

City of Lufkin, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended September 30, 2019

CITY OF LUFKIN, TEXAS
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For the Fiscal Year Ended September 30, 2019

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INTRODUCTORY SECTION



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August 6, 2020

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, 2019 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, 2019. 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 35,510 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 ward. Council members are elected on a non-partisan basis, at three-year staggered terms with two members elected each year. The mayor serves a three-year term. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations, and for appointing the heads of the City departments.

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

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

Local Economy

The City's sales tax revenues has seen some growth in Fiscal 2019 from 2018. As internet shopping trends increase, sales tax revenues continue to be impacted. Also, due to the diversity of our economy, the continued growth of our medical and aerospace industries, our status as a regional hub has helped to sustain other revenues. The expected trend is for sales tax revenues to reach a plateau and eventually show small growth annually.

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

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

The 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 2018, according to Texas Workforce statistics, is 4.3 percent compared to 4.6 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)
 - Complete planning of a new CIP Program to be started in Fiscal 2020

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

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, 2019 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%	\$ 8,536,996	\$ 11,018,348
Hotel/Motel Tax Fund - 12.5%	146,276	198,727
Recreation Fund - 12.5%	54,683	110,448
	<u>8,737,955</u>	<u>11,327,523</u>
Proprietary Funds: (working capital)		
Water/Wastewater Fund - 12.5%	\$ 2,255,424	\$ 4,852,029
Solid Waste/Recycling Fund - 12.5%	867,139	5,059,017
	<u>3,122,563</u>	<u>9,911,046</u>

Major Initiatives

City management has completed comprehensive analysis of the rolling equipment stock, and developed a fleet services and replacement policy that has been adopted by City Council. This project resulted in developing a planned replacement schedule of the vehicles and equipment used in our daily operation. High cost, long life equipment such as fire trucks and road equipment will be funded separately. During FY 2019 the City purchased \$1,792,896 in new/replacement equipment and is planning to replace approximately \$2,649,776 of equipment in FY 2020.

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,



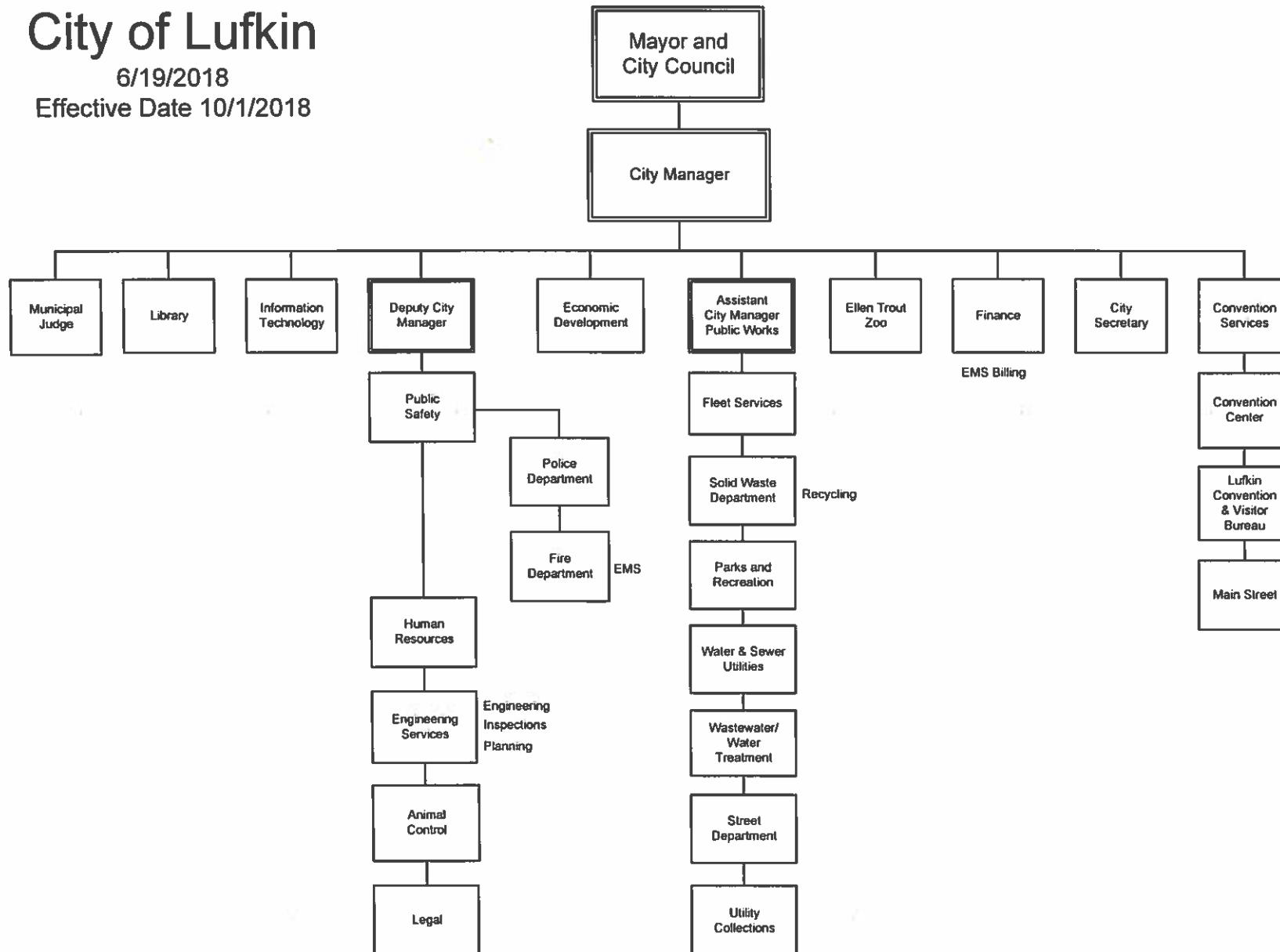
Bruce W. Green
Interim City Manager



City of Lufkin

6/19/2018

Effective Date 10/1/2018



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

**CITY OF LUFKIN, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2019**

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 Andrepont.....	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

