<u>\$ 436,476</u>	<u>\$ 225,000</u>	<u>\$ 2,107,905</u>	<u>\$ 6,793,132</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:

	<u>BOND RESERVE</u>	<u>CONSTRUCTION</u>	<u>RENEWAL AND REPLACEMENT</u>	<u>OPERATIONS</u>	<u>TOTAL</u>
	Cash and cash equivalents	\$ 1,649	\$ 401,118	\$ 663,134	\$ -
Investments	-	1,000,000	8,500,000	-	9,500,000
Investments - customer deposits	-	-	-	284,972	284,972
Interest receivable	<u>21</u>	<u>18,092</u>	<u>117,667</u>	<u>-</u>	<u>135,780</u>
<b>Total Restricted Assets</b>	<u>\$ 1,670</u>	<u>\$ 1,419,210</u>	<u>\$ 9,280,801</u>	<u>\$ 284,972</u>	<u>\$ 10,986,653</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**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, 2018.

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	\$	895,009
Capitalized Contract for Water Rights:		
50 year contract		220,000
40 year contract		305,600
Water Rights in Sam Rayburn Reservoir	\$	1,420,609

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**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, 2018 was as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Capital assets not being depreciated:				
Land	\$ 4,451,060	\$ -	\$ -	\$ 4,451,060
Infrastructure	67,816,479	110,601	-	67,927,080
Works of art	278,500	-	-	278,500
Construction in progress	2,948,685	850,075	(2,934,481)	864,279
Total capital assets not being depreciated	<u>75,494,724</u>	<u>960,676</u>	<u>(2,934,481)</u>	<u>73,520,919</u>
Capital assets being depreciated:				
Buildings	22,485,451	1,643,055	-	24,128,506
Improvements other than buildings	21,178,327	1,282,047	-	22,460,374
Machinery and equipment	16,968,007	344,177	(124,341)	17,187,843
Vehicles	13,194,207	1,937,706	(880,024)	14,251,889
Total capital assets being depreciated	<u>73,825,992</u>	<u>5,206,985</u>	<u>(1,004,365)</u>	<u>78,028,612</u>
Less accumulated depreciation for:				
Buildings	(8,163,340)	(507,394)	-	(8,670,734)
Improvements other than buildings	(8,071,333)	(737,647)	-	(8,808,980)
Machinery and equipment	(11,912,015)	(966,896)	119,418	(12,759,493)
Vehicles	(8,806,518)	(1,287,377)	834,158	(9,259,737)
Total accumulated depreciation	<u>(36,953,206)</u>	<u>(3,499,314)</u>	<u>953,576</u>	<u>(39,498,944)</u>
Total capital assets being depreciated, net	<u>36,872,786</u>	<u>1,707,671</u>	<u>(50,789)</u>	<u>38,529,668</u>
Governmental activities capital assets, net	\$ <u>112,367,510</u>	\$ <u>2,668,347</u>	\$ <u>(2,985,270)</u>	112,050,587
Governmental activities, capital related debt				<u>(46,840,000)</u>
Governmental activities, net investment in capital assets				<u>\$ 65,210,587</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Capital assets not being depreciated:				
Land	\$ 4,392,785	\$ -	\$ -	\$ 4,392,785
Water rights	3,988,547	18,876	-	4,007,423
Construction in progress	<u>628,669</u>	<u>1,125,419</u>	<u>(1,583,153)</u>	<u>170,935</u>
Total capital assets not being depreciated	<u>9,010,001</u>	<u>1,144,295</u>	<u>(1,583,153)</u>	<u>8,571,143</u>
Capital assets being depreciated:				
Buildings	5,706,060	-	-	5,706,060
Improvements other than buildings	86,140,768	584,949	(143,050)	86,582,667
Machinery and equipment	17,345,060	1,072,118	(118,530)	18,298,648
Vehicles	1,482,666	147,870	(110,000)	1,520,536
Total capital assets being depreciated	<u>110,674,554</u>	<u>1,804,937</u>	<u>(371,580)</u>	<u>112,107,911</u>
Less accumulated depreciation for:				
Buildings	(2,782,542)	(121,577)	-	(2,904,119)
Improvements other than buildings	(34,684,214)	(1,888,358)	67,726	(36,504,846)
Machinery and equipment	(14,628,183)	(512,236)	118,531	(15,021,888)
Vehicles	(1,272,483)	(58,049)	110,000	(1,220,532)
Total accumulated depreciation	<u>(53,367,422)</u>	<u>(2,580,220)</u>	<u>296,257</u>	<u>(55,651,385)</u>
Total capital assets being depreciated, net	<u>57,307,132</u>	<u>(775,282)</u>	<u>(75,324)</u>	<u>56,456,526</u>
Business-type activities capital assets, net	<u>\$ 66,317,133</u>	<u>\$ 369,013</u>	<u>\$ (1,658,477)</u>	65,027,669
Business-type activities, capital related debt				<u>(7,662)</u>
Business-type activities, net investment in capital assets				<u>\$ 65,020,007</u>

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

	<u>TOTAL</u>
Governmental activities:	
General government	\$ 243,776
Public safety	502,392
Cultural and recreation	586,962
Public works	449,093
Capital assets held by the government's internal service funds are charged to activities based on their equipment rental	<u>1,717,091</u>
Total governmental activities	<u>\$ 3,499,314</u>
Business-type activities:	
Water and sewer	\$ 2,450,711
Solid waste disposal	<u>129,509</u>
Total business-type activities	<u>\$ 2,580,220</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**4. Construction and Other Commitments**

The government has active construction and maintenance projects as of September 30, 2018. 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, 2018, the City's commitments on construction projects are as follows:

PROJECT	EXPENDED TO DATE	REMAINING COMMITMENT	FUNDING SOURCE
ScanFlow Store Upgrade	\$ 13,047	\$ 7,753	Street Construction Fund
Inez Tims Detention Pond	264,095	10,905	Street Construction Fund
Sybil Street	532,933	11,980	Street Construction Fund
Library Internet Upgrade	39,974	4,827	Street Construction Fund
Sybil Street	66,767	27,241	2013 Certificate of Obligation Fund
Chlorine Contact Basin	36,917	883,083	Water/Wastewater Depreciation Fund
Arena Street	26,719	81	Water/Wastewater Depreciation Fund
Card Drive	40,532	208	Water/Wastewater Depreciation Fund
Total	<u>\$ 1,020,984</u>	<u>\$ 946,078</u>	

**F. Current Liabilities**

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

Accounts/claims payable in the governmental activities are all for amounts due vendors. The governmental activities accrued liabilities are composed of accrued salaries and benefits of \$366,685 and other accrued liabilities of \$419,255. The business-type activities accounts/claims payable are all for amounts due vendors. The business-type activities payable from restricted assets includes accounts/claims payable of \$26,640 for amounts due vendors and \$284,972 for customer deposits. The business-type activities accrued liabilities are composed of accrued salaries and benefits of \$63,738 and other accrued liabilities of \$85,203.

**2. Compensated Absences**

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

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

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**G. Long-term Debt**

**1. General Obligation Bonds Payable**

General obligation bonds payable at September 30, 2018 are comprised of the following individual issues:

\$17,400,000 Series 2009 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation due in annual installments of \$600,000 to \$1,100,000 through February 15, 2034; interest at 2.50% to 5.00%.	\$ 700,000
\$9,145,000 Series 2010 Tax and Waterworks and Sewer System Revenue Certificates of Obligation due in annual installments of \$305,000 to \$650,000 through August 15, 2031; interest at 2.00% to 4.00%.	3,615,000
\$12,130,000 Series 2010 General Obligation Refunding bonds due in annual installments of \$610,000 to \$1,340,000 through August 15, 2021; interest at 2.00% to 4.00%.	3,300,000
\$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%.	3,825,000
\$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%.	5,575,000
\$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%.	4,035,000
\$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%.	3,630,000
\$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%.	4,460,000
\$9,080,000 Series 2016 General Obligation Refunding Bonds due in annual installments of \$50,000 to \$1,105,000 through August 15, 2034; interest at 3.00% to 5.00%.	8,530,000
\$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%.	<u>9,170,000</u>
Total general obligation bonds payable	<u>\$ 46,840,000</u>

The City expended \$1,470,817 for interest on general obligation bonds for the year ended September 30, 2018.

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

YEAR ENDING SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2019	\$ 5,265,000	\$ 1,352,146	\$ 6,617,146
2020	5,385,000	1,208,620	6,593,620
2021	4,880,000	1,054,221	5,934,221
2022	3,980,000	900,845	4,880,845
2023	3,205,000	795,615	4,000,615
2024-2028	13,835,000	2,639,962	16,474,962
2029-2033	9,495,000	819,615	10,314,615
2034	795,000	11,925	806,925
TOTAL	<u>\$ 46,840,000</u>	<u>\$ 8,782,949</u>	<u>\$ 55,622,949</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**2. Notes Payable**

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

YEAR ENDING SEPTEMBER 30,	BUSINESS-TYPE ACTIVITIES			COMPONENT UNITS		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2019	\$ 7,662	\$ 194	\$ 7,856	\$ 150,918	\$ 28,147	\$ 179,065
2020	-	-	-	157,785	21,280	179,065
2021	-	-	-	164,966	14,100	179,066
2022	-	-	-	189,141	6,593	195,734
<b>TOTAL</b>	<b>\$ 7,662</b>	<b>\$ 194</b>	<b>\$ 7,856</b>	<b>\$ 662,810</b>	<b>\$ 70,120</b>	<b>\$ 732,930</b>

The City has acquired storage space in Sam Rayburn Reservoir by issuing notes payable. The space purchased is pledged as collateral for the notes payable. The amount of the notes payable for storage space at September 30, 2018 was \$7,662.

The City expended \$383 for interest on notes payable for business-type activities for the year ended September 30, 2018.

The EDC has entered into financing agreements with an industry. As a part of the agreement, the EDC has acquired notes for the improvements for this industry. The amount of the notes payable at September 30, 2018 was \$662,810.

The City expended \$27,249 for interest on notes payable for the component units for the year ended September 30, 2018.

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

**Primary Government**

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Bonds Payable:					
General obligation bonds	\$ 52,045,000	\$ -	\$ (5,205,000)	\$ 46,840,000	\$ 5,265,000
Bond premiums	1,999,072	-	(148,186)	1,850,886	148,186
Compensated absences	4,041,031	571,151	-	4,612,182	1,374,219
Total	\$ 58,085,103	\$ 571,151	\$ (5,353,186)	\$ 53,303,068	\$ 6,787,405
BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Notes payable	\$ 14,977	\$ -	\$ (7,315)	\$ 7,662	\$ 7,662
Compensated absences	366,686	-	(2,997)	363,689	137,105
Total	\$ 381,663	\$ -	\$ (10,312)	\$ 371,351	\$ 144,767

**Component Units**

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Notes payable	\$ 814,626	\$ -	\$ (151,816)	\$ 662,810	\$ 150,918
Compensated absences	10,299	24,574	-	34,873	-
Total	\$ 824,925	\$ 24,574	\$ (151,816)	\$ 697,683	\$ 150,918

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**4. Defeased Debt**

Defeased debt at September 30, 2018 was \$7,125,000 related to the 2016 advance refunding and \$9,225,000 related to the 2017 advance refunding for total defeased debt of \$16,350,000.

**5. Debt Issuance Costs**

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

**6. Deferred Loss on Refundings**

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

**H. Deferred Inflows of Resources**

Deferred inflows of resources at September 30, 2018 on the governmental funds balance sheet consisted of the following:

	AMOUNT
Unavailable ad valorem taxes	\$ 202,437
Unavailable fines and forfeitures	715,809
Unavailable EMS/Ambulance charges	1,297,115
Unavailable miscellaneous billings	85,842
Unavailable interest income	187,198
Total unavailable revenues	\$ 2,488,401

**I. Risk Management**

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**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 \$3,000,000 for liability insurance. City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed the coverage during each of the past three fiscal years.

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

The Plan provides coverage of up to \$125,000 for each individual. The City has reinsurance agreements for the plan years. Such agreements generally provide for a stop loss per individual. At September 30, 2018, the individual stop loss amount was \$125,000.

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

The City accounts for the transactions of the plan in the Group Health Insurance fund, an internal service fund. At September 30, 2018, the City had recorded a liability of \$321,132 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,
2016	\$ 361,065	\$ 4,015,172	\$ 3,929,041	\$ 447,196
2017	447,196	3,862,257	4,114,625	194,828
2018	194,828	5,368,686	5,242,382	321,132

**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, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

**K. Defined Benefit Pension Plans**

**1. Texas Municipal Retirement System**

**A. Plan Description**

The City of Lufkin participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**B. Benefits Provided**

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

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

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

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

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	222
Inactive employees entitled to but not yet receiving benefits	161
Active employees	366
	749

**C. Contributions**

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lufkin were 16.62% and 16.64% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$2,779,508, and were equal to the required contributions.

**D. Net Pension Liability**

The City's net pension liability (NPL) was measured as of December 31, 2017, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

***Actuarial Assumptions:***

The TPL in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
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, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for health annuitants and Annuity Purchase Rates (APR) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the EAN actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	<u>100.0%</u>	

***Discount Rate***

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

***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, 2016	\$ 95,332,823	\$ 75,486,367	\$ 19,846,456
Changes for the year:			
Service cost	2,582,456	-	2,582,456
Interest	6,388,272	-	6,388,272
Change of benefit terms	-	-	-
Difference between expected and actual experience	(48,701)	-	(48,701)
Changes of assumptions	-	-	-
Contributions - Employer	-	2,732,648	2,732,648
Contributions - Employee	-	1,152,313	1,152,313
Net investment income	-	10,461,909	10,461,909
Benefit payments, including refunds of employee contributions	(3,965,957)	(3,965,957)	-
Administrative expense	-	(54,219)	(54,219)
Other changes	-	(2,748)	(2,748)
Net changes	<u>4,956,070</u>	<u>10,323,946</u>	<u>(5,367,876)</u>
Balance at December 31, 2017	<u>\$ 100,288,893</u>	<u>\$ 85,810,313</u>	<u>\$ 14,478,580</u>

***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-percent lower (5.75%) or 1-percent higher (7.75%) than the current rate:

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

	1% DECREASE IN DISCOUNT RATE (5.75%)	DISCOUNT RATE (6.75%)	1% INCREASE IN DISCOUNT RATE (7.75%)
Net pension liability	\$ 28,396,358	\$ 14,478,580	\$ 3,024,048

***Pension Plan Fiduciary Net Position***

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

***Financial Statement Breakdown***

The City's NPL at September 30, 2018 is included in the financial statements as follows:

Governmental activities	\$ 11,548,371
Business-type activities	2,837,692
Component units	92,517
Total	\$ 14,478,580

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

For the year ended September 30, 2018, the City recognized pension expense of \$2,866,688.

At September 30, 2018, 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	\$ 42,870	\$ 131,722
Changes in actuarial assumptions	220,772	-
Difference between projected and actual investment earnings	-	2,188,427
Contributions subsequent to the measurement date	2,121,638	-
Total	\$ 2,385,280	\$ 2,320,149

The City reported \$2,121,638 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, 2019. 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,	
2018	\$ 199,238
2019	(97,569)
2020	(1,084,139)
2021	(1,074,037)
Total	\$ (2,056,507)

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

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

**A. Plan Description**

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

**B. Benefits Provided**

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

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

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

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	61
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>77</u>
	<u>140</u>

**C. Contributions**

The contribution rates for member are determined by the members, and the City rate is based on the City's rate for TMRS plus 6.20% as adopted by the governing body of the City.