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Report on the Financial Statements - Continued

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lufkin, Texas as of September 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The supplemental information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2020, 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

August 6, 2020



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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, 2019. 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 \$132,222 (*net position*). The unrestricted net position component is \$(15,056). The unrestricted net position decrease of \$2,067 from the prior year was the result of changes in the net investment in capital assets, restricted net position, and current year change in net position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,627, an increase of \$758 over the prior year. The increase is the result of increases in the General Fund and Debt Service Fund.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,725 or 5% of total general fund expenditures.
- The City's total debt decreased by \$5,265 (11%) during the fiscal year. The key factors in this decrease were \$5,265 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-four 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-two governmental funds are combined into a single, aggregate presentation.

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$132,222 at the close of fiscal year 2019. The following table reflects the condensed Statement of Net Position.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 24,734	\$ 24,445	\$ 20,633	\$ 21,596	\$ 45,367	\$ 46,041
Capital assets	111,707	112,051	64,980	65,028	176,687	177,079
Total Assets	<u>136,441</u>	<u>136,496</u>	<u>85,613</u>	<u>86,624</u>	<u>222,054</u>	<u>223,120</u>
Deferred outflows of resources	<u>9,823</u>	<u>4,658</u>	<u>1,371</u>	<u>480</u>	<u>11,194</u>	<u>5,138</u>
Long-term liabilities	47,924	53,303	336	371	48,260	53,674
Total OPEB liability	4,902	4,513	1,057	958	5,959	5,471
Net pension liability	36,877	29,101	4,240	2,838	41,117	31,939
Other liabilities	2,307	2,230	1,035	761	3,342	2,991
Total Liabilities	<u>92,010</u>	<u>89,147</u>	<u>6,668</u>	<u>4,928</u>	<u>98,678</u>	<u>94,075</u>
Deferred inflows of resources	<u>2,183</u>	<u>3,377</u>	<u>165</u>	<u>465</u>	<u>2,348</u>	<u>3,842</u>
Net Position:						
Net investment in capital assets	70,132	65,211	64,980	65,020	135,112	130,231
Restricted	2,710	2,424	9,456	10,675	12,166	13,099
Unrestricted (deficit)	(20,771)	(19,005)	5,715	6,016	(15,056)	(12,989)
Total Net Position	<u>\$ 52,071</u>	<u>\$ 48,630</u>	<u>\$ 80,151</u>	<u>\$ 81,711</u>	<u>\$ 132,222</u>	<u>\$ 130,341</u>

The largest portion of the City's net position (102%) 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 (9%) represents resources that are subject to external restrictions on how they may be used. The City had a total deficit unrestricted net position of \$15,056.

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

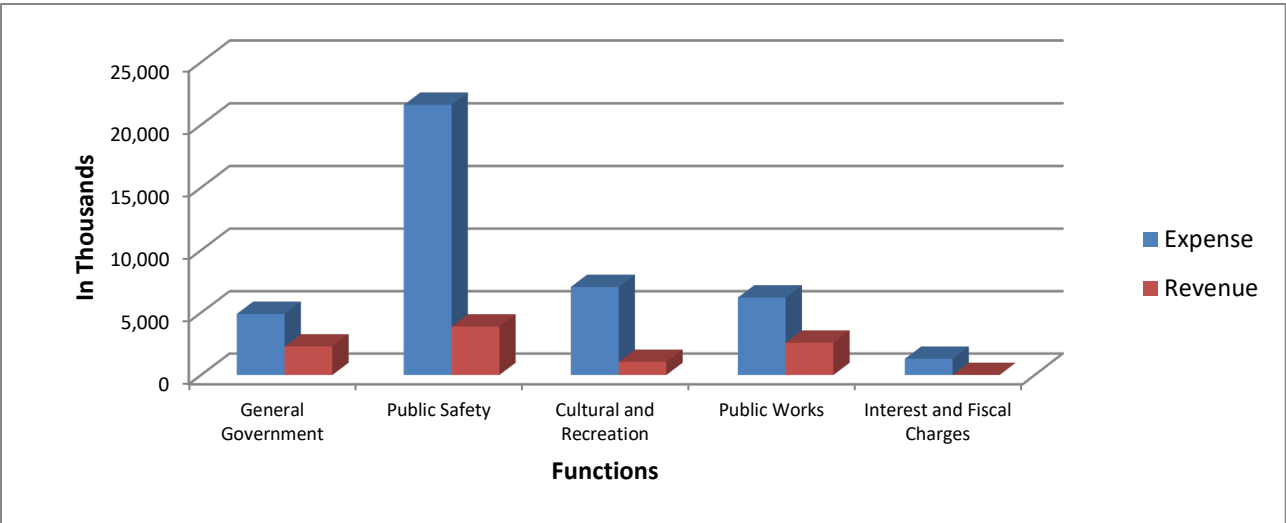
The following table provides a summary of the City's operations for the year ended September 30, 2019.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 9,499	\$ 9,847	\$ 23,707	\$ 24,855	\$ 33,206	\$ 34,702
Operating grants and contributions	320	423	-	-	320	423
Capital grants and contributions	-	268	-	-	-	268
General Revenues:						
Property taxes	10,953	10,749	-	-	10,953	10,749
Other taxes	17,806	17,195	-	-	17,806	17,195
Other	1,008	1,190	523	270	1,531	1,460
Total Revenues	<u>39,586</u>	<u>39,672</u>	<u>24,230</u>	<u>25,125</u>	<u>63,816</u>	<u>64,797</u>
Expenses:						
General government	4,899	5,086	-	-	4,899	5,086
Public safety	21,592	21,558	-	-	21,592	21,558
Cultural and recreation	7,062	6,110	-	-	7,062	6,110
Planning and community development	-	444	-	-	-	444
Public works	6,209	5,496	-	-	6,209	5,496
Interest and fiscal charges	1,300	1,463	-	-	1,300	1,463
Water and sewer	-	-	13,966	13,645	13,966	13,645
Solid waste disposal	-	-	6,907	6,556	6,907	6,556
Total Expenses	<u>41,062</u>	<u>40,157</u>	<u>20,873</u>	<u>20,201</u>	<u>61,935</u>	<u>60,358</u>
Change in Net Position before transfers	(1,476)	(485)	3,357	4,924	1,881	4,439
Transfers	<u>4,917</u>	<u>4,145</u>	<u>(4,917)</u>	<u>(4,145)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>3,441</u>	<u>3,660</u>	<u>(1,560)</u>	<u>779</u>	<u>1,881</u>	<u>4,439</u>
Net Position, Beginning	48,630	47,852	81,711	81,427	130,341	129,279
Prior Period Adjustments	<u>-</u>	<u>(2,882)</u>	<u>-</u>	<u>(495)</u>	<u>-</u>	<u>(3,377)</u>
Net Position, Restated	<u>48,630</u>	<u>44,970</u>	<u>81,711</u>	<u>80,932</u>	<u>130,341</u>	<u>125,902</u>
Net Position, Ending	<u>\$ 52,071</u>	<u>\$ 48,630</u>	<u>\$ 80,151</u>	<u>\$ 81,711</u>	<u>\$ 132,222</u>	<u>\$ 130,341</u>

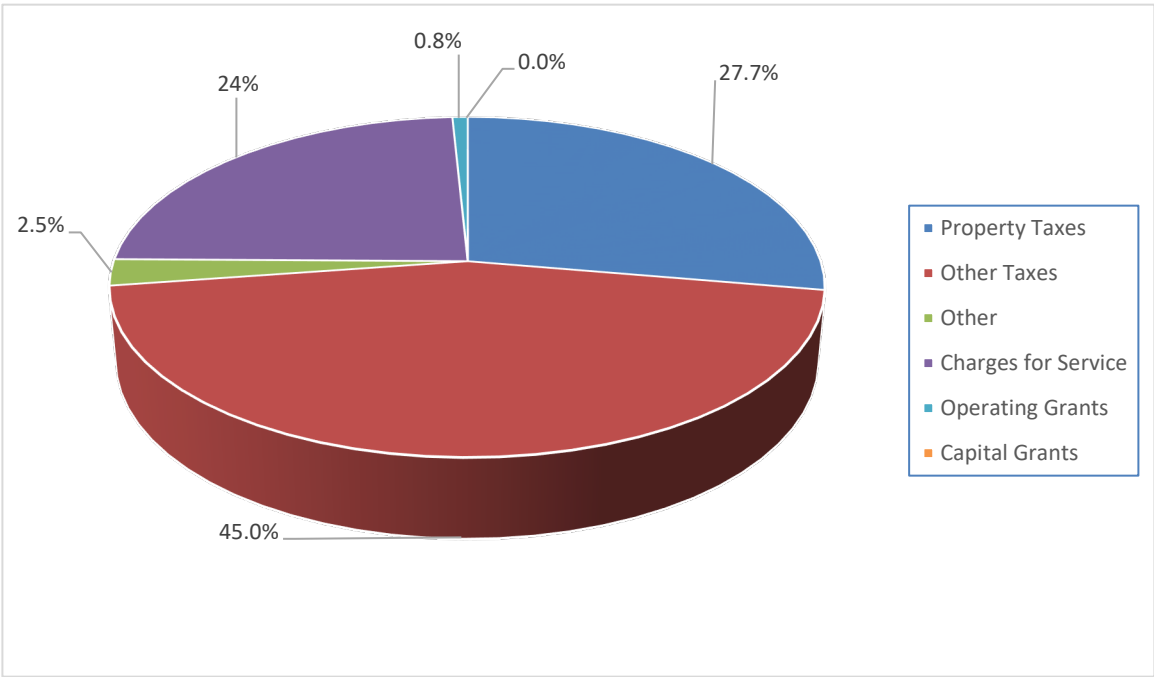
Governmental Activities. Governmental activities increased the City’s net position by \$3,441, which is a decrease of \$219 (6%) from the prior year. Key elements of this change are as follows:

- Property taxes increased by \$204 (2%).
- Other taxes increased by \$611 (4%).
- Charges for services decreased by \$348 (4%)
- Cultural and recreation expenditures increased by \$952 (16%).
- Planning and community development expenditures decreased by \$444 (100%).
- Public works expenditures increased by \$713 (13%).
- Transfers in increased by \$772 (19%).