Members were required to contribute 14.20% of their annual gross earnings for calendar years 2017 and 2018. The contributions rate for the City was 23.02% for January 1, 2017 through September 30, 2017. The rate was 23.00% effective October 1, 2017. The City's contributions for the year ended September 30, 2018 were \$1,195,026 and were equal to the required contributions.

**D. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date and rolled forward to December 31, 2017.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

***Actuarial Assumptions:***

The TPL in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of an actuarial experience study for the period 2006 through 2014. Salary increases were based on historical comparison to similar plans; however, the Plan's Board of Trustees does not believe the actual rate increase to be substantially different from this assumption. Assumptions are reviewed annually. For the valuation as of December 31, 2016, the mortality assumption was based on the RP-2000 Combined Healthy Mortality Tables for males and females (sex distinct) projected by scale AA to 2024.

The long-term expected rate of return on pension plan investments is reviewed 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 and by adding expected inflation. In addition, the final 7.50% assumption was selected by "rounding down" and thereby reflects a reduction of 0.06% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class as of December 31, 2016 actuarial valuation are summarized in the following table:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)</u>
Equities		
Large/all cap domestic	21.00%	5.79%
Small/mid cap domestic	8.00%	6.29%
International developed	13.00%	6.29%
Emerging markets	6.00%	7.79%
Specialty		
Income opportunity	9.00%	4.49%
Real estate	3.00%	4.29%
Master limited partnership	4.00%	7.79%
Global convertibles	5.00%	3.29%
Fixed Income		
Domestic core	19.00%	1.29%
Domestic high yield	9.00%	2.79%
Global	3.00%	1.79%
Total	<u>100.00%</u>	

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

***Discount Rate***

The discount rate used to measure the TPL was 7.50%. No projection of cash flows was used to determine the discount rate because the December 31, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 33 years. Because of the 33 year amortization period, the pension plan's Fiduciary Net Position is expected to be available to make all projected future benefit payments of all current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

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

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

	TOTAL PENSION LIABILITY	INCREASE (DECREASE) PLAN FIDUCIARY NET POSITION	NET PENSION LIABILITY
	(A)	(B)	(A) - (B)
Balance at December 31, 2016	\$ 32,463,671	\$ 14,335,797	\$ 18,127,874
Changes for the year:			
Service cost	744,133	-	744,133
Interest	2,429,092	-	2,429,092
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions – Employer	-	1,178,934	(1,178,934)
Contributions - Employee	-	727,352	(727,352)
Net investment income	-	1,877,559	(1,877,559)
Benefit payments, including refunds of employee contributions	(1,639,827)	(1,639,827)	-
Administrative expense	-	(35,273)	35,273
Other changes	-	-	-
Net changes	1,533,398	2,108,745	(575,347)
Balance at December 31, 2017	\$ 33,997,069	\$ 16,444,542	\$ 17,552,527

***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 7.5%, as well as what the NPL would be if it were calculated using a discount rate that is 1-percent lower (6.5%) or 1-percent higher (8.5%) than the current rate:

	1% DECREASE IN DISCOUNT RATE (6.5%)	DISCOUNT RATE (7.5%)	1% INCREASE IN DISCOUNT RATE (8.5%)
Net pension liability	\$ 21,308,265	\$ 17,552,527	\$ 14,369,634

***Pension Plan Fiduciary Net Position***

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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

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

For the year ended September 30, 2018, the City recognized pension expense of \$1,312,079.

At September 30, 2018, 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	\$ 75,732	\$	995,814
Changes in actuarial assumptions	140,528		562,756
Difference between projected and actual investment earnings	2,397		-
Contributions subsequent to the measurement date	905,889		-
Total	\$ 1,124,546	\$	1,558,570

The City reported \$905,889 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, 2019. 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,	
2019	\$ (85,211)
2020	(143,613)
2021	(531,423)
2022	(537,956)
2023	(41,710)
Total	\$ (1,339,913)

**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.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS - CONTINUED**

***Employees covered by benefit terms***

At September 30, 2018, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>120</u>
	<u><u>143</u></u>

**C. Total OPEB Liability**

The City's total OPEB liability of \$4,402,829 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

***Actuarial assumptions and other inputs***

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

Salary scale	3.50%
Discount rate	4.06% (1.06% real rate of return plus 3.00% inflation)
Healthcare cost trends	5.00% level
Retiree contributions	Retiree paying balance of premium after City subsidy
Mortality	RPH-2014 Total Table with Projection MP-2018
Turnover	Rates vary based on gender, age, and selection and ultimate at 9 years.

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

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

	<u>TOTAL OPEB LIABILITY</u>
Balance October 1, 2017	\$ <u>4,309,278</u>
Changes for the year:	
Service cost	83,552
Interest	174,999
Benefit payments	<u>(165,000)</u>
Net changes	93,551
Balance at September 30, 2018	\$ <u><u>4,402,829</u></u>

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

The following represent the total OPEB liability, calculated using the discount rate of 4.06%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percent lower (3.06%) or 1-percent higher (5.06%) than the current rate:

	<u>1% DECREASE IN DISCOUNT RATE (3.06%)</u>	<u>DISCOUNT RATE (4.06%)</u>	<u>1% INCREASE IN DISCOUNT RATE (5.06%)</u>
Total OPEB liability	\$ 4,717,268	\$ 4,402,829	\$ 4,408,254

**CITY OF LUFKIN, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 SEPTEMBER 30, 2018**

**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 of 5.0%, as well as what the total OPEB liability would be if it were calculated using a trend rate that is 1-percent lower (4.00%) or 1-percent higher (6.00%) than the current rate:

		1% DECREASE IN HEALTHCARE COST TREND RATE (4.00%)		CURRENT HEALTHCARE COST TREND RATE (5.00%)		1% INCREASE IN HEALTHCARE COST TREND RATE (6.00%)
Total OPEB liability	\$	4,025,640	\$	4,402,829	\$	4,857,705

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$258,551. There were no deferred outflows of resources or deferred inflows of resources at September 30, 2018.

**2. Supplemental Death Benefits Fund**

**A. Plan Description**

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

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

***Benefits Provided***

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

***Employees covered by benefit terms***

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	173
Inactive employees entitled to but not yet receiving benefits	34
Active employees	366
	573

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

**B. Total OPEB Liability**

The City’s total OPEB liability of \$1,119,244 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

***Actuarial assumptions and other inputs***

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Projected salary increases	3.50% to 10.50% including inflation
Discount rate	3.31%
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 RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. 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 BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation.

The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” as of December 31, 2017.

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

	<u>TOTAL OPEB LIABILITY</u>
Balance December 31, 2016	\$ <u>961,739</u>
Changes for the year:	
Service cost	41,122
Interest	36,976
Changes in assumptions or other inputs	87,631
Benefit payments	<u>(8,224)</u>
Net changes	157,505
Balance at December 31, 2017	\$ <u>1,119,244</u>

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

***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 3.31%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percent lower (2.31%) or 1-percent higher (4.31%) than the current rate:

	<u>1% DECREASE IN DISCOUNT RATE (2.31%)</u>	<u>DISCOUNT RATE (3.31%)</u>	<u>1% INCREASE IN DISCOUNT RATE (4.31%)</u>
Total OPEB liability	\$ 1,343,032	\$ 1,119,244	\$ 944,564

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$94,570. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Differences between expected and actual economic experience	\$ -	\$ -
Changes in assumptions and other inputs	71,159	-
Contributions made subsequent to the measurement date	26,775	-
Total	<u>\$ 97,934</u>	<u>\$ -</u>

The City reported \$26,775 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>PLAN YEAR ENDED DECEMBER 31,</u>	
2019	\$ 16,472
2020	16,472
2021	16,472
2022	16,472
2023	5,271
Total	<u>\$ 71,159</u>

**M. Tax Abatements**

The City participated in multiple agreements during fiscal year 2018 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.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**DETAIL NOTES ON ALL FUNDS – CONTINUED**

**N. Change in Accounting Principle**

Effective October 1, 2017, the City implemented GASB Statement No. 75, as discussed in Summary of Significant Accounting Policies Note D. 15. This statement requires numerous new OPEB disclosures and two new required supplementary information schedules. Also, the City is required to report deferred outflows of resources, deferred inflows of resources and a total OPEB liability as well as recognize OPEB expense. The City amounts reported and recognized are the City's deferred outflows of resources, deferred inflows of resources, total OPEB liability and OPEB expense of the SDBF and Retiree Health Insurance Fund. The City reported a cumulative effect of a change in accounting principle as a result of the implementation of this statements.

The effect of the change was a reduction in net position at October 1, 2017 on the government-wide Statement of Activities for governmental, business-type and component units activities of \$2,882,914, \$494,458 and \$3,802, respectively. The reduction in net position on the proprietary fund statements was \$383,019 and 111,439 for the Water and Sewer and Solid Waste funds, respectively.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LUFKIN, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 CONDITION RATING OF THE CITY'S STREET SYSTEM  
 SEPTEMBER 30, 2018**

The City performed a complete inventory and condition assessment during the fiscal year 2018. 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:

<u>CONDITION</u>	<u>RATING</u>
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:

<u>CONDITION</u>	<u>PERCENTAGE OF STREETS</u>		
	<u>2018</u>	<u>2016</u>	<u>2014</u>
Excellent to Good	30%	27%	38%
Fair to Good	42%	39%	39%
Substandard	28%	30%	23%

	<u>PERCENTAGE OF LANE-MILES IN EXCELLENT TO VERY GOOD CONDITION</u>		
	<u>2018</u>	<u>2016</u>	<u>2014</u>
Collector Streets	52%	55%	11%
Residential Streets	31%	29%	27%

	<u>PERCENTAGE OF LANE-MILES IN SUBSTANDARD CONDITION</u>		
	<u>2018</u>	<u>2016</u>	<u>2014</u>
Collector Streets	20%	13%	11%
Residential Streets	24%	19%	22%

The average rating for the City's streets at September 30, 2018 was 65; this rating remained flat 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). It is the City of Lufkin's policy to maintain 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, 2018**

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>
2018	\$	3,850	\$	3,881
2017		4,248		4,071
2016		4,133		3,679
2015		3,650		3,290
2014		3,937		3,414

**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**

	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service cost	\$ 2,582,456	\$ 2,515,515	\$ 2,299,919	\$ 2,123,077
Interest (on the total pension liability)	6,388,272	6,052,902	5,894,713	5,650,445
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(48,701)	83,312	(192,026)	(776,242)
Change of assumptions	-	-	948,593	-
Benefit payments, including refunds of employee contributions	(3,965,957)	(3,467,542)	(3,725,580)	(3,466,727)
Net change in total pension liability	4,956,070	5,184,187	5,225,619	3,530,553
Total pension liability - beginning	95,332,823	90,148,636	84,923,017	81,392,464
Total pension liability - ending (a)	<u>\$ 100,288,893</u>	<u>\$ 95,332,823</u>	<u>\$ 90,148,636</u>	<u>\$ 84,923,017</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 2,732,648	\$ 2,520,598	\$ 2,509,431	\$ 2,486,016
Contributions - employee	1,152,313	1,122,282	1,086,453	1,034,606
Net investment income	10,461,909	4,771,526	104,308	3,824,460
Benefit payments, including refunds of employee contributions	(3,965,957)	(3,467,542)	(3,725,580)	(3,466,727)
Administrative expense	(54,219)	(53,883)	(63,532)	(39,929)
Other	(2,748)	(2,903)	(3,138)	(3,283)
Net change in plan fiduciary net position	10,323,946	4,890,078	(92,058)	3,835,143
Plan fiduciary net position - beginning	75,486,367	70,596,289	70,688,347	66,853,204
Plan fiduciary net position - ending (b)	<u>\$ 85,810,313</u>	<u>\$ 75,486,367</u>	<u>\$ 70,596,289</u>	<u>\$ 70,688,347</u>
Net pension liability - ending (a) - (b)	<u>\$ 14,478,580</u>	<u>\$ 19,846,456</u>	<u>\$ 19,552,347</u>	<u>\$ 14,234,670</u>
Plan fiduciary net position as a percentage of total pension liability	85.56%	79.18%	78.31%	83.24%
Covered payroll	\$ 16,448,764	\$ 16,032,603	\$ 15,446,063	\$ 14,772,880
Net pension liability as a percentage of covered payroll	88.02%	123.79%	126.58%	96.36%

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

Note: Only four years of data are presented in accordance with GASB No. 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."

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,779,508	\$ 2,668,749	\$ 2,606,843	\$ 2,507,504
Contributions in relation to actuarially determined contribution	<u>(2,779,508)</u>	<u>(2,668,749)</u>	<u>(2,606,843)</u>	<u>(2,507,504)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 16,708,530	\$ 16,261,675	\$ 16,454,792	\$15,328,570
Contributions as a percentage of covered payroll	16.64%	16.41%	15.84%	16.36%

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, 2017 - December 31, 2017.

Note: Only four 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."

**CITY OF LUFKIN, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SEPTEMBER 30, 2018**

**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	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% 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 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**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**

	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service cost	\$ 744,133	\$ 717,504	\$ 696,606	\$ 648,006
Interest (on the total pension liability)	2,429,092	2,502,453	2,373,987	2,282,146
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(1,480,396)	-	227,196
Change of assumptions	-	(836,604)	-	-
Administrative expense				421,584
Benefit payments, including refunds of employee contributions	(1,639,827)	(2,175,654)	(1,974,776)	(1,437,981)
Net change in total pension liability	1,533,398	(1,272,697)	1,095,817	2,140,951
Total pension liability - beginning	32,463,671	33,736,368	32,640,551	30,499,600
Total pension liability - ending (a)	<u>\$ 33,997,069</u>	<u>\$ 32,463,671</u>	<u>\$ 33,736,368</u>	<u>\$ 32,640,551</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 1,178,934	\$ 1,112,799	\$ 1,146,462	\$ 1,094,156
Contributions - employee	727,352	718,762	666,247	627,405
Net investment income	1,877,559	982,695	(336,255)	714,645
Benefit payments, including refunds of employee contributions	(1,639,827)	(2,175,654)	(1,974,776)	(1,437,981)
Administrative expense	(35,273)	(25,850)	(43,114)	(28,082)
Other	-	-	-	-
Net change in plan fiduciary net position	2,108,745	612,752	(541,436)	970,143
Plan fiduciary net position - beginning	14,335,797	13,723,045	14,264,481	13,294,338
Plan fiduciary net position - ending (b)	<u>\$ 16,444,542</u>	<u>\$ 14,335,797</u>	<u>\$ 13,723,045</u>	<u>\$ 14,264,481</u>
Net pension liability - ending (a) - (b)	<u>\$ 17,552,527</u>	<u>\$ 18,127,874</u>	<u>\$ 20,013,323</u>	<u>\$ 18,376,070</u>
Plan fiduciary net position as a percentage of total pension liability	48.40%	44.20%	40.70%	43.70%
Covered payroll	\$ 5,122,197	\$ 5,061,704	\$ 5,047,326	\$ 4,753,068
Net pension liability as a percentage of covered payroll	342.70%	358.10%	396.50%	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 four 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.

Determined from the beginning of year total pension liability, using the roll forward procedures allowed by GASB 68.