Expenses and Program Revenues - Governmental Activities



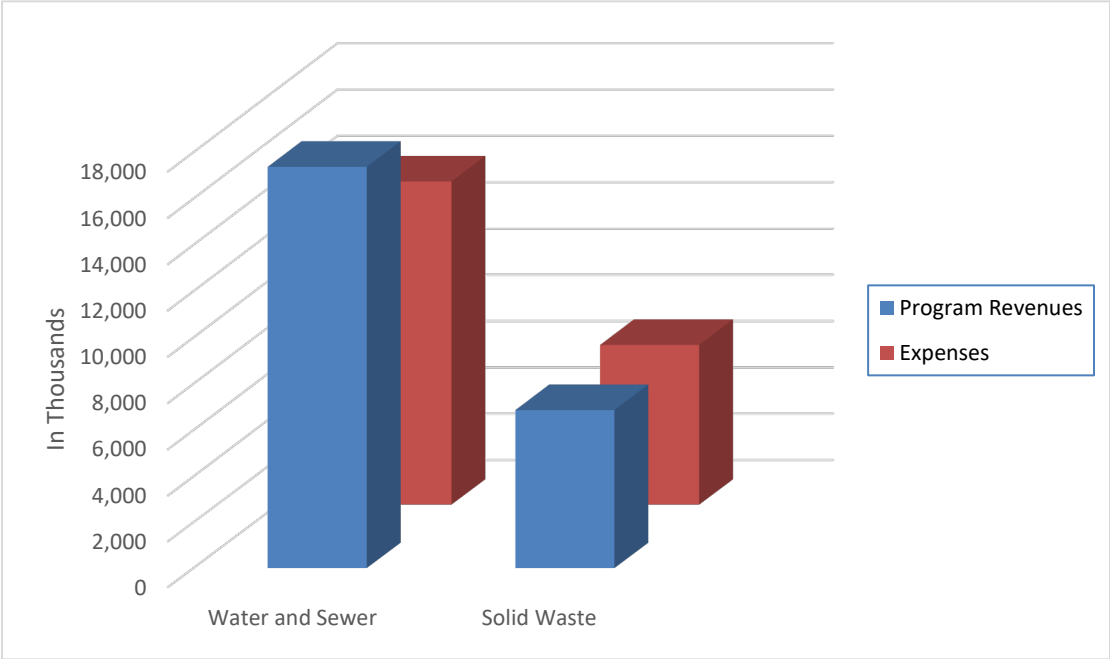
Revenues by Source - Governmental Activities



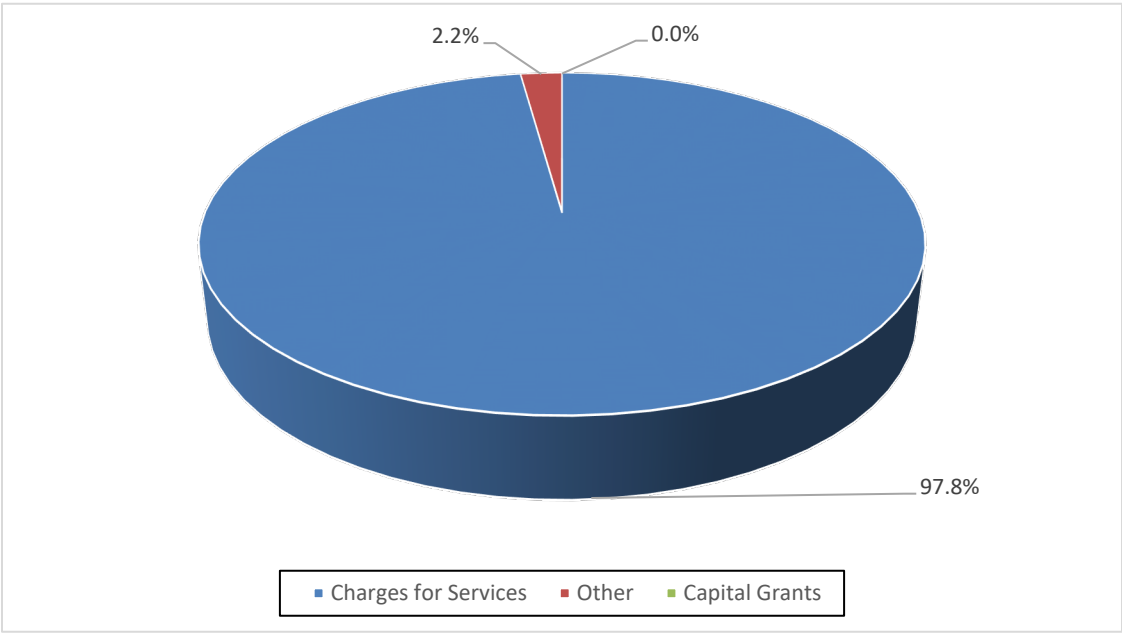
Business-type Activities. Business-type activities decreased the City's net position by \$1,560, which is a decrease of \$2,339 (300%) from the prior year. Key elements of this change are as follows:

- Charges for services decreased by \$1,148 (5%).
- Other revenues increased by \$253 (94%).
- Water and sewer expenses increased by \$321 (2%).
- Solid waste expenses increased by \$351 (5%).
- Transfers out increased by \$772 (19%).

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 \$15,627, an increase of \$758 from the prior year. Ten percent of the ending fund balance, or \$1,536, 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 \$2,492, \$8,576 and \$2,710, respectively. The remaining amount, \$313, 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 \$1,725 while total fund balance was \$11,018. 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 5% of total general fund expenditures, while total fund balance represents 33% of the same amount. Fund balance of the General Fund increased by \$396 during the current fiscal year.

The Debt Service fund has a total fund balance of \$2,164, 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 \$335.

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 \$2,098 and for the Solid Waste Disposal Fund was \$3,617. The total net position decreased for the Water and Sewer Utility Fund by \$1,316 and the Solid Waste Disposal Fund decreased by \$244. 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 (\$1,098 increase in revenues and \$33 increase in expenditures). The major adjustments were:

- Increase of \$1,025 in tax revenue was primarily due to higher anticipated collections for sales and franchise taxes.
- Increase of \$80 in licenses and permits revenue was primarily due to increases in building permits and inspections revenue.
- Decrease of \$63 in fines and forfeitures revenue was primarily due to a decrease in municipal court fines and forfeitures.
- Decrease of \$93 in charges for services revenue was primarily due to a decrease in emergency medical services.
- Increase of \$150 in intergovernmental revenue was primarily due to an increase in grant revenue.
- Decrease of \$192 for general government expenditures was primarily due to a reduction in non-departmental expenditures.
- Increase of \$486 for public safety expenditures was primarily due to increases in police and fire expenditures.

- Decrease of \$85 in culture and recreation expenditures was primarily due to a reduction in parks expenditures.
- Decrease of \$136 for public works expenditures was primarily due to decreases in engineering, inspection, street and fleet management expenditures.
- Decrease of \$40 for debt service expenditures was primarily due to reductions in principal and interest expenditures.

Differences between the actual results and the final budget for the General Fund were significant (\$480 decrease in actual revenues and \$639 decrease in actual expenditures) and can be briefly summarized as follows:

- Decrease of \$155 in taxes was due to lower property and franchise tax collections than the City anticipated.
- Decrease of \$293 in fines and forfeitures revenue was primarily due to lower municipal court fines and forfeitures and red light fines and court costs revenue.
- Decrease of \$162 in charges for services was primarily due to lower emergency medical services revenue.
- Increase of \$96 in investment earnings was primarily due to higher interest rates.
- Decrease of \$439 in general government expenditures was primarily due to less City administration, finance, building services, information technology, and non-departmental expenditures.
- Decrease of \$54 in culture and recreation expenditures was due to less zoo and library expenditures.
- Decrease of \$113 in public works expenditures was due to less street and fleet management expenditures.
- Decrease of \$51 in debt service expenditures was due to less principal and interest expenditures.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities amounts to \$176,687 (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, 2019 was \$3,787 as compared to \$3,850 for the previous year. Actual expenditures were \$3,697 for fiscal year 2019, reflecting a decrease of \$184 from fiscal year 2018.

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%	11%
Residential Streets		31%	29%	27%

		PERCENTAGE OF LANE-MILES IN SUBSTANDARD CONDITION		
		2018	2016	2014
Collector Streets		20%	13%	11%
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 - \$541
- Inez Tims - \$277

Business-type

- U.S. 69 AFP water line extension - \$1,448
- Chlorine contact basin - \$435
- U.S. 59, Loop 287 Moffett UT - \$105

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,464	\$ 4,451	\$ 4,393	\$ 4,393	\$ 8,857	\$ 8,844
Water rights	-	-	4,069	4,007	4,069	4,007
Works of art	278	278	-	-	278	278
Buildings	14,946	15,458	2,681	2,802	17,627	18,260
Machinery and equipment	3,815	4,429	3,424	3,277	7,239	7,706
Vehicles	5,563	4,992	237	300	5,800	5,292
Improvements other than buildings	12,930	13,652	48,332	50,078	61,262	63,730
Infrastructure	68,733	67,927	-	-	68,733	67,927
Construction in progress	978	864	1,844	171	2,822	1,035
Total	\$ 111,707	\$ 112,051	\$ 64,980	\$ 65,028	\$ 176,687	\$ 177,079

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 \$41,575. The full amount of this debt is backed by the full faith and credit of the government.

City of Lufkin, Texas' Outstanding Debt
General Obligation Bonds

	GOVERNMENTAL ACTIVITIES		TOTAL	
	2019	2018	2019	2018
General obligation bonds	\$ 41,575	\$ 46,840	\$ 41,575	\$ 46,840
Total	\$ 41,575	\$ 46,840	\$ 41,575	\$ 46,840

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

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

Economic Factors and Next Year's Budgets and Rates

- For September 2019, the unemployment rate for the City, according to Texas Workforce statistics, is 3.6%, a 0.7% decrease from last year. The 3.9% unemployment rate for Angelina County is a decrease of 0.4% from last year. The Texas unemployment rate is 3.5%. The national unemployment rate, as recorded by the Bureau of Labor Statistics is 3.5%.
- The state sales tax revenue for the current fiscal year totaled \$14,009, an increase of \$366 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 2020 fiscal year.