**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**

	2018
<b>Total OPEB Liability</b>	
Service cost	\$ 41,122
Interest (on the total OPEB liability)	36,976
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	87,631
Benefit payments	(8,224)
Net change in total OPEB liability	157,505
Total OPEB liability - beginning	961,739
Total OPEB liability - ending	\$ 1,119,244
Covered-employee payroll	\$ 16,448,764
Total OPEB liability as a percentage of covered-employee payroll	6.80%

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

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

Notes to Schedule:

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

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

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

	2018
<b>Total OPEB Liability</b>	
Service cost	\$ 83,552
Interest (on the total OPEB liability)	174,999
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	-
Benefit payments	(165,000)
Net change in total OPEB liability	93,551
Total OPEB liability - beginning	4,309,278
Total OPEB liability - ending	\$ 4,402,829
Covered-employee payroll	\$ 6,824,675
Total OPEB liability as a percentage of covered-employee payroll	64.51%

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

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

Notes to Schedule:

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

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

## **SUPPLEMENTAL INFORMATION**

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**SEPTEMBER 30, 2018**

	ECONOMIC DEVELOPMENT CORPORATION	LUFKIN CONVENTION AND VISITORS BUREAU	TOTAL COMPONENT UNITS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 591,750	\$ 412,312	\$ 1,004,062
Investments:			
Certificates of deposit	500,000	-	500,000
Land and improvements	4,361,190	-	4,361,190
Receivables - net	121,290	122,363	243,653
Notes receivable	3,122,499	-	3,122,499
Total Assets	<u>8,696,729</u>	<u>534,675</u>	<u>9,231,404</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	3,247	9,053	12,300
Deferred OPEB outflows	617	1,028	1,645
Total Deferred Outflows of Resources	<u>3,864</u>	<u>10,081</u>	<u>13,945</u>
<b>LIABILITIES</b>			
Accounts/claims payable	3,880	297	4,177
Accrued interest	7,594	-	7,594
Accrued liabilities	2,775	3,886	6,661
Deposits	20,000	-	20,000
Noncurrent liabilities:			
Due within one year	150,918	-	150,918
Due in more than one year	520,381	26,384	546,765
Total OPEB liability	7,051	43,657	50,708
Net pension liability	41,566	50,951	92,517
Total Liabilities	<u>754,165</u>	<u>125,175</u>	<u>879,340</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	14,577	21,963	36,540
Total Deferred Inflows of Resources	<u>14,577</u>	<u>21,963</u>	<u>36,540</u>
<b>NET POSITION</b>			
Unrestricted	7,931,851	397,618	8,329,469
Total Net Position	<u>\$ 7,931,851</u>	<u>\$ 397,618</u>	<u>\$ 8,329,469</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

FUNCTIONS/PROGAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	ECONOMIC DEVELOPMENT CORPORATION	LUFKIN CONVENTION AND VISITORS BUREAU	TOTAL
Economic Development Corporation	\$ 1,867,641	\$ -	\$ -	\$ (1,867,641)	\$ -	\$ (1,867,641)
Lufkin Convention and Visitors Bureau	500,706	-	-	-	(500,706)	(500,706)
Total	\$ 2,368,347	\$ -	\$ -	(1,867,641)	(500,706)	(2,368,347)
General Revenues:						
Sales taxes				1,240,255	-	1,240,255
Other taxes				-	456,333	456,333
Unrestricted investment earnings				106,167	6,701	112,868
Miscellaneous revenues				-	126,683	126,683
Total General Revenues				1,346,422	589,717	1,936,139
Change in Net Position				(521,219)	89,011	(432,208)
Net Position - Beginning				8,455,055	310,424	8,765,479
Prior Period Adjustment				(1,985)	(1,817)	(3,802)
Net Position - Restated				8,453,070	308,607	8,761,677
Net Position - Ending				\$ 7,931,851	\$ 397,618	\$ 8,329,469

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

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

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

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

FEMA Grant Fund - To account for FEMA Grant.

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

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

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

### **CAPITAL PROJECTS FUNDS**

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

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

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

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

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

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

### **INTERNAL SERVICE FUNDS**

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

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

**CITY OF LUFKIN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 839,418	\$ 296,129	\$ 1,135,547
Investments	1,500,000	-	1,500,000
Receivables:			
Accounts	178,727	-	178,727
Intergovernmental	10,936	99,048	109,984
Other	309,376	3,802	313,178
Allowance for uncollectibles	(172,797)	-	(172,797)
Total assets	<u>\$ 2,665,660</u>	<u>\$ 398,979</u>	<u>\$ 3,064,639</u>
<b>LIABILITIES</b>			
Accounts/claims payable	\$ 163,337	\$ 61,295	\$ 224,632
Accrued liabilities	122,780	-	122,780
Due to other funds	85,634	148,285	233,919
Customer deposits	23,727	-	23,727
Total Liabilities	<u>395,478</u>	<u>209,580</u>	<u>605,058</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	36,007	5,240	41,247
Total Deferred Inflows of Resources	<u>36,007</u>	<u>5,240</u>	<u>41,247</u>
<b>FUND BALANCES</b>			
Restricted	299,815	296,129	595,944
Committed	184,493	-	184,493
Assigned	1,749,867	-	1,749,867
Unassigned	-	(111,970)	(111,970)
Total Fund Balances	<u>2,234,175</u>	<u>184,159</u>	<u>2,418,334</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,665,660</u>	<u>\$ 398,979</u>	<u>\$ 3,064,639</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:			
Other taxes	\$ 1,086,878	\$ -	\$ 1,086,878
Charges for services	1,012,725	-	1,012,725
Investment earnings	30,163	1,083	31,246
Intergovernmental	323,696	267,855	591,551
Other revenues	406,213	99,913	506,126
Total Revenues	<u>2,859,675</u>	<u>368,851</u>	<u>3,228,526</u>
Expenditures:			
Current:			
General government	371,487	-	371,487
Public safety	472,185	-	472,185
Cultural and recreation	1,973,677	-	1,973,677
Capital outlay:			
General government	-	79,400	79,400
Cultural and recreation	-	39,974	39,974
Public works	-	745,029	745,029
Total Expenditures	<u>2,817,349</u>	<u>864,403</u>	<u>3,681,752</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>42,326</u>	<u>(495,552)</u>	<u>(453,226)</u>
Other Financing Sources (Uses):			
Transfers in	185,000	251,476	436,476
Transfers out	(248,368)	-	(248,368)
Total Other Financing Sources (Uses)	<u>(63,368)</u>	<u>251,476</u>	<u>188,108</u>
Net Change in Fund Balances	(21,042)	(244,076)	(265,118)
Fund Balances - Beginning	<u>2,255,217</u>	<u>428,235</u>	<u>2,683,452</u>
Fund Balances - Ending	<u>\$ 2,234,175</u>	<u>\$ 184,159</u>	<u>\$ 2,418,334</u>

**CITY OF LUFKIN, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	HOTEL/ MOTEL TAX FUND	ZOO BUILDING FUND	MAIN STREET/ DOWNTOWN DEVELOPMENT FUND	POLICE SEIZED FUND
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,108	\$ 208,372	\$ 43,290	\$ 168,369
Investments	-	1,500,000	-	-
Receivables:				
Accounts	-	-	-	-
Intergovernmental	-	-	-	-
Other	258,791	21,938	556	2,212
Allowance for uncollectibles	-	-	-	-
Total Assets	<u>\$ 287,899</u>	<u>\$ 1,730,310</u>	<u>\$ 43,846</u>	<u>\$ 170,581</u>
<b>LIABILITIES</b>				
Accounts/claims payable	\$ 23,128	\$ 1,354	\$ 66	\$ 122,192
Accrued liabilities	121,559	-	-	-
Due to other funds	-	-	-	-
Customer deposits	19,826	-	-	-
Total Liabilities	<u>164,513</u>	<u>1,354</u>	<u>66</u>	<u>122,192</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	369	21,938	556	2,212
Total Deferred Inflows of Resources	<u>369</u>	<u>21,938</u>	<u>556</u>	<u>2,212</u>
<b>FUND BALANCES</b>				
Restricted	-	-	-	46,177
Committed	123,017	-	-	-
Assigned	-	1,707,018	43,224	-
Total Fund Balances	<u>123,017</u>	<u>1,707,018</u>	<u>43,224</u>	<u>46,177</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 287,899</u>	<u>\$ 1,730,310</u>	<u>\$ 43,846</u>	<u>\$ 170,581</u>

HOME INVESTMENT PROGRAM FUND	COURT SECURITY/ TECHNOLOGY FUND	POLICE GRANTS FUND	PINES THEATER SPECIAL EVENTS FUND	SPECIAL RECREATION FUND	INSURANCE LOSS FUND
\$ 4	\$ 35,329	\$ 26,184	\$ -	\$ 105,485	\$ -
-	-	-	-	-	-
-	178,727	-	-	-	-
-	-	10,936	-	-	-
-	453	336	599	1,347	20,278
-	(172,797)	-	-	-	-
<u>\$ 4</u>	<u>\$ 41,712</u>	<u>\$ 37,456</u>	<u>\$ 599</u>	<u>\$ 106,832</u>	<u>\$ 20,278</u>
\$ -	\$ -	\$ 6,414	\$ 1,558	\$ 3,437	\$ -
-	-	-	-	1,221	-
-	-	-	26,005	-	59,629
-	-	-	3,901	-	-
-	-	6,414	31,464	4,658	59,629
-	6,383	336	-	1,347	-
-	6,383	336	-	1,347	-
4	35,329	30,706	-	-	-
-	-	-	-	100,827	(39,351)
-	-	-	(30,865)	-	-
<u>4</u>	<u>35,329</u>	<u>30,706</u>	<u>(30,865)</u>	<u>100,827</u>	<u>(39,351)</u>
<u>\$ 4</u>	<u>\$ 41,712</u>	<u>\$ 37,456</u>	<u>\$ 599</u>	<u>\$ 106,832</u>	<u>\$ 20,278</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING BALANCE SHEET - CONTINUED**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	ANIMAL CONTROL - KURTH GRANT FUND	POLICE DARE CONTRIBUTION GRANT FUND	ANIMAL'S ATTIC GIFT SHOP FUND	FIRE GRANTS FUND
<b>ASSETS</b>				
Cash and cash equivalents	\$ 60,454	\$ 109	\$ 35,569	\$ 102,395
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Intergovernmental	-	-	-	-
Other	776	-	457	1,315
Allowance for uncollectibles	-	-	-	-
Total Assets	<u>\$ 61,230</u>	<u>\$ 109</u>	<u>\$ 36,026</u>	<u>\$ 103,710</u>
<b>LIABILITIES</b>				
Accounts/claims payable	\$ -	\$ -	\$ 5,188	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Customer deposits	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>5,188</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	776	-	457	1,315
Total Deferred Inflows of Resources	<u>776</u>	<u>-</u>	<u>457</u>	<u>1,315</u>
<b>FUND BALANCES</b>				
Restricted	60,454	-	-	102,395
Committed	-	-	-	-
Assigned	-	109	30,381	-
Total Fund Balances	<u>60,454</u>	<u>109</u>	<u>30,381</u>	<u>102,395</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 61,230</u>	<u>\$ 109</u>	<u>\$ 36,026</u>	<u>\$ 103,710</u>

FEMA GRANT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ 24,750	\$ 839,418
-	1,500,000
-	178,727
-	10,936
318	309,376
-	(172,797)
<u>\$ 25,068</u>	<u>\$ 2,665,660</u>
\$ -	\$ 163,337
-	122,780
-	85,634
-	23,727
<u>-</u>	<u>395,478</u>
318	36,007
<u>318</u>	<u>36,007</u>
24,750	299,815
-	184,493
-	1,749,867
<u>24,750</u>	<u>2,234,175</u>
<u>\$ 25,068</u>	<u>\$ 2,665,660</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, 2018**

	HOTEL/ MOTEL TAX FUND	ZOO BUILDING FUND	MAIN STREET/ DOWNTOWN DEVELOPMENT FUND	POLICE SEIZED FUND
Revenues:				
Other taxes	\$ 1,086,878	\$ -	\$ -	\$ -
Charges for services	186,246	299,883	-	-
Investment earnings	805	20,548	435	3,511
Intergovernmental	-	-	-	-
Other revenues	-	4,017	14,430	46,207
Total Revenues	<u>1,273,929</u>	<u>324,448</u>	<u>14,865</u>	<u>49,718</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	159,343
Cultural and recreation	1,246,717	205,984	6,249	-
Total Expenditures	<u>1,246,717</u>	<u>205,984</u>	<u>6,249</u>	<u>159,343</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>27,212</u>	<u>118,464</u>	<u>8,616</u>	<u>(109,625)</u>
Other Financing Sources (Uses):				
Transfers in	50,000	-	-	-
Transfers out	-	(28,599)	-	(70,000)
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>(28,599)</u>	<u>-</u>	<u>(70,000)</u>
Net Change in Fund Balances	77,212	89,865	8,616	(179,625)
Fund Balances - Beginning	<u>45,805</u>	<u>1,617,153</u>	<u>34,608</u>	<u>225,802</u>
Fund Balances - Ending	<u>\$ 123,017</u>	<u>\$ 1,707,018</u>	<u>\$ 43,224</u>	<u>\$ 46,177</u>

HOME INVESTMENT PROGRAM FUND	COURT SECURITY/ TECHNOLOGY FUND	POLICE GRANTS FUND	PINES THEATER SPECIAL EVENTS FUND	SPECIAL RECREATION FUND	INSURANCE LOSS FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	147,702	378,894	-
-	212	685	-	1,539	829
-	-	131,936	-	-	-
-	33,635	19,632	626	1,500	259,948
-	33,847	152,253	148,328	381,933	260,777
-	-	-	-	-	371,487
-	19,369	290,986	-	-	-
-	-	-	158,957	315,897	-
-	19,369	290,986	158,957	315,897	371,487
-	14,478	(138,733)	(10,629)	66,036	(110,710)
-	-	135,000	-	-	-
-	-	-	-	(59,769)	-
-	-	135,000	-	(59,769)	-
-	14,478	(3,733)	(10,629)	6,267	(110,710)
4	20,851	34,439	(20,236)	94,560	71,359
\$ 4	\$ 35,329	\$ 30,706	\$ (30,865)	\$ 100,827	\$ (39,351)

**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, 2018**

	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	775	-	557	-
Intergovernmental	91,760	-	-	100,000
Other revenues	-	-	26,218	-
Total Revenues	<u>92,535</u>	<u>-</u>	<u>26,775</u>	<u>100,000</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	2,487
Cultural and recreation	-	-	39,873	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>39,873</u>	<u>2,487</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>92,535</u>	<u>-</u>	<u>(13,098)</u>	<u>97,513</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(90,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,535	-	(13,098)	97,513
Fund Balances - Beginning	<u>57,919</u>	<u>109</u>	<u>43,479</u>	<u>4,882</u>
Fund Balances - Ending	<u>\$ 60,454</u>	<u>\$ 109</u>	<u>\$ 30,381</u>	<u>\$ 102,395</u>

FEMA GRANT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ 1,086,878
-	1,012,725
267	30,163
-	323,696
-	406,213
<u>267</u>	<u>2,859,675</u>
-	371,487
-	472,185
-	1,973,677
<u>-</u>	<u>2,817,349</u>
<u>267</u>	<u>42,326</u>
-	185,000
-	(248,368)
<u>-</u>	<u>(63,368)</u>
267	(21,042)
<u>24,483</u>	<u>2,255,217</u>
<u>\$ 24,750</u>	<u>\$ 2,234,175</u>

**CITY OF LUFKIN, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
SEPTEMBER 30, 2018**

	STREET CONSTRUCTION FUND	DRAINAGE MITIGATION FUND	TEXAS CAPITAL GRANT FUND
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 18,892	\$ 53
Receivables:			
Intergovernmental	99,048	-	-
Other	-	243	-
Total Assets	<u>\$ 99,048</u>	<u>\$ 19,135</u>	<u>\$ 53</u>
<b>LIABILITIES</b>			
Accounts/claims payable	\$ 61,295	\$ -	\$ -
Due to other funds	148,285	-	-
Total Liabilities	<u>209,580</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	1,438	243	-
Total Deferred Inflows of Resources	<u>1,438</u>	<u>243</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted	-	18,892	53
Unassigned	(111,970)	-	-
Total Fund Balances	<u>(111,970)</u>	<u>18,892</u>	<u>53</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 99,048</u>	<u>\$ 19,135</u>	<u>\$ 53</u>

CONVENTION CENTER FUND	2010 CAPITAL IMPROVEMENT FUND	2012 CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
\$ 94,840	\$ 53,059	\$ 129,285	\$ 296,129
-	-	-	99,048
1,218	681	1,660	3,802
<u>\$ 96,058</u>	<u>\$ 53,740</u>	<u>\$ 130,945</u>	<u>\$ 398,979</u>
\$ -	\$ -	\$ -	\$ 61,295
-	-	-	148,285
<u>-</u>	<u>-</u>	<u>-</u>	<u>209,580</u>
1,218	681	1,660	5,240
<u>1,218</u>	<u>681</u>	<u>1,660</u>	<u>5,240</u>
94,840	53,059	129,285	296,129
-	-	-	(111,970)
<u>94,840</u>	<u>53,059</u>	<u>129,285</u>	<u>184,159</u>
<u>\$ 96,058</u>	<u>\$ 53,740</u>	<u>\$ 130,945</u>	<u>\$ 398,979</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, 2018**

	STREET CONSTRUCTION FUND	DRAINAGE MITIGATION FUND	TEXAS CAPITAL GRANT FUND
Revenues:			
Investment earnings	\$ (1,334)	\$ 236	\$ -
Intergovernmental	266,062	-	-
Other revenues	99,913	-	-
Total Revenues	<u>364,641</u>	<u>236</u>	<u>-</u>
Expenditures:			
Capital outlay:			
General government	79,400	-	-
Cultural and recreation	39,974	-	-
Public works	745,029	-	-
Total Expenditures	<u>864,403</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(499,762)</u>	<u>236</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers in	251,476	-	-
Total Other Financing Sources (Uses)	<u>251,476</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(248,286)	236	-
Fund Balances - Beginning	<u>136,316</u>	<u>18,656</u>	<u>53</u>
Fund Balances - Ending	<u>\$ (111,970)</u>	<u>\$ 18,892</u>	<u>\$ 53</u>

CONVENTION CENTER FUND	2010 CAPITAL IMPROVEMENT FUND	2012 CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
\$ 252	\$ 300	\$ 1,629	\$ 1,083
-	1,793	-	267,855
-	-	-	99,913
<u>252</u>	<u>2,093</u>	<u>1,629</u>	<u>368,851</u>
-	-	-	79,400
-	-	-	39,974
-	-	-	745,029
<u>-</u>	<u>-</u>	<u>-</u>	<u>864,403</u>
<u>252</u>	<u>2,093</u>	<u>1,629</u>	<u>(495,552)</u>
-	-	-	251,476
<u>-</u>	<u>-</u>	<u>-</u>	<u>251,476</u>
252	2,093	1,629	(244,076)
<u>94,588</u>	<u>50,966</u>	<u>127,656</u>	<u>428,235</u>
<u>\$ 94,840</u>	<u>\$ 53,059</u>	<u>\$ 129,285</u>	<u>\$ 184,159</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2018**

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TOTAL
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 566,329	\$ 466,002	\$ 1,032,331
Investments	3,500,000	1,000,000	4,500,000
Interest receivable	52,220	19,419	71,639
Total Current Assets	<u>4,118,549</u>	<u>1,485,421</u>	<u>5,603,970</u>
Noncurrent Assets:			
Capital Assets:			
Machinery and equipment	-	5,879,943	5,879,943
Vehicles	-	10,188,933	10,188,933
Less accumulated depreciation	-	(10,020,745)	(10,020,745)
Total Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>6,048,131</u>	<u>6,048,131</u>
Total Assets	<u>4,118,549</u>	<u>7,533,552</u>	<u>11,652,101</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts/claims payable	321,132	-	321,132
Due to other funds	245,527	-	245,527
Total Current Liabilities	<u>566,659</u>	<u>-</u>	<u>566,659</u>
Total Liabilities	<u>566,659</u>	<u>-</u>	<u>566,659</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	6,048,131	6,048,131
Unrestricted	3,551,890	1,485,421	5,037,311
Total Net Position	<u>\$ 3,551,890</u>	<u>\$ 7,533,552</u>	<u>\$ 11,085,442</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, 2018**

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TOTAL
Operating Revenues:			
Employee premiums	\$ 1,054,290	\$ -	\$ 1,054,290
Employer premiums	3,470,661	-	3,470,661
Equipment rental	-	1,585,186	1,585,186
Miscellaneous	1,191,068	-	1,191,068
Total Operating Revenues	<u>5,716,019</u>	<u>1,585,186</u>	<u>7,301,205</u>
Operating Expenses:			
Insurance claims and related expenses	6,326,898	13,563	6,340,461
Depreciation and amortization	-	1,717,091	1,717,091
Total Operating Expenses	<u>6,326,898</u>	<u>1,730,654</u>	<u>8,057,552</u>
Operating Income (Loss)	<u>(610,879)</u>	<u>(145,468)</u>	<u>(756,347)</u>
Nonoperating Revenues (Expenses):			
Investment earnings	59,269	25,380	84,649
Gain on sale of assets	-	140,413	140,413
Total Nonoperating Revenues (Expenses)	<u>59,269</u>	<u>165,793</u>	<u>225,062</u>
Income (Loss) Before Transfers	(551,610)	20,325	(531,285)
Transfers in	<u>165,000</u>	<u>60,000</u>	<u>225,000</u>
Change in Net Position	(386,610)	80,325	(306,285)
Net Position - Beginning	<u>3,938,500</u>	<u>7,453,227</u>	<u>11,391,727</u>
Net Position - Ending	<u>\$ 3,551,890</u>	<u>\$ 7,533,552</u>	<u>\$ 11,085,442</u>

**CITY OF LUFKIN, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2018**

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TOTAL
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers and users	\$ 2,245,358	\$ -	\$ 2,245,358
Receipts from interfund services provided	3,470,661	1,585,186	5,055,847
Payments to suppliers	(6,197,065)	(13,563)	(6,210,628)
Net Cash Provided (Used) by Operating Activities	<u>(481,046)</u>	<u>1,571,623</u>	<u>1,090,577</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Transfer from other funds	165,000	60,000	225,000
Net Cash Provided by Noncapital Financing Activities	<u>165,000</u>	<u>60,000</u>	<u>225,000</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	(1,877,219)	(1,877,219)
Proceeds from sale of capital assets	-	191,201	191,201
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(1,686,018)</u>	<u>(1,686,018)</u>
<b>Cash Flows From Investing Activities:</b>			
Purchases of investments	(1,911,530)	(602,883)	(2,514,413)
Investment maturities	2,411,530	602,883	3,014,413
Investment earnings received	49,757	20,727	70,484
Net Cash Provided by Investing Activities	<u>549,757</u>	<u>20,727</u>	<u>570,484</u>
Net Increase (Decrease) in Cash and Cash Equivalents	233,711	(33,668)	200,043
Cash and Cash Equivalents - Beginning	332,618	499,670	832,288
Cash and Cash Equivalents - Ending	<u>\$ 566,329</u>	<u>\$ 466,002</u>	<u>\$ 1,032,331</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (610,879)	\$ (145,468)	\$ (756,347)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation and amortization	-	1,717,091	1,717,091
Increase in accounts/claims payable	126,304	-	126,304
Increase in due to other funds	3,529	-	3,529
Total Adjustments	<u>129,833</u>	<u>1,717,091</u>	<u>1,846,924</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (481,046)</u>	<u>\$ 1,571,623</u>	<u>\$ 1,090,577</u>

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT**  
**WATER AND SEWER UTILITY ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Utility Collections:	
Payroll costs	\$ 620,180
Supplies	87,803
Maintenance of equipment	17,820
Miscellaneous services	126,837
Total Utility Collections	<u>852,640</u>
Water/Sewer Utilities	
Payroll costs	1,916,106
Supplies	259,724
Maintenance of equipment	925,053
Miscellaneous services	267,196
Total Water/Sewer Utilities	<u>3,368,079</u>
Wastewater Treatment Plant:	
Payroll costs	1,008,614
Supplies	298,717
Maintenance of equipment	185,660
Miscellaneous services	562,881
Total Wastewater Treatment Plant	<u>2,055,872</u>
Water Production:	
Payroll costs	68,727
Supplies	302,345
Maintenance of equipment	135,657
Miscellaneous services	1,389,588
Total Water Production	<u>1,896,317</u>
Depreciation and amortization	2,450,711
General and administrative	2,641,151
Non-departmental	336,679
Total Operating Expenses	<u><u>\$ 13,601,449</u></u>

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT**  
**SOLID WASTE DISPOSAL ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Sanitation:	
Payroll costs	\$ 1,314,079
Supplies	379,608
Maintenance of equipment	332,038
Miscellaneous services	1,649,142
Total Sanitation	<u>3,674,867</u>
Recycling:	
Payroll costs	232,065
Supplies	52,337
Maintenance of equipment	44,656
Miscellaneous services	152,077
Total Recycling	<u>481,135</u>
Depreciation and amortization	129,509
General and administrative	2,252,636
Non-departmental	17,629
Total Operating Expenses	<u>\$ 6,555,776</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, 2018**

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
<b>Revenues:</b>				
Property taxes	\$ 3,044,518	\$ 3,032,773	\$ 3,032,418	\$ (355)
Investment earnings	10,000	22,500	45,822	23,322
Other revenue	(11,745)	-	-	-
Total Revenues	<u>3,042,773</u>	<u>3,055,273</u>	<u>3,078,240</u>	<u>22,967</u>
<b>Expenditures:</b>				
<b>Debt service:</b>				
<b>Principal:</b>				
2009 certificates of obligation	675,000	675,000	675,000	-
2010 general obligation refunding bonds	1,195,000	1,195,000	1,195,000	-
2010 certificates of obligation	390,000	390,000	390,000	-
2011 general obligation refunding bonds	1,110,000	1,110,000	1,110,000	-
2012 certificates of obligation	325,000	325,000	325,000	-
2013 certificates of obligation	215,000	215,000	215,000	-
2014 general obligation refunding bonds	455,000	455,000	455,000	-
2015 general obligation refunding bonds	440,000	440,000	440,000	-
2016 general obligation refunding bonds	215,000	215,000	215,000	-
2017 general obligation refunding bonds	-	-	185,000	(185,000)
Total Principal	<u>5,020,000</u>	<u>5,020,000</u>	<u>5,205,000</u>	<u>(185,000)</u>
<b>Interest:</b>				
2009 certificates of obligation	287,413	287,413	37,012	250,401
2010 general obligation refunding bonds	192,400	192,400	192,400	-
2010 certificates of obligation	284,600	284,600	147,600	137,000
2011 general obligation refunding bonds	102,100	102,100	102,100	-
2012 certificates of obligation	115,688	115,688	115,688	-
2013 certificates of obligation	131,908	131,908	131,908	-
2014 general obligation refunding bonds	108,650	108,650	108,650	-
2015 general obligation refunding bonds	145,750	145,750	145,750	-
2016 general obligation refunding bonds	288,575	288,575	288,575	-
2017 general obligation refunding bonds	-	-	201,134	(201,134)
Paying agent fees	6,350	6,350	4,791	1,559
Total Interest and Fiscal Charges	<u>1,663,434</u>	<u>1,663,434</u>	<u>1,475,608</u>	<u>187,826</u>
Total Expenditures	<u>6,683,434</u>	<u>6,683,434</u>	<u>6,680,608</u>	<u>2,826</u>
<b>Excess (Deficiency) of Revenues</b>				
Over (Under) Expenditures	<u>(3,640,661)</u>	<u>(3,628,161)</u>	<u>(3,602,368)</u>	<u>25,793</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>3,602,845</u>	<u>3,602,845</u>	<u>3,602,845</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>3,602,845</u>	<u>3,602,845</u>	<u>3,602,845</u>	<u>-</u>
Net Change in Fund Balances	(37,816)	(25,316)	477	25,793
Fund Balances - Beginning	<u>1,828,093</u>	<u>1,828,093</u>	<u>1,828,093</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,790,277</u>	<u>\$ 1,802,777</u>	<u>\$ 1,828,570</u>	<u>\$ 25,793</u>