The Water and Sewer Utility rates were increased by two percent for the 2020 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, 2019

	PRIMARY GOVERNMENT			
	GOVERNMENTAL	BUSINESS-TYPE		COMPONENT
	ACTIVITIES	ACTIVITIES	TOTAL	UNITS
ASSETS				
Cash and cash equivalents	\$ 2,309,791	\$ 438,577	\$ 2,748,368	\$ 1,551,527
Investments	17,595,000	7,453,159	25,048,159	6,506,400
Receivables (net of allowance for uncollectibles)	4,516,590	2,789,022	7,305,612	261,002
Notes receivable	-	-	-	2,842,165
Inventories	308,447	101,512	409,959	-
Restricted Assets:				
Cash and cash equivalents	-	838,475	838,475	-
Investments	-	8,796,841	8,796,841	-
Receivables (net of allowance for uncollectibles)	-	215,387	215,387	-
Prepaid items	4,396	308	4,704	6
Capital assets (net of accumulated depreciation):				
Land	4,464,290	4,392,785	8,857,075	-
Water rights	-	4,068,680	4,068,680	-
Infrastructure	68,732,135	-	68,732,135	-
Works of art	278,500	-	278,500	-
Buildings	14,946,368	2,680,557	17,626,925	-
Improvements other than buildings	12,929,403	48,332,484	61,261,887	-
Machinery and equipment	3,815,240	3,423,685	7,238,925	-
Vehicles	5,563,098	237,025	5,800,123	-
Construction in progress	978,054	1,844,418	2,822,472	-
Total Assets	136,441,312	85,612,915	222,054,227	11,161,100
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refundings	1,426,809	-	1,426,809	-
Deferred pension outflows	8,099,657	1,302,653	9,402,310	83,331
Deferred OPEB outflows	296,876	68,406	365,282	3,143
Total Deferred Outflows of Resources	9,823,342	1,371,059	11,194,401	86,474
LIABILITIES				
Accounts/claims payable	1,373,683	355,396	1,729,079	852,612
Accrued interest	152,659	-	152,659	8,494
Accrued liabilities	756,671	285,296	1,041,967	6,594
Customer deposits	24,405	-	24,405	127,009
Payable from restricted assets	-	394,354	394,354	-
Noncurrent liabilities:				
Due within one year	7,042,589	135,157	7,177,746	510,446
Due in more than one year	40,881,935	200,601	41,082,536	376,767
Total OPEB liability	4,901,777	1,056,758	5,958,535	20,893
Net pension liability	36,876,990	4,240,345	41,117,335	210,745
Total Liabilities	92,010,709	6,667,907	98,678,616	2,113,560
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	2,133,900	152,318	2,286,218	10,026
Deferred OPEB inflows	49,410	12,658	62,068	1,067
Total Deferred Inflows of Resources	2,183,310	164,976	2,348,286	11,093
NET POSITION				
Net investment in capital assets	70,132,088	64,979,634	135,111,722	-
Restricted for:				
Retirement of debt	2,163,768	1,830	2,165,598	-
Capital projects	234,310	1,302,824	1,537,134	-
Renewal and replacement	-	8,151,695	8,151,695	-
Other	311,894	-	311,894	-
Unrestricted (deficit)	(20,771,425)	5,715,108	(15,056,317)	9,122,921
Total Net Position	\$ 52,070,635	\$ 80,151,091	\$ 132,221,726	\$ 9,122,921

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, 2019

FUNCTIONS/PROGAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Primary Government:			
Governmental Activities:			
General government	\$ 4,899,040	\$ 2,263,331	\$ 27,015
Public safety	21,591,821	3,596,455	293,077
Cultural and recreation	7,061,721	1,048,519	-
Public works	6,208,647	2,590,490	-
Interest and fiscal charges	1,300,520	-	-
Total Governmental Activities	<u>41,061,749</u>	<u>9,498,795</u>	<u>320,092</u>
Business-Type Activities:			
Water and sewer	13,965,906	16,982,776	-
Solid waste disposal	6,907,308	6,724,279	-
Total Business-Type Activities	<u>20,873,214</u>	<u>23,707,055</u>	<u>-</u>
Total Primary Government	<u>\$ 61,934,963</u>	<u>\$ 33,205,850</u>	<u>\$ 320,092</u>
Component Units	<u>\$ 1,324,533</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

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	
\$ -	\$ (2,608,694)	\$ -	\$ (2,608,694)	\$ -
-	(17,702,289)	-	(17,702,289)	-
-	(6,013,202)	-	(6,013,202)	-
-	(3,618,157)	-	(3,618,157)	-
-	(1,300,520)	-	(1,300,520)	-
-	(31,242,862)	-	(31,242,862)	-
-	-	3,016,870	3,016,870	-
-	-	(183,029)	(183,029)	-
-	-	2,833,841	2,833,841	-
\$ -	(31,242,862)	2,833,841	(28,409,021)	-
\$ -				(1,324,533)
	10,952,698	-	10,952,698	-
	14,009,391	-	14,009,391	1,273,581
	2,536,205	-	2,536,205	-
	1,155,219	-	1,155,219	-
	105,600	-	105,600	485,056
	570,439	461,739	1,032,178	136,907
	19,380	61,217	80,597	-
	418,089	-	418,089	222,441
	4,916,820	(4,916,820)	-	-
	34,683,841	(4,393,864)	30,289,977	2,117,985
	3,440,979	(1,560,023)	1,880,956	793,452
	48,629,656	81,711,114	130,340,770	8,329,469
\$ -	\$ 52,070,635	\$ 80,151,091	\$ 132,221,726	\$ 9,122,921