**CITY OF LUFKIN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**  
**HOTEL/MOTEL TAX - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Other taxes	\$ 950,000	\$ 965,031	\$ 1,086,878	\$ 121,847
Charges for services	206,000	192,033	186,246	(5,787)
Investment earnings	200	375	805	430
Total Revenues	<u>1,156,200</u>	<u>1,157,439</u>	<u>1,273,929</u>	<u>116,490</u>
Expenditures:				
Current:				
Cultural and recreation	1,212,561	1,208,291	1,246,717	(38,426)
Total Expenditures	<u>1,212,561</u>	<u>1,208,291</u>	<u>1,246,717</u>	<u>(38,426)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(56,361)</u>	<u>(50,852)</u>	<u>27,212</u>	<u>78,064</u>
Other Financing Sources (Uses):				
Transfers in	50,000	50,000	50,000	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balances	(6,361)	(852)	77,212	78,064
Fund Balances - Beginning	<u>45,805</u>	<u>45,805</u>	<u>45,805</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 39,444</u>	<u>\$ 44,953</u>	<u>\$ 123,017</u>	<u>\$ 78,064</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, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Revenues:				
Charges for services	\$ 327,110	\$ 323,265	\$ 299,883	\$ (23,382)
Investment earnings	8,000	12,500	20,548	8,048
Other revenues	3,000	2,340	4,017	1,677
Total Revenues	<u>338,110</u>	<u>338,105</u>	<u>324,448</u>	<u>(13,657)</u>
Expenditures:				
Current:				
Cultural and recreation	254,600	391,050	205,984	185,066
Total Expenditures	<u>254,600</u>	<u>391,050</u>	<u>205,984</u>	<u>185,066</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>83,510</u>	<u>(52,945)</u>	<u>118,464</u>	<u>171,409</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	54,911	(81,544)	89,865	171,409
Fund Balances - Beginning	<u>1,617,153</u>	<u>1,617,153</u>	<u>1,617,153</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,672,064</u>	<u>\$ 1,535,609</u>	<u>\$ 1,707,018</u>	<u>\$ 171,409</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, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Revenues:				
Investment earnings	\$ -	\$ 100	\$ 212	\$ 112
Other revenues	40,000	35,000	33,635	(1,365)
Total Revenues	<u>40,000</u>	<u>35,100</u>	<u>33,847</u>	<u>(1,253)</u>
Expenditures:				
Current:				
Public safety	25,510	22,620	19,369	3,251
Total Expenditures	<u>25,510</u>	<u>22,620</u>	<u>19,369</u>	<u>3,251</u>
Net Change in Fund Balances	14,490	12,480	14,478	1,998
Fund Balances - Beginning	<u>20,851</u>	<u>20,851</u>	<u>20,851</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 35,341</u>	<u>\$ 33,331</u>	<u>\$ 35,329</u>	<u>\$ 1,998</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, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
Revenues:				
Charges for services	\$ 449,870	\$ 440,505	\$ 378,894	\$ (61,611)
Investment earnings	600	900	1,539	639
Other revenues	7,000	10,000	1,500	(8,500)
Total Revenues	<u>457,470</u>	<u>451,405</u>	<u>381,933</u>	<u>(69,472)</u>
Expenditures:				
Current:				
Cultural and recreation	397,092	376,697	315,897	60,800
Total Expenditures	<u>397,092</u>	<u>376,697</u>	<u>315,897</u>	<u>60,800</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>60,378</u>	<u>74,708</u>	<u>66,036</u>	<u>(8,672)</u>
Other Financing Sources (Uses):				
Transfers out	(59,769)	(59,769)	(59,769)	-
Total Other Financing Sources (Uses)	<u>(59,769)</u>	<u>(59,769)</u>	<u>(59,769)</u>	<u>-</u>
Net Change in Fund Balances	609	14,939	6,267	(8,672)
Fund Balances - Beginning	<u>94,560</u>	<u>94,560</u>	<u>94,560</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 95,169</u>	<u>\$ 109,499</u>	<u>\$ 100,827</u>	<u>\$ (8,672)</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, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Revenues:				
Investment earnings	\$ 1,200	\$ 475	\$ 775	\$ 300
Intergovernmental revenue	90,000	90,000	91,760	1,760
Total Revenues	<u>91,200</u>	<u>90,475</u>	<u>92,535</u>	<u>2,060</u>
Expenditures:				
Current:				
Public safety	40,000	10,000	-	10,000
Total Expenditures	<u>40,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>51,200</u>	<u>80,475</u>	<u>92,535</u>	<u>12,060</u>
Other Financing Sources (Uses):				
Transfers out	(90,000)	(90,000)	(90,000)	-
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
Net Change in Fund Balances	(38,800)	(9,525)	2,535	12,060
Fund Balances - Beginning	<u>57,919</u>	<u>57,919</u>	<u>57,919</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 19,119</u>	<u>\$ 48,394</u>	<u>\$ 60,454</u>	<u>\$ 12,060</u>

**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, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Investment earnings	\$ 150	\$ 320	\$ 557	\$ 237
Other revenues	15,000	34,477	26,218	(8,259)
Total Revenues	<u>15,150</u>	<u>34,797</u>	<u>26,775</u>	<u>(8,022)</u>
Expenditures:				
Current:				
Cultural and recreation	17,000	31,055	39,873	(8,818)
Total Expenditures	<u>17,000</u>	<u>31,055</u>	<u>39,873</u>	<u>(8,818)</u>
Net Change in Fund Balances	(1,850)	3,742	(13,098)	(16,840)
Fund Balances - Beginning	<u>43,479</u>	<u>43,479</u>	<u>43,479</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 41,629</u>	<u>\$ 47,221</u>	<u>\$ 30,381</u>	<u>\$ (16,840)</u>

**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, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Revenues:				
Charges for services	\$ 146,163	\$ 146,175	\$ 147,702	\$ 1,527
Other revenue	4,800	557	626	69
Total Revenues	<u>150,963</u>	<u>146,732</u>	<u>148,328</u>	<u>1,596</u>
Expenditures:				
Current:				
Cultural and recreation	172,335	153,954	158,957	(5,003)
Total Expenditures	<u>172,335</u>	<u>153,954</u>	<u>158,957</u>	<u>(5,003)</u>
Net Change in Fund Balances	(21,372)	(7,222)	(10,629)	(3,407)
Fund Balances - Beginning (deficit)	<u>(20,236)</u>	<u>(20,236)</u>	<u>(20,236)</u>	<u>-</u>
Fund Balances - Ending (deficit)	<u>\$ (41,608)</u>	<u>\$ (27,458)</u>	<u>\$ (30,865)</u>	<u>\$ (3,407)</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, 2018**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Revenues:				
Investment earnings	\$ 120	\$ 225	\$ 435	\$ 210
Other revenue	22,525	13,355	14,430	1,075
Total Revenues	<u>22,645</u>	<u>13,580</u>	<u>14,865</u>	<u>1,285</u>
Expenditures:				
Current:				
Cultural and recreation	19,450	19,344	6,249	13,095
Total Expenditures	<u>19,450</u>	<u>19,344</u>	<u>6,249</u>	<u>13,095</u>
Net Change in Fund Balances	3,195	(5,764)	8,616	14,380
Fund Balances - Beginning	<u>34,608</u>	<u>34,608</u>	<u>34,608</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ 37,803</u></u>	<u><u>\$ 28,844</u></u>	<u><u>\$ 43,224</u></u>	<u><u>\$ 14,380</u></u>

## **STATISTICAL SECTION**

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

	FISCAL YEAR									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
Net investment in capital assets	\$ 65,211	\$ 60,323	\$ 56,575	\$ 51,434	\$ 38,764	\$ 43,330	\$ 76,984	\$ 30,728	\$ 67,637	\$ 63,259
Restricted	2,424	2,488	2,263	5,016	6,604	7,133	5,789	8,564	3,019	3,857
Unrestricted	(19,005)	(14,959)	(14,553)	(11,680)	15,691	7,863	(29,381)	10,486	(14,334)	(13,751)
Total Governmental Activities	<u>\$ 48,630</u>	<u>\$ 47,852</u>	<u>\$ 44,285</u>	<u>\$ 44,770</u>	<u>\$ 61,059</u>	<u>\$ 58,326</u>	<u>\$ 53,392</u>	<u>\$ 49,778</u>	<u>\$ 56,322</u>	<u>\$ 53,365</u>
Business-type activities										
Net investment in capital assets	\$ 65,020	\$ 66,302	\$ 67,655	\$ 67,005	\$ 67,260	\$ 65,900	\$ 31,354	\$ 66,072	\$ 55,837	\$ 56,454
Restricted	10,675	9,582	8,583	1,294	1,308	2,419	7,729	9,285	10,033	10,909
Unrestricted	6,016	5,543	6,946	14,873	16,603	14,075	45,344	8,060	7,151	7,159
Total Business-Type Activities	<u>\$ 81,711</u>	<u>\$ 81,427</u>	<u>\$ 83,184</u>	<u>\$ 83,172</u>	<u>\$ 85,171</u>	<u>\$ 82,394</u>	<u>\$ 84,427</u>	<u>\$ 83,417</u>	<u>\$ 73,021</u>	<u>\$ 74,522</u>
Primary government										
Net investment in capital assets	\$ 130,231	\$ 126,625	\$ 124,230	\$ 118,439	\$ 106,024	\$ 109,230	\$ 108,339	\$ 96,800	\$ 96,800	\$ 123,474
Restricted	13,099	12,070	11,629	6,310	7,912	9,552	13,518	17,849	17,849	13,052
Unrestricted	(12,989)	(9,416)	(8,390)	3,193	32,294	21,938	15,963	18,546	18,546	(7,183)
Total Primary Government	<u>\$ 130,341</u>	<u>\$ 129,279</u>	<u>\$ 127,469</u>	<u>\$ 127,942</u>	<u>\$ 146,230</u>	<u>\$ 140,720</u>	<u>\$ 137,819</u>	<u>\$ 133,195</u>	<u>\$ 129,343</u>	<u>\$ 127,887</u>

Source: City of Lufkin accounting records.

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

	FISCAL YEAR				
	2018	2017	2016	2015	2014
Expenses:					
Governmental Activities:					
General government	\$ 5,086	\$ 5,086	\$ 4,509	\$ 2,786	\$ 1,789
Public safety	21,558	20,990	21,465	19,892	20,712
Cultural and recreation	6,110	6,424	6,475	6,381	6,259
Planning and community development	444	455	528	97	487
Public works	5,496	5,717	5,447	1,678	3,368
Interest and fiscal charges	1,463	1,839	2,094	2,323	2,654
Total Governmental Activities	<u>40,157</u>	<u>40,511</u>	<u>40,518</u>	<u>33,157</u>	<u>35,269</u>
Business-Type Activities:					
Water and sewer	13,645	14,211	13,450	12,277	13,635
Solid waste disposal	6,556	6,484	6,247	5,751	5,882
Total Business-Type Activities	<u>20,201</u>	<u>20,695</u>	<u>19,697</u>	<u>18,028</u>	<u>19,517</u>
Total Primary Government	<u>\$ 60,358</u>	<u>\$ 61,206</u>	<u>\$ 60,215</u>	<u>\$ 51,185</u>	<u>\$ 54,786</u>
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 2,642	\$ 2,452	\$ 2,386	\$ 2,940	\$ 3,065
Public safety	4,326	4,809	3,627	3,748	3,607
Cultural and recreation	1,013	1,109	1,091	1,311	1,285
Planning and community development	-	40	39	-	-
Public works	1,866	1,479	1,461	-	-
Operating grants and contributions	423	274	248	410	-
Capital grants and contributions	268	(31)	965	702	-
Total Governmental Activities	<u>10,538</u>	<u>10,132</u>	<u>9,817</u>	<u>9,111</u>	<u>7,957</u>
Business-type activities:					
Charges for services:					
Water and sewer	17,991	16,774	16,880	16,172	15,493
Solid waste disposal	6,864	6,646	6,236	6,374	6,221
Capital grants and contributions	-	3	104	102	-
Total Business-Type Activities	<u>24,855</u>	<u>23,423</u>	<u>23,220</u>	<u>22,648</u>	<u>21,714</u>
Total Primary Government	<u>\$ 35,393</u>	<u>\$ 33,555</u>	<u>\$ 33,037</u>	<u>\$ 31,759</u>	<u>\$ 29,671</u>
Net (expense)/revenue:					
Governmental Activities	\$ (29,619)	\$ (30,379)	\$ (30,701)	\$ (24,046)	\$ (27,312)
Business-Type Activities	4,654	2,728	3,523	4,620	2,197
Total Primary Government	<u>\$ (24,965)</u>	<u>\$ (27,651)</u>	<u>\$ (27,178)</u>	<u>\$ (19,426)</u>	<u>\$ (25,115)</u>
General Revenues and Transfers:					
Governmental Activities:					
Taxes:					
Property taxes	\$ 10,749	\$ 10,713	\$ 10,685	\$ 10,802	\$ 10,768
Sales taxes	13,643	13,130	13,270	12,909	12,054
Franchise taxes	2,366	2,359	2,383	2,480	2,513
Hotel tax	1,087	972	1,151	926	877
Other	99	97	117	93	95
Unrestricted investment earnings	354	240	252	108	143
Gain on retirement of capital assets	96	25	75	98	94
Miscellaneous revenues	740	1,758	1,014	461	752
Transfers	4,145	4,652	3,723	4,023	253
Total Governmental Activities	<u>33,279</u>	<u>33,946</u>	<u>32,670</u>	<u>31,900</u>	<u>27,549</u>
Business-Type Activities:					
Unrestricted investment earnings	270	167	168	55	81
Gain on retirement of capital assets	-	-	43	35	57
Miscellaneous revenues	-	-	-	-	131
Transfers	(4,145)	(4,652)	(3,723)	(4,023)	(253)
Total Business-Type Activities	<u>(3,875)</u>	<u>(4,485)</u>	<u>(3,512)</u>	<u>(3,933)</u>	<u>16</u>
Total Primary Government	<u>\$ 29,404</u>	<u>\$ 29,461</u>	<u>\$ 29,158</u>	<u>\$ 27,967</u>	<u>\$ 27,565</u>
Change in Net Position:					
Governmental Activities	\$ 3,660	\$ 3,567	\$ 1,969	\$ 7,854	\$ 237
Business-type activities	779	(1,757)	11	687	2,213
Total Primary Government	<u>\$ 4,439</u>	<u>\$ 1,810</u>	<u>\$ 1,980</u>	<u>\$ 8,541</u>	<u>\$ 2,450</u>

Source: City of Lufkin accounting records.

FISCAL YEAR				
2013	2012	2011	2010	2009
\$ 2,069	\$ 2,706	\$ 2,114	\$ 2,978	\$ 2,425
20,204	19,673	17,812	17,122	16,333
7,113	6,472	5,740	5,814	5,722
359	944	406	444	382
4,285	3,681	4,992	5,095	8,148
2,467	1,374	2,870	2,477	2,256
<u>36,497</u>	<u>34,850</u>	<u>33,934</u>	<u>33,930</u>	<u>35,266</u>
13,229	12,619	12,676	13,594	12,854
5,477	5,025	6,032	5,796	5,872
18,706	17,644	18,708	19,390	18,726
<u>\$ 55,203</u>	<u>\$ 52,494</u>	<u>\$ 52,642</u>	<u>\$ 53,320</u>	<u>\$ 53,992</u>
\$ 4,896	\$ -	\$ -	\$ 535	\$ 98
2,017	4,022	3,989	3,268	3,530
1,293	738	624	1,494	1,548
117	-	-	-	-
681	-	16	26	52
-	452	750	417	1,125
-	170	909	760	911
<u>9,004</u>	<u>5,382</u>	<u>6,288</u>	<u>6,500</u>	<u>7,264</u>
16,316	16,256	16,255	14,412	13,684
6,137	6,199	6,198	5,995	5,763
-	-	-	226	358
<u>22,453</u>	<u>22,455</u>	<u>22,453</u>	<u>20,633</u>	<u>19,805</u>
<u>\$ 31,457</u>	<u>\$ 27,837</u>	<u>\$ 28,741</u>	<u>\$ 27,133</u>	<u>\$ 27,069</u>
\$ (27,493)	\$ (29,468)	\$ (27,646)	\$ (27,430)	\$ (28,002)
3,747	4,811	3,745	1,243	1,079
<u>\$ (23,746)</u>	<u>\$ (24,657)</u>	<u>\$ (23,901)</u>	<u>\$ (26,187)</u>	<u>\$ (26,923)</u>
\$ 9,535	\$ 9,981	\$ 9,963	\$ 9,864	\$ 9,981
12,286	11,841	11,350	10,949	11,438
2,322	2,388	2,423	2,262	2,795
1,171	4,780	3,201	3,817	3,753
661	76	95	90	92
145	195	429	294	564
471	77	92	61	14
-	-	-	-	-
5,835	3,745	(6,426)	3,051	(12,607)
<u>32,426</u>	<u>33,083</u>	<u>21,127</u>	<u>30,388</u>	<u>16,030</u>
48	136	181	254	383
7	-	44	52	16
-	-	-	-	-
(5,835)	(3,742)	6,426	(3,051)	12,607
(5,780)	(3,606)	6,651	(2,745)	13,006
<u>\$ 26,646</u>	<u>\$ 29,477</u>	<u>\$ 27,778</u>	<u>\$ 27,643</u>	<u>\$ 29,036</u>
\$ 4,933	\$ 3,615	\$ (6,519)	\$ 2,958	\$ (11,972)
(2,033)	1,205	10,396	(1,502)	14,085
<u>\$ 2,900</u>	<u>\$ 4,820</u>	<u>\$ 3,877</u>	<u>\$ 1,456</u>	<u>\$ 2,113</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
2018	\$ 10,749	\$ 13,643	\$ 2,366	\$ 99	\$ 1,087	\$ 27,944
2017	10,713	13,130	2,359	97	972	27,271
2016	10,685	13,270	2,383	117	1,151	27,606
2015	10,802	12,909	2,480	93	926	27,210
2014	10,768	12,055	2,513	94	877	26,307
2013	9,894	12,286	2,322	57	661	25,220
2012	9,867	11,841	2,388	78	809	24,983
2011	9,813	11,350	2,423	95	848	24,529
2010	9,918	10,949	2,262	90	766	23,985
2009	9,972	11,438	2,795	92	792	25,089

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund:										
Nonspendable	\$ 295	\$ 251	\$ 214	\$ 253	\$ 249	\$ 199	\$ 212	\$ 208	\$ 218	\$ 214
Restricted	-	-	-	-	-	-	-	9	-	-
Committed	8,332	8,330	8,148	7,733	7,645	7,841	7,416	7,267	7,380	7,077
Assigned	690	704	428	-	-	398	720	774	1,353	711
Unassigned	1,305	1,158	1,690	3,183	2,411	1,190	1,343	3,207	2,297	3,791
Total General Fund	<u>\$ 10,622</u>	<u>\$ 10,443</u>	<u>\$ 10,480</u>	<u>\$ 11,169</u>	<u>\$ 10,305</u>	<u>\$ 9,628</u>	<u>\$ 9,691</u>	<u>\$ 11,465</u>	<u>\$ 11,248</u>	<u>\$ 11,793</u>
All Other Governmental Funds:										
Restricted:										
Debt Service Fund	\$ 1,829	\$ 1,828	\$ 1,407	\$ 1,811	\$ 1,991	\$ 2,280	\$ 2,022	\$ 1,612	\$ 983	\$ 973
Special Revenue Funds	300	368	217	309	484	440	155	594	583	736
Capital Project Funds	296	292	639	1,501	2,165	4,413	1,806	6,347	1,453	2,884
Committed:										
Special Revenue Funds	184	212	49	1,786	92	104	1,789	1,698	1,648	1,507
Capital Project Funds	-	136	980							
Assigned:										
Special Revenue Funds	1,750	1,675	1,455	(52)	1,871	1,879	411	189	117	89
Unassigned:										
Special Revenue Funds	(112)	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 4,247</u>	<u>\$ 4,511</u>	<u>\$ 4,747</u>	<u>\$ 5,355</u>	<u>\$ 6,603</u>	<u>\$ 9,116</u>	<u>\$ 6,183</u>	<u>\$ 10,440</u>	<u>\$ 4,784</u>	<u>\$ 6,189</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			
	2018	2017	2016	2015
<b>Revenues:</b>				
Taxes	\$ 27,929	\$ 27,328	\$ 27,557	\$ 26,816
Licenses and permits	388	330	322	298
Fines and forfeitures	992	1,107	1,064	1,048
Charges for services	3,589	3,875	3,905	3,606
Investment earnings	225	146	110	90
Intergovernmental	5,473	4,473	5,353	5,126
Other revenues	1,090	1,560	1,039	875
Total Revenues	<u>39,686</u>	<u>38,819</u>	<u>39,350</u>	<u>37,859</u>
<b>Expenditures:</b>				
General government	4,773	4,430	4,195	4,071
Public safety	20,337	19,711	19,543	18,726
Cultural and recreation	5,823	5,812	6,445	5,721
Planning and community development	224	429	421	390
Public works	4,989	5,221	4,788	4,345
Debt service:				
Principal	5,205	4,685	4,535	5,054
Interest and fiscal charges	1,476	1,815	1,926	2,193
Bond issuance costs	-	122	233	131
Capital outlay	864	1,483	2,153	1,568
Total Expenditures	<u>43,691</u>	<u>43,708</u>	<u>44,239</u>	<u>42,199</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,005)</u>	<u>(4,889)</u>	<u>(4,889)</u>	<u>(4,340)</u>
<b>Other Financing Sources (Uses):</b>				
Capital lease proceeds	-	-	-	-
Bond proceeds	-	-	-	151
Note proceeds	-	-	-	-
Refunding bonds proceeds	-	9,355	9,080	-
Loss on refunding	-	-	-	-
Refunding bond premium	-	464	898	-
Insurance recovery	-	-	-	-
Bonds/Certificates of Obligations issued	-	-	-	-
Payment to refunded bond escrow agent	-	(9,690)	(9,893)	-
Transfers in	4,460	4,941	4,956	4,191
Transfers out	(540)	(454)	(1,450)	(725)
Total Other Financing Sources (Uses)	<u>3,920</u>	<u>4,616</u>	<u>3,591</u>	<u>3,617</u>
Net Change In Fund Balances	<u>\$ (85)</u>	<u>\$ (273)</u>	<u>\$ (1,298)</u>	<u>\$ (723)</u>
Debt service as a percentage of noncapital expenditures	15.60%	15.68%	15.91%	18.11%

Source: City of Lufkin accounting records

FISCAL YEAR						
2014	2013	2012	2011	2010	2009	
\$ 25,961	\$ 25,220	\$ 24,983	\$ 24,528	\$ 23,985	\$ 25,090	
319	287	285	292	241	343	
1,192	1,186	1,157	1,213	1,020	1,233	
3,386	3,227	2,945	3,022	3,112	3,082	
127	141	174	242	131	481	
6,577	4,992	4,211	4,999	4,719	5,103	
1,063	1,174	1,353	523	629	740	
38,625	36,227	35,108	34,819	33,837	36,072	
3,843	3,522	3,903	3,888	4,295	3,539	
18,177	17,148	16,881	16,721	16,172	15,829	
5,597	5,410	5,056	4,770	4,748	4,765	
431	473	437	376	377	314	
4,570	4,575	4,494	4,546	4,825	7,638	
5,010	4,334	13,758	6,572	3,949	4,409	
2,455	2,448	2,451	2,678	2,776	1,871	
104	100	174	382	-	-	
4,569	6,107	6,787	5,611	2,172	1,421	
44,756	44,117	53,941	45,544	39,314	39,786	
(6,131)	(7,890)	(18,833)	(10,725)	(5,477)	(3,714)	
-	-	-	140	-	-	
5,259	-	-	-	-	-	
-	-	-	-	91	-	
-	-	9,680	12,130	-	-	
-	-	(375)	(74)	-	-	
-	48	125	968	-	-	
-	-	50	168	534	-	
-	7,100	-	9,660	-	17,400	
-	-	-	-	-	-	
4,717	4,752	7,482	3,702	3,453	7,396	
(5,681)	(1,141)	(4,160)	(10,070)	(552)	(20,641)	
4,295	10,759	12,802	16,624	3,526	4,155	
\$ (1,836)	\$ 2,869	\$ (6,031)	\$ 5,899	\$ (1,951)	\$ 441	
23.21%	23.15%	17.87%	17.99%	16.44%	16.58%	

**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
2018	\$ 10,734	\$ 13,643	\$ 2,366	\$ 99	\$ 1,087	\$ 27,929
2017	10,770	13,160	2,359	97	972	27,358
2016	10,637	13,270	2,383	117	1,151	27,558
2015	10,408	12,909	2,480	93	926	26,816
2014	10,422	12,055	2,513	94	877	25,961
2013	9,894	12,286	2,322	57	661	25,220
2012	9,867	11,841	2,388	78	809	24,983
2011	9,813	11,350	2,423	95	848	24,529
2010	9,918	10,949	2,262	90	766	23,985
2009	9,972	11,438	2,795	92	792	25,089

Source: City of Lufkin accounting records

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

FISCAL YEAR	TAX RATE				# OF OUTLETS		SALES INFORMATION			
	REGULAR RATE	PROPERTY TAX RELIEF RATE	ECONOMIC/ INDUSTRIAL DEV SEC 4B RATE	TOTAL RATE	AVERAGE OUTLETS	% CHANGE PRIOR YEAR	GROSS SALES (000's)	TAXABLE SALES (000's)	% CHANGE PRIOR YEAR TAX SALES	TAXABLE SALES AS % OF GROSS SALES
2018	1.000%	0.375%	0.125%	1.500%	1,577	(3.87)%	\$ 3,267,495	\$ 890,349	5.47%	27.25%
2017	1.000%	0.375%	0.125%	1.500%	1,641	0.29%	3,006,669	844,194	(2.88)%	28.08%
2016	1.000%	0.375%	0.125%	1.500%	1,636	2.47%	3,298,349	869,218	0.62%	26.35%
2015	1.000%	0.375%	0.125%	1.500%	1,596	5.80%	3,200,576	863,900	(0.41)%	26.99%
2014	1.000%	0.375%	0.125%	1.500%	1,509	(1.54)%	3,299,928	867,456	4.67%	26.29%
2013	1.000%	0.375%	0.125%	1.500%	1,532	1.39%	3,134,183	828,784	4.99%	26.44%
2012	1.000%	0.375%	0.125%	1.500%	1,511	3.07%	2,995,077	789,429	5.75%	26.36%
2011	1.000%	0.375%	0.125%	1.500%	1,466	0.94%	2,928,866	746,515	2.00%	25.49%
2010	1.000%	0.375%	0.125%	1.500%	1,453	2.66%	2,829,466	731,889	(3.90)%	25.87%
2009	1.000%	0.375%	0.125%	1.500%	1,415	(0.84)%	2,303,291	761,593	(1.23)%	33.07%

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

FISCAL YEAR	TAXABLE SALES BY INDUSTRY					
	MANUFACTURING (000's)	RETAIL TRADE (000's)	ACCOMMODATION FOOD SERVICE (000's)	WHOLESALE TRADE (000's)	INFORMATION (000's)	MISC <sup>(1)</sup> (000's)
2018	\$ 28,416	\$ 507,145	\$ 138,222	\$ 51,051	\$ 63,181	\$ 102,334
2017	20,768	495,452	132,118	41,734	63,598	90,524
2016	25,236	506,108	130,113	51,875	67,801	88,087
2015	38,485	495,129	127,784	47,615	67,931	86,955
2014	73,552	483,795	117,845	40,916	66,761	84,587
2013	51,024	474,307	113,450	44,725	63,670	81,607
2012	40,310	454,266	108,829	49,519	64,671	71,834
2011	29,789	445,324	100,934	37,583	62,636	70,249
2010	27,375	436,093	96,081	39,482	64,900	67,959
2009	22,494	454,137	67,674	45,259	64,348	107,681

(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:	TOTAL	TOTAL	ESTIMATED	ASSESSED
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	PERSONAL PROPERTY	MINERALS	TAX EXEMPT REAL PROPERTY	TAXABLE ASSESSED VALUE	DIRECT TAX RATE	ACTUAL TAXABLE VALUE	VALUE AS A PERCENTAGE OF ACTUAL VALUE
2018	\$ 777,456	\$ 960,502	\$ 502,659	\$ -	\$ 195,258	\$ 2,045,359	0.531135	\$ 2,240,617	91.29%
2017	740,765	974,620	533,422	-	197,027	2,051,780	0.529942	2,248,907	91.23%
2016	768,569	936,793	568,133	-	224,415	2,049,080	0.523800	2,273,494	90.13%
2015	758,004	935,930	533,785	-	214,697	2,013,023	0.523800	2,227,720	90.36%
2014	764,341	927,495	550,627	-	227,004	2,015,459	0.050380	2,242,462	89.88%
2013	773,305	883,472	541,395	-	208,709	1,989,464	0.050380	2,198,174	90.51%
2012	776,165	875,537	512,846	-	201,141	1,936,207	0.051380	2,164,348	89.46%
2011	787,785	881,832	466,059	-	198,699	1,936,977	0.051380	2,135,676	90.70%
2010	736,618	848,592	500,690	-	200,075	1,885,825	0.053380	2,085,900	90.41%
2009	702,468	768,224	496,381	4	163,968	1,803,109	0.055540	1,967,077	91.66%

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			TOTAL ESTIMATED MILLAGE
	OPERATING MILLAGE	DEBT SERVICE MILLAGE	TOTAL CITY MILLAGE	OPERATING MILLAGE	DEBT SERVICE MILLAGE	TOTAL SCHOOL MILLAGE	
2018	0.38114	0.15000	0.53114	1.17000	0.04300	1.21300	
2017	0.37994	0.15000	0.52994	1.17000	0.04300	1.21300	
2016	0.37380	0.15000	0.52380	1.17000	0.04300	1.21300	
2015	0.36380	0.16000	0.52380	1.04000	0.17300	1.21300	
2014	0.33380	0.17000	0.50380	1.04000	0.16700	1.20700	
2013	0.33380	0.17000	0.50380	1.04000	0.17000	1.21000	
2012	0.33380	0.18000	0.51380	1.04000	0.16500	1.20500	
2011	0.33380	0.18000	0.51380	1.04000	0.16000	1.20000	
2010	0.33160	0.20220	0.53380	1.04000	0.17200	1.21200	
2009	0.35320	0.20220	0.55540	1.04000	0.11300	1.15300	
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	
2018	0.43832	0.02048	0.45880	0.13971	0.04128	0.18099	2.38393
2017	0.44081	0.02104	0.46185	0.13496	0.04420	0.17916	2.38395
2016	0.41400	0.04229	0.45629	0.12744	0.04446	0.17190	2.36499
2015	0.42160	0.04380	0.46540	0.12610	0.04580	0.17190	2.37410
2014	0.42300	0.04390	0.46690	0.12240	0.04828	0.17068	2.34838
2013	0.41630	0.04560	0.46190	0.12240	0.04828	0.17068	2.34638
2012	0.41930	0.03290	0.45220	0.11880	0.04820	0.16700	2.33800
2011	0.40380	0.04370	0.44750	0.11000	0.04900	0.15900	2.32030
2010	0.38940	0.04340	0.43280	0.10350	0.05170	0.15520	2.33380
2009	0.38940	0.04340	0.43280	0.10350	0.05170	0.15520	2.29640

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	2018			2009		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Oncor Electric Delivery Co	\$ 25,641	1	1.25%	\$ 20,342	5	1.13%
Brookshire Brothers Inc.	25,564	2	1.25%	30,342	3	1.68%
Lufkin Industries	23,382	3	1.14%	47,845	1	2.65%
Pilgrim Industries Inc.	21,217	4	1.05%	15,412	9	0.85%
Consolidated Comm of Texas Co	20,503	5	1.02%	43,012	2	2.39%
Georgia Pacific Chemicals	19,257	6	0.96%			
Lufkin GKD Partners LP	14,332	7	0.74%	22,444	4	1.24%
Pineywoods Health Care Systems LP	13,057	8	0.67%	20,236	6	1.12%
BVMC Lufkin LLC	13,000	9	0.69%		-	
ARC LMLUFTEX001 LLC	9,448	10	0.52%			
Piney Woods Healthcare Systems				18,129	7	1.01%
Lufkin Industries				16,160	8	0.90%
Keystone Southloop of Lufkin LLC				13,946	10	0.77%