CITY OF LUFKIN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	GENERAL FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 490,536	\$ 212,151	\$ 1,188,653	\$ 1,891,340
Investments	9,795,000	1,950,000	1,600,000	13,345,000
Receivables:				
Taxes	595,146	256,486	-	851,632
Accounts	19,285,604	-	180,126	19,465,730
Intergovernmental	1,146,906	-	10,831	1,157,737
Other	243,442	51,237	345,311	639,990
Allowance for uncollectibles	(17,642,802)	(190,847)	(174,072)	(18,007,721)
Due from other funds	550,750	-	-	550,750
Inventories	308,447	-	-	308,447
Prepaid items	4,363	-	9	4,372
Total Assets	<u>\$ 14,777,392</u>	<u>\$ 2,279,027</u>	<u>\$ 3,150,858</u>	<u>\$ 20,207,277</u>
LIABILITIES				
Accounts/claims payable	\$ 534,730	\$ -	\$ 299,926	\$ 834,656
Accrued liabilities	750,225	-	6,446	756,671
Due to other funds	-	-	308,752	308,752
Customer deposits	4,110	-	20,295	24,405
Total Liabilities	<u>1,289,065</u>	<u>-</u>	<u>635,419</u>	<u>1,924,484</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	2,469,979	115,259	70,409	2,655,647
Total Deferred Inflows of Resources	<u>2,469,979</u>	<u>115,259</u>	<u>70,409</u>	<u>2,655,647</u>
FUND BALANCES				
Nonspendable	312,810	-	9	312,819
Restricted	-	2,163,768	546,204	2,709,972
Committed	8,324,638	-	251,395	8,576,033
Assigned	655,713	-	1,836,230	2,491,943
Unassigned	1,725,187	-	-	1,725,187
Unassigned, Reported in Nonmajor:				
Capital Projects Funds	-	-	(188,808)	(188,808)
Total Fund Balances	<u>11,018,348</u>	<u>2,163,768</u>	<u>2,445,030</u>	<u>15,627,146</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,777,392</u>	<u>\$ 2,279,027</u>	<u>\$ 3,150,858</u>	<u>\$ 20,207,277</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, 2019

Total fund balances – governmental funds balance sheet	\$ 15,627,146
--------------------------------------------------------	---------------

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.	105,386,841
--------------------------------------------------------------------------------------------------------------------------	-------------

Certain unavailable revenues are not available to pay current-period expenditures and therefore, are deferred in the funds.	2,655,647
-----------------------------------------------------------------------------------------------------------------------------	-----------

An internal service fund is used to charge the cost of health insurance to individual funds. The funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	2,467,539
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

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.	8,149,380
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(46,650,374)
------------------------------------------------------------------------------------------------------------------	--------------

The City's deferred outflows of resources related to OPEB and pension plans is not reported in the governmental funds.	8,396,533
------------------------------------------------------------------------------------------------------------------------	-----------

The City's total OPEB liability is not reported in the governmental funds.	(4,901,777)
----------------------------------------------------------------------------	-------------

The City's net pension liability is not reported in the governmental funds.	(36,876,990)
-----------------------------------------------------------------------------	--------------

The City's deferred inflows of resources related to pension and OPEB plans is not reported in the governmental funds.	(2,183,310)
-----------------------------------------------------------------------------------------------------------------------	-------------

Net position of governmental activities	<u><u>\$ 52,070,635</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF LUFKIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	GENERAL FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Taxes:				
Property	\$ 7,837,227	\$ 3,083,300	\$ -	\$ 10,920,527
Sales	14,009,391	-	-	14,009,391
Franchise	2,536,205	-	-	2,536,205
Other	105,600	-	1,155,219	1,260,819
Licenses and permits	440,316	-	-	440,316
Fines and forfeitures	734,546	-	-	734,546
Charges for services	2,419,450	-	1,048,519	3,467,969
Investment earnings	195,767	61,541	45,031	302,339
Intergovernmental	5,019,591	-	180,199	5,199,790
Other revenues	398,901	-	284,427	683,328
Total Revenues	<u>33,696,994</u>	<u>3,144,841</u>	<u>2,713,395</u>	<u>39,555,230</u>
Expenditures:				
Current:				
General government	4,332,106	-	200,205	4,532,311
Public safety	19,557,414	-	115,902	19,673,316
Cultural and recreation	3,934,410	-	2,048,287	5,982,697
Public works	5,474,621	-	-	5,474,621
Debt service:				
Principal	-	5,265,000	-	5,265,000
Interest and fiscal charges	-	1,358,395	-	1,358,395
Capital outlay	-	-	1,262,967	1,262,967
Total Expenditures	<u>33,298,551</u>	<u>6,623,395</u>	<u>3,627,361</u>	<u>43,549,307</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>398,443</u>	<u>(3,478,554)</u>	<u>(913,966)</u>	<u>(3,994,077)</u>
Other Financing Sources (Uses):				
Transfers in	392,066	3,813,752	1,119,030	5,324,848
Transfers out	<u>(394,660)</u>	<u>-</u>	<u>(178,368)</u>	<u>(573,028)</u>
Total Other Financing Sources (Uses)	<u>(2,594)</u>	<u>3,813,752</u>	<u>940,662</u>	<u>4,751,820</u>
Net Change in Fund Balances	395,849	335,198	26,696	757,743
Fund Balances - Beginning	<u>10,622,499</u>	<u>1,828,570</u>	<u>2,418,334</u>	<u>14,869,403</u>
Fund Balances - Ending	<u>\$ 11,018,348</u>	<u>\$ 2,163,768</u>	<u>\$ 2,445,030</u>	<u>\$ 15,627,146</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, 2019