Source: Angelina County Appraisal District

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

FISCAL YEAR	TOTAL TAX LEVY FOR FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2018	\$ 10,652	\$ 10,447	98.08%	\$ 144	\$ 10,591	99.43%
2017	10,615	10,428	98.24%	114	10,542	99.31%
2016	10,552	10,307	97.68%	239	10,546	99.94%
2015	10,311	10,103	97.97%	102	10,205	98.97%
2014	9,927	9,734	98.06%	67	9,801	98.73%
2013	9,893	9,552	96.55%	175	9,727	98.32%
2012	9,874	9,493	96.14%	182	9,675	97.98%
2011	9,726	9,478	97.45%	95	9,573	98.43%
2010	9,894	9,676	97.80%	18	9,694	97.98%
2009	9,874	9,653	97.76%	147	9,800	99.25%

Source: Angelina County Tax Assessor's Office

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

FISCAL YEAR	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES			TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME <sup>1</sup>	PER CAPITA <sup>1</sup>
	GENERAL OBLIGATION BONDS	CERTIFICATES OF OBLIGATION	CAPITAL LEASES	NOTES PAYABLE	WATER WORKS AND SEWER SYSTEM BONDS	NOTES PAYABLE	CAPITAL LEASES			
2018	\$ 32,915	\$ 13,925	\$ -	\$ -	\$ -	\$ 8	\$ -	\$ 46,848	5.61%	1,318.96
2017	36,830	15,215	-	-	-	15	-	52,060	6.35%	1,439.75
2016	30,560	26,040	-	-	-	22	-	56,622	6.72%	1,558.42
2015	26,460	34,985	-	-	-	29	-	61,474	8.03%	1,700.95
2014	21,670	44,425	-	-	-	48	-	66,143	8.65%	1,832.98
2013	24,430	41,400	-	147	1,070	66	-	67,113	8.53%	1,863.78
2012	27,085	35,800	-	364	1,135	83	-	64,467	8.95%	1,819.82
2011	24,100	42,705	-	514	1,195	83	-	68,597	9.62%	1,956.17
2010	13,990	37,935	-	588	11,400	228	-	64,141	9.52%	1,775.82
2009	15,825	39,925	-	622	12,165	378	-	68,915	9.72%	1,995.80

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

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

FISCAL YEAR	GENERAL OBLIGATION BONDS	LESS: AMOUNTS AVAILABLE IN DEBT SERVICE FUND	TOTAL	PERCENTAGE OF ESTIMATED ACTUAL TAXABLE VALUE <sup>1</sup> OF PROPERTY	PER CAPITA <sup>2</sup>
2018	\$ 32,915	\$ 1,829	\$ 31,086	1.39%	875.19
2017	36,830	1,828	35,002	1.56%	968.00
2016	30,560	1,407	29,153	1.28%	802.38
2015	26,480	1,811	24,669	1.11%	682.58
2014	21,670	1,991	19,679	0.88%	545.35
2013	24,430	2,280	22,150	1.01%	615.12
2012	27,085	2,022	25,063	1.16%	707.49
2011	24,100	1,612	22,488	1.05%	641.29
2010	13,990	984	13,006	0.62%	360.09
2009	15,825	973	14,852	0.76%	430.12

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

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

**CITY OF LUFKIN, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**SEPTEMBER 30, 2018**  
**(amounts expressed in thousands)**

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE <sup>1</sup>	ESTIMATED SHARE OF OVERLAPPING DEBT
Direct:			
City of Lufkin	\$ 46,840	100.00%	\$ 46,840
Overlapping:			
Angelina County	3,520	50.77%	1,787
Angelina College	13,909	50.14%	6,974
Hudson Independent School District	15,895	14.17%	2,252
Lufkin Independent School District	80,077	80.07%	64,118
Total Overlapping	<u>113,401</u>		<u>75,131</u>
Total Direct and Overlapping Debt	<u>\$ 160,241</u>		<u>\$ 121,971</u>

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

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

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

**CITY OF LUFKIN, TEXAS**  
**LEGAL DEBT MARGIN INFORMATION**  
**SEPTEMBER 30, 2018**

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, 2018 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)**

FISCAL YEAR	WATER AND SEWER CHARGES AND OTHER	LESS: OPERATING EXPENSES <sup>1</sup>	NET AVAILABLE REVENUE	PRINCIPAL	INTEREST	COVERAGE
2018	\$ 18,142	\$ 11,151	\$ 6,991	\$ -	\$ -	\$ -
2017	16,879	11,813	5,066	-	-	-
2016	17,025	11,075	5,950	-	-	-
2015	15,865	12,006	3,859	-	-	-
2014	15,616	11,165	4,451	-	-	-
2013	16,320	10,882	5,438	65	53	46.08
2012	16,256	10,234	6,022	65	49	52.82
2011	16,294	10,016	6,278	60	52	56.05
2010	14,628	11,002	3,626	795	429	2.96
2009	13,892	10,556	3,336	765	443	2.76

Source: City of Lufkin accounting records.

<sup>1</sup> Excludes depreciation

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

<u>FISCAL YEAR</u>	<u>POPULATION <sup>1</sup></u>	<u>PERSONAL INCOME <sup>1</sup> (AMOUNTS EXPRESSED IN THOUSANDS)</u>	<u>PER CAPITA PERSONAL INCOME</u>	<u>MEDIAN AGE</u>	<u>EDUCATION LEVEL IN YEARS OF FORMAL SCHOOLING</u>	<u>SCHOOL ENROLLMENT <sup>2</sup></u>	<u>UNEMPLOYMENT RATE <sup>1</sup></u>
2018	35,519	834,981	23.51	34.0	13.1	7,953	4.3
2017	36,159	820,484	22.69	34.0	13.1	8,176	4.6
2016	36,333	842,054	23.18	34.0	13.1	8,348	6.4
2015	36,141	765,611	21.18	34.0	13.1	8,271	3.8
2014	36,085	764,425	21.18	34.0	13.1	8,271	3.8
2013	36,009	787,013	21.86	35.4	13.1	8,325	7.1
2012	35,425	720,580	20.34	34.0	13.1	8,448	7.2
2011	35,067	713,298	20.34	34.0	13.1	8,514	8.5
2010	36,119	673,836	18.66	35.8	13.1	8,540	7.9
2009	34,530	709,056	20.53	35.5	13.1	8,656	8.7

Data Sources

<sup>1</sup> Texas Workforce Solutions

<sup>2</sup> Lufkin Independent School District

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

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

EMPLOYER	2018			2013		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Lufkin ISD	1000+	1	4.33%	1000+	1	3.75%
Pilgrim's Pride	1000+	2	3.66%	1000+	2	3.66%
Brookshire Brothers/Polk Oil	1000+	3	3.10%	1000+	4	3.49%
Lufkin State Supported Living Center	1000+	4	3.10%	1000+	5	2.83%
CHI St. Lukes Health	1000+	5	3.03%	-	-	
Woodland Heights Medical Center	500-999	6	1.63%	-	-	
Georgia Pacific	500-999	7	1.53%	-	-	
City of Lufkin	400-500	8	1.29%	-	-	
Walmart	400-500	9	1.27%	500-999	10	1.31%
Angelina County	400-500	10	1.13%	-	-	
Lufkin Industries	-	-		1000+	3	4.36%
Memorial Health Systems	-	-		1000+	6	2.80%
Temple-Inland	-	-		500-599	7	1.38%
Angelina College	-	-		500-599	8	1.38%
Burke Center	-	-		500-599	9	1.38%

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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government	32	32	31	31	27	27	26	26	27	22
Public Safety:										
Police:										
Officers	77	77	79	78	76	76	76	76	76	76
Civilians	49	49	39	37	39	39	41	40	40	39
Fire:										
Officers	79	79	79	79	79	79	79	79	78	77
Civilians	1	1	2	2	2	2	2	4	5	5
Cultural and recreation	70	69	69	69	67	66	64	61	61	58
Community development	7	10	10	10	11	11	11	10	10	7
Public works	48	50	58	58	58	58	57	57	58	56
Water	32	33	33	33	33	33	33	31	31	33
Sewer	40	38	37	38	38	38	38	40	40	42
Solid waste	34	33	33	33	34	34	33	33	33	36
<b>Total</b>	<b>469</b>	<b>471</b>	<b>470</b>	<b>468</b>	<b>464</b>	<b>463</b>	<b>460</b>	<b>457</b>	<b>459</b>	<b>451</b>

Source: City of Lufkin Budget Document

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

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

Function	FISCAL YEAR									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Police</b>										
Physical arrests	1,809	1,678	1,534	1,589	1,779	1,770	1,663	1,995	1,913	2,021
Parking violations	47	199	37	25	178	26	44	533	857	808
Traffic violations	5,614	6,892	5,905	6,708	9,481	8,401	10,793	12,298	12,136	9,803
<b>Fire</b>										
Number of calls answered <sup>(1)</sup>	13,722	11,972	12,975	13,181	12,465	11,969	8,283	2,546	1,201	1,238
Inspections	727	276	517	337	375	458	672	314	426	1,041
<b>Highways and streets</b>										
Street resurfacing (miles)	3.95	5.02	3.75	3	3	3	3	3	4	4
Potholes repaired	566	625	525	661	568	580	617	948	1,977	1,809
<b>Sanitation</b>										
Refuse collected (cu yd/day)	511	511	510	417	511	407	564	707	705	714
Recyclables collected (tons/day)	12	12	12	12	12	12	11	11	10	9
<b>Cultural and recreation</b>										
Community center rentals	242	242	242	242	283	252	253	491	233	466
<b>Water</b>										
New connections	113	118	59	125	27	110	136	107	102	95
Water mains breaks	585	599	475	460	414	465	456	598	647	635
Average daily consumption (thousands of gallons)	7,726	11,460	11,910	10,571	7,354	6,192	7,649	8,540	7,459	7,825
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	5,330	5,474	5,667	4,964	5,175	5,463	5,226	4,959	5,251	5,999

Source: Various city departments

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

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

FUNCTION	FISCAL YEAR									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	2
Patrol units	22	22	22	22	22	19	20	19	19	19
Fire:										
Fire stations	4	4	4	4	5	5	5	4	5	5
Sanitation:										
Collection trucks	19	19	19	19	19	19	19	19	19	19
Highways and Streets:										
Streets (miles)	211.4	211.4	211.4	211.4	211.4	208.8	208.8	208.9	282.6	282.4
Streetlights	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,641	3,626	3,604
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	653.0	653.0	653.0	655.0	659.9	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	13	13	13	13	13	13	13
Community centers	2	2	2	2	2	2	2	2	2	2
Water:										
Water mains (miles)	698	697	694	685	685	685	685	685	679	679
Fire hydrants	1,948	1,931	1,770	1,770	1,770	1,759	1,758	1,694	1,648	1,640
Maximum daily capacity in thousands of gallons	19,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Sewer:										
Sanitary sewers (miles)	274.2	276.0	273.5	272.7	272.7	272.5	270.8	270.8	269.9	269.5
Storm sewers (miles)	17.1	17.0	17.0	16.9	16.9	16.9	16.9	16.9	16.7	16.5
Maximum daily treatment capacity in thousands of gallons	13,000	11,300	11,300	11,300	11,300	11,300	17,100	17,100	17,100	11,300

Sources: Various city departments.

**CITY OF LUFKIN, TEXAS  
WATER, SEWER AND SANITATION RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Approved Rates

The monthly billing rates for water, sewer, and sanitation services as approved by the City Council effective October 1, 2017 were as follows:

Water Rates

Residential per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	\$ 13.26
Next 8,000 gallons	3.40 per thousand
Above 10,000 gallons	3.93 per thousand

Commercial per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	13.26
Next 48,000 gallons	3.40 per thousand
Above 50,000 gallons	3.93 per thousand

Irrigation per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	13.26
Next 8,000 gallons	3.40 per thousand
Above 10,000 gallons	3.93 per thousand

Residential per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	19.89
Next 8,000 gallons	5.10 per thousand
Above 10,000 gallons	5.90 per thousand

Commercial per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	19.89
Next 48,000 gallons	5.10 per thousand
Above 50,000 gallons	5.90 per thousand

Irrigation per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	19.89
Next 8,000 gallons	5.10 per thousand
Above 10,000 gallons	5.90 per thousand

Residential per thousand gallons Burke Water:

First 2,000 gallons (minimum)	22.54
Next 8,000 gallons	5.80 per thousand
Above 10,000 gallons	6.68 per thousand

Commercial per thousand gallons Burke Water:

First 2,000 gallons (minimum)	22.54
Next 48,000 gallons	5.80 per thousand
Above 50,000 gallons	6.68 per thousand

Irrigation per thousand gallons Burke Water:

First 2,000 gallons (minimum)	22.54
Next 8,000 gallons	5.80 per thousand
Above 10,000 gallons	6.68 per thousand

Industrial per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	313.76
Above 2,000 gallons	2.22 per thousand

Industrial per thousand gallons outside City Limits:

First 2,000 gallons (minimum)	470.64
Above 2,000 gallons	3.33 per thousand

Wholesale per thousand gallons:

First 2,000 gallons (minimum)	11.24
Above 2,000 gallons	2.21 per thousand

**CITY OF LUFKIN, TEXAS  
WATER, SEWER AND SANITATION RATES - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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, \$ 11.99  
 V = metered water use above 2,000 gallons, in 1,000 gallons  
 Cv = user charge for volume per 1,000 gallons

Residential:	Consumption in 1000 X	3.88	+11.99 Stops at 20,000
Commercial:	Consumption in 1000 X	4.29	+11.99 Does not stop

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

User charge = (V x Cv) + Cc  
 Where Cc = Customer charge, \$ 11.99  
 V = metered water use in 1,000 gallons  
 Cv = user charge for volume per 1,000 gallons

General:	Consumption in 1000 X	4.2900000	+11.99 Does not stop
Restaurant:	Consumption in 1000 X	8.4600000	+11.99 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, 2018**

Commercial and Industrial Users Rates:

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

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

Where:  $C_c$  = Customer charge, \$ 11.99

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

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

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

BOD = Biochemical oxygen demand, mg/1

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

TSS = Total suspended solids, mg/1

$$\text{Formula: } 11.99 + V (2.36 + (.0040469 \times \text{BOD}) + (.002226 \times \text{TSS}))$$

Sanitation Rates:

Residential:	\$	16.48	plus sales tax
Commercial:		20.00	plus sales tax
2 container resident		21.48	+ 1.77 = 23.25
		5.00	each additional gray can
		5.94	per cubic yard
		10.26	per non-compacted cubic yard
		10.26	per compacted cubic yard
		2.64	per cubic yard recycling

System Connections

<u>At September 30, 2018:</u>	<u>Water</u>	<u>Sewer</u>
Number of metered customers	15,563	12,588
Gallons of water pumped	2,819,815,000	-
Gallons of water sold	2,748,449,610	-

**CITY OF LUFKIN, TEXAS  
INSURANCE COVERAGE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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	10-1-17 to	3,000,000
	Deductible	9-30-18	2,500
	Auto Liability	10-1-17 to	1,000,000
	Deductible	9-30-18	500
	Law Enforcement Liability	10-1-17 to	1,000,000
	Deductible	9-30-18	10,000
	Errors and Omissions Liability	10-1-17 to	1,000,000
	Deductible	9-30-18	10,000
	General Liability	10-1-17 to	1,000,000
	Deductible	9-30-18	10,000
	Real and Personal	10-1-17 to	
	Deductible	9-30-18	2,500
	City Hall/Police		7,563,548
	City Hall/Police contents		1,529,004
	Civic Center		10,445,976
	Civic Center contents		1,400,000
	City Hall Annex		430,993
	City Hall Annex contents		25,000
	Fine Arts		503,450
	Sewer Treatment Plant		830,398
	Recycling Building		668,401
	Recycling Building contents		500,000
	Wastewater Administration Building		388,640
	Administration Building contents-WW		50,000
	Waterworks Plants/Buildings		1,008,800
	Sewer Treatment Buildings		525,262
	Solid Waste Building		554,899
	Solid Waste Building contents		680,000
	Fleet Office/Maint Shop/Extras		1,393,238
	Animal Control		1,011,640
	Animal Control contents		155,000
	Kurth Memorial Library		6,959,360
	Kurth Memorial Library contents		3,000,000
Police Radio Antenna		137,700	
Animal Control Barn		34,576	
Animal Control contents		45,000	
Computer Equipment -Contents value		2,500,000	
Community Center Building - Keltys		248,023	
Community Center Building - Keltys - contents		6,000	
Community Center Building - Pershing		266,204	
Community Center Building - Pershing contents		6,000	
Downtown Center		1,296,026	
Downtown Center contents		33,000	
Fire Station 1		693,834	
Fire Station 1 contents		115,000	

**CITY OF LUFKIN, TEXAS  
INSURANCE COVERAGE - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Fire Station 2		5,480,890
	Fire Station 2 contents		29,600
	Fire Station 3		1,745,305
	Fire Station 3 contents		125,000
	Fire Station 4		1,041,697
	Fire Station 4 contents		124,000
	Fire Station 5		1,286,046
	Fire Station 5 contents		100,000
	Fire Building -2815 S John Redditt Dr		315,704
	Fire Station-1112 Atkinson (bldg & content)		352,344
	Fire Communication Tower -Trailwood Blvd		48,974
	Fire Station 5-Poles & Sign		15,362
	Fire-Storage Bldg 111 E. Shepherd Ave		112,767
	Fire Tower/Equipment		52,547
	Ellis Ave Building Police		308,137
	Ellis Ave Building contents		80,000
	Southbase Police Office- contents		80,000
	Small Animal Building - Zoo		317,385
	Small Animal Building - Zoo (Content)		50,000
	Entrance Gift/Food Concession Zoo		107,827
	Entrance Gift/Food Concession Content		75,000
	Hippo Pool Zoo		105,095
	Large Cat Exhibit Zoo		113,397
	Large Cat Exhibit Zoo Content		3,500
	Office/Residence Zoo		126,113
	Office/Residence Zoo Content		8,000
	Clinic/Isolation Zoo		113,607
	Clinic/Isolation Zoo Content		110,000
	Necropsy/Freezer Zoo		60,534
	Necropsy/Freezer Zoo Content		35,000
	Giraffe/Rhino Exhibit Zoo		167,941
	Giraffe/Rhino Exhibit Zoo Content		15,000
	Admissions/Restroom		139,460
	Admissions/Restroom Content		8,000
	Entrance Cover/Zoo Circle		3,678
	Hippoquarium Building		101,732
	Hippoquarium Building Content		20,000
	Zoo-African Area Restroom/Extra		95,951
	Zoo-African Area Restroom/Extra-Contents		3,000
	Zoo-Animal Exhibit/Holding w/Pool		34,366
	Zoo-Animal Exhibit/Holding w/Pool		4,000
	Zoo-Educational Bldg/Offices		1,208,167
	Zoo-Educational Bldg/Offices-contents		173,000
	Zoo-Komodo Dragon		48,343
	Zoo-Komodo Dragon contents		1,000
	Asia Building		97,738
	Asia Building-Contents		3,000
	Rotary Parrot Exhibits		31,003
	Vet Shed-Contents		9,000
	Zoo-entrance gates		37,834
	Hay Storage		51,286
	Maintenance Building		171,935
	Memorial Shelter-Zoo		23,856
	Zoo Protective Awning		10,720
	Zoo Fiber Optic Cable		84,076

**CITY OF LUFKIN, TEXAS  
INSURANCE COVERAGE - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Zoo-Sign Front Entrance		14,532
	Zoo Commissary/Generator		693,168
	Zoo Commissary/Generator contents		40,000
	Old City Hall 210 E. Lufkin Ave.		694,885
	Offices/3Bay Garage		438,665
	Offices/3Bay Garage Content		300,000
	Spray Play/Canopy/Sail		33,630
	Spray Play - Chambers		107,196
	Spray Play - Kiwanis		107,196
	Spray Play - Jones Park		107,196
	Basketball/Tennis Court Pavillion		568,351
	Concession/Restroom/MTC/Pavilion		346,181
	Concession/Restroom - contents		50,000
	(8 Fields) of Light Poles		840,756
	Concession- Windsor		72,095
	(5 Fields) of Lights		525,473
	Parking Lot Lights		105,095
	Storage Building		106,040
	Storage Building-Contents		30,000
	Parks Restrooms- Boys complex		116,235
	Parks Equipment/Maint Old Moffett & Morris Frank Park		32,684
	Parks Pavillion Boys Complex		44,455
	Parks Kurth Lake Lodge		174,667
	Kurth Lake Lodge contents		10,000
	Kurth Lake Caretaker's House/Engineering		122,540
	Restroom -Girl's Complex MFP		128,846
	Restroom-500 Pershing Ave		51,181
	Restroom-200 Mott Dr		79,346
	Restrooms-Jones Park		65,999
	Restrooms-1117 S Timberland Dr		56,120
	Restrooms/Concessions-420 Jack St		39,305
	30ft Flag Poles		29,426
	3 SB Fields w/ 10 Light Poles		136,623
	Restroom-Jones Park		60,534
	Control Bldg-Spray Park 1501 MLK Blvd @ Jones Park		12,401
	Control Bldg-Spray Park 1117 S. Timberland Kiwanis Park		11,035
	Concession/Restroom 513 Windsor @ Morris Frank Park		131,683
	Parks Restrooms/storage Old Moffet & Kit McConnico		124,432
	Parks Restrooms/storage Old Moffet & Kit McConnico-contents		20,000
	Parks Pavilion #2 @ Ellen Trout Zoo		82,709
	Park Pavilions -various		864,217
	Morris Frank Girls Baseball Storage Building		17,761
	Parks & Rec Maintenance @ Windsor		35,522
	Parks Bleacher Covers		125,798
	Parks Batting Cage		24,592
	Parks Gazebo		66,210
	Parks Gazebo @ Grace Dunn Richardson		27,745
	Office (Log Cabin) Chambers Park		26,274
	Umpire Changing Station @ Kit McConnico		24,487
	Parks varios signs (14x8x3)		116,655
	Parks Dugouts @ Morris Frank Park		14,714
	Amphitheatre with Mural		115,604
	Brandon Parks signs		8,408
	City Business park signs		15,764
	City Business Park Flag Poles (3)		4,729

**CITY OF LUFKIN, TEXAS  
INSURANCE COVERAGE - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	City Business Park Signs		12,611
	Brandon Park Pavillion		29,426
	Jones Park Floating Dock		41,006
	Ellen Trout Park Restrooms		128,145
	Chambers Park Light Poles 6@ Tennis Court		12,499
	Kurth Lake Lodge Pier		42,525
	Kurth Lake Lodge Board Ramp		16,200
	Lift Station 701		262,736
	Lift Station 702		183,915
	Lift Station 704		26,274
	Lift Station 705		10,509
	Lift Station 706		52,547
	Lift Station 710		51,258
	Lift Station 711		52,547
	Lift Station 713		52,547
	Lift Station 714		26,274
	Lift Station 716		26,274
	Lift Station 722		52,547
	Lift Station 724		52,547
	Lift Station 715S		26,274
	Lift Station 719S		5,255
	Lift Station 720S		5,255
	Lift Station 725		15,764
	Lift Station 727		10,509
	Water Well 3		52,547
	Water Well 5		52,547
	Water Well 6		52,547
	Water Well 7		52,547
	Water Well 9		52,547
	Water Well 10		52,547
	Water Well 11		52,547
	Water Well 12		210,189
	Water Well 13		210,189
	Water Well 14		210,189
	Water Well 15		210,189
	Pump Station Lab/office		14,031
	Chlorination Bldg		50,761
	Pump Station Office		49,394
	Chlorination Bldg		28,901
	200hp Blower #6		63,057
	Sludge Transfer Pumps		36,783
	Warehouse 305 Davis		332,099
	Office/Extras 305 Davis		829,406
	Vehicle Storage 305 Davis		135,992
	Washbay		7,672
	Fuel Station 305 Davis		32,054
	Sewer Rehab Building		36,678
	Recycling Warehouse		167,416
	Fuel Station 500 S Park		7,462
	Intake Structure(River)/Pump Station		2,101,891
	Intake Structure/Pump Station (Rivercrest Red)		2,101,891
	Pumping Station -N. Davisville Rd		2,101,891
	2M gal Elevated Water Tank		1,343,318
	2M gal Elevated Water Tank		1,343,318
	Water Well #21		52,547

**CITY OF LUFKIN, TEXAS  
INSURANCE COVERAGE - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Water Well #23		52,547
	Water Well #24		52,547
	Water Well #25		52,547
	Water Well #28		52,547
	Water Well #29		52,547
	Water Well #30		52,547
	Water Well #31		52,547
	Water Well #32		52,547
	Water Well #33		52,547
	Water Well #34		52,547
	Water Plant #2-Generator 600kw		103,797
	Vehicle /Equipment Shelter #1&2 @ 305 Davis		85,863
	12K gal Unleaded Gas Tank - Davis St.		42,038
	12K gal Unleaded Gas Tank - Davis St. Contents		20,000
	12K gal Diesel Tank - Davis St.		42,038
	12K gal Diesel Tank - Davis St. Contents		20,000
	12k gal Unleaded Gasoline Tank - S. Park		42,038
	12K gal Unleaded Gasoline Tank - S. Park Contents		20,000
	12K gal Diesel Tank - 500 S. Park		42,038
	12K gal Diesel Tank - 500 S. Park Contents		20,000
	Pines Theatre		1,576,418
	Pines Theatre - Contents		75,000
	Animal Control - 1901 Hill St		157,011
	Animal Control - Contents		12,000
	Lift Station-Sewer		26,274
	Digester #1 - 3510 Southwood		3,152,836
	Digester #2 - 3510 Southwood		3,152,836
	Digester #3 - 3510 Southwood		3,152,836
	500K gal Elevated Water Tank - 2020 Wood Ave		1,285,201
	500K gal Elevated Water Tank - 1010 Kiln Ave		1,482,043
	1M gal Elevated Water Tank - 321 Ellen St		2,171,253
	Lift Station-Sewer 1805 Copeland St		52,547
	Generator - Water Plant		73,566
	2M gal Ground Water Tank		1,343,318
	1M gal Elevated Water Tank - 321 Ellen St		790,836
	500 KW Generator - WWTP		157,642
	Solid Waste Facility Signs & Flag Poles		11,561
	Oil Storage Building		9,984
	Blower Building		33,840
	Pump House/3Pumps/SCADA		735,050
	Chlorine Building @ WP#3		218,336
	1M gal Ground Water Tank#2		790,836
	1M gal Ground Water Tank#3		790,836
	1M gal Ground Water Tank#4		790,836
	Communication Towers		106,674
	Courthouse		1,327,461
	Rental Building-Armory Dr		572,765
	Street-Wash Bay		124,556
	Coverage Extensions		
	Deductible		2,500
	Valuable Papers & Records		10,000
	Accounts Receivable		10,000
	Loss of Revenues		50,000
	Personal Property - Employees		5,000
	Leasehold Interest		5,000

**CITY OF LUFKIN, TEXAS  
INSURANCE COVERAGE - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Outdoors Trees & Shrubs (\$250.00 each)		10,000
	Supplemental Sewage Backup Deductible		500
	each structure		25,000
	each occurrence		50,000
	Mobile Equipment Deductible	10-1-17 to 9-30-18	2,500
	Mustang Cat Motorgrader		151,064
	John Deere Tractor		23,415
	Gradall Excavator		223,536
	John Deere Skid Steer Loader		27,600
	John Deere 2000 LC		156,308
	John Deere Backhoe		70,651
	Case 586G Forklift -2008		45,374
	John Deere 310SJ Backhoe-2004		57,838
	John Deere 35C Compacted Excavator		35,483
	John Deere 200LC Excavator		128,950
	John Deere 450 Bulldozer		61,050
	Caterpillar CB434D Compactor		101,500
	John Deere Cab Tractor w/Mower		59,044
	John Deere 50 D Excavator		53,760
	Polaris 800 HD ATV		11,805
	John Deere 332D Loader		32,819
	John Deere Backhoe (Water/Sewer)		66,088
	Toyota Forklift (Recycling)		30,552
	John Deere Excavator (Sewer)		35,915
	John Deere Backhoe (Water/Sewer)		74,542
	John Deere Backhoe (Street)		83,900
	2012 Wirtgen Milling Machine W120fl		418,370
	2012 Wirtgen Asphalt Paver 5103-2		320,464
	2013 John Deere 310SK Backhoe-Water/Sewer Dept.		81,100
	2012 John Deere Model 326 Skid Steer-Recycling Dept.		33,380
	2013 John Deere Model 450J Crawler/Dozer- Street Dept.		77,975
	2014 Broce CRT350-Street Dept.		55,443
	2014 Kubota L6400HST Tractor-Water Production		24,514
	2014 Gradall Excavator		303,524
	2014 Bomag Roller-Street		69,545
	2015 Kubota Tractor Loader-Parks		19,146
	2015 John Deere Backhoe/loader-W/S		85,500
	2015 John Deere Excavator W/S		61,032
	2016 John Deere 310SL Backhoe Sewer		90,053
	2016 John Deere 310SL Backhoe Sewer		87,030
	2016 John Deere Skid- 328E Skid-Steer Loader		42,695
	2016 John Deere Backhoe W/S		105,000
	2016 John Deere 324 K Wheel Loader		94,654
	2016 John Deere Boom Mower		98,673
	2016 John Deere 5065E Utility Tractor		24,172
	2017 Peterbilt Model 337 Pro Patch Truck		164,837
	2018 Peterbilt Model 348 Asphalt Distributor		212,596

**CITY OF LUFKIN, TEXAS  
 INSURANCE COVERAGE - CONTINUED  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Auto Physical Damage	10-1-17 to	
	Deductible each vehicle	9-30-18	500
	Deductible per occurrence		10,000
Deep East Texas Self Insurance Fund	Workers' Compensation		Statutory

## **COMPLIANCE SECTION**

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



4000 S. Medford Drive  
Lufkin, Texas 75901

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lufkin, Texas (City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 11, 2019.

**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) to determine the 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 of Lufkin, Texas' internal control.

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

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

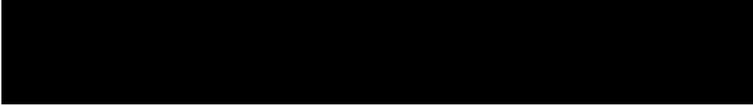
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENTAL AUDITING STANDARDS - CONTINUED**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Lufkin, Texas' financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



ALEXANDER, LANKFORD & HIERS, INC.  
Certified Public Accountants

Lufkin, Texas  
July 11, 2019