Net change in fund balances – total governmental funds	\$ 757,743
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.	167,246
Internal service net revenues are reported with governmental activities and the expenses not recovered through user charges are allocated to the participating funds.	(468,523)
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.	(615,615)
The issuance of or acquisition of long-term debt (e.g. bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	5,288,233
Increase in total OPEB liability is reported in the statement of activities, but not in the funds.	(217,609)
Current year pension expenditures are reported on the fiscal year basis in the funds, and as actuarially determined on the measurement date in the statement of activities.	(1,470,496)
Change in net position of governmental activities	\$ 3,440,979

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, 2019

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 202,206	\$ 236,371	\$ 438,577	\$ 418,451
Investments	3,303,159	4,150,000	7,453,159	4,250,000
Restricted Assets:				
Cash and cash equivalents	1,674	-	1,674	-
Investments - customer deposits	296,841	-	296,841	-
Interest receivable	156	-	156	-
Accounts receivable (net of allowance for uncollectibles)	1,815,473	784,235	2,599,708	309,766
Interest receivable	87,742	101,572	189,314	99,456
Inventories	95,543	5,969	101,512	-
Prepaid items	291	17	308	24
Total Current Assets	<u>5,803,085</u>	<u>5,278,164</u>	<u>11,081,249</u>	<u>5,077,697</u>
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	633,188	203,613	836,801	-
Investments	8,050,000	450,000	8,500,000	-
Interest receivable	200,231	15,000	215,231	-
Total Restricted Noncurrent Assets	<u>8,883,419</u>	<u>668,613</u>	<u>9,552,032</u>	<u>-</u>
Capital Assets:				
Land	4,231,421	161,364	4,392,785	-
Water rights	4,068,680	-	4,068,680	-
Buildings	3,326,288	2,379,772	5,706,060	-
Machinery and equipment	17,677,373	1,288,155	18,965,528	5,360,748
Vehicles	414,581	970,562	1,385,143	11,576,424
Improvements	85,898,848	784,023	86,682,871	-
Construction in progress	1,844,418	-	1,844,418	-
Less accumulated depreciation	(54,859,171)	(3,206,680)	(58,065,851)	(10,616,925)
Total Capital Assets (Net of Accumulated Depreciation)	<u>62,602,438</u>	<u>2,377,196</u>	<u>64,979,634</u>	<u>6,320,247</u>
Total Noncurrent Assets	<u>71,485,857</u>	<u>3,045,809</u>	<u>74,531,666</u>	<u>6,320,247</u>
Total Assets	<u>77,288,942</u>	<u>8,323,973</u>	<u>85,612,915</u>	<u>11,397,944</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	911,415	391,238	1,302,653	-
Deferred OPEB outflows	48,994	19,412	68,406	-
Total Deferred Outflows of Resources	<u>960,409</u>	<u>410,650</u>	<u>1,371,059</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts/claims payable	221,093	134,303	355,396	539,027
Accrued compensated absences	94,290	40,867	135,157	-
Accrued liabilities	241,542	43,754	285,296	-
Due to other funds	-	-	-	241,998
Current liabilities payable from Restricted Assets:				
Accounts/claims payable	97,290	223	97,513	-
Customer deposits	296,841	-	296,841	-
Total Current Liabilities	<u>951,056</u>	<u>219,147</u>	<u>1,170,203</u>	<u>781,025</u>
Noncurrent Liabilities:				
Accrued compensated absences	164,417	36,184	200,601	-
Total OPEB liability	762,451	294,307	1,056,758	-
Net pension liability	2,781,119	1,459,226	4,240,345	-
Total Noncurrent Liabilities	<u>3,707,987</u>	<u>1,789,717</u>	<u>5,497,704</u>	<u>-</u>
Total Liabilities	<u>4,659,043</u>	<u>2,008,864</u>	<u>6,667,907</u>	<u>781,025</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	92,354	59,964	152,318	-
Deferred OPEB inflows	8,990	3,668	12,658	-
Total Deferred Inflows of Resources	<u>101,344</u>	<u>63,632</u>	<u>164,976</u>	<u>-</u>
NET POSITION				
Net invested in capital assets	62,602,438	2,377,196	64,979,634	6,320,247
Restricted for retirement of debt	1,830	-	1,830	-
Restricted for construction	1,302,824	-	1,302,824	-
Restricted for renewal and replacement	7,483,305	668,390	8,151,695	-
Unrestricted	2,098,567	3,616,541	5,715,108	4,296,672
Total Net Position	<u>\$ 73,488,964</u>	<u>\$ 6,662,127</u>	<u>\$ 80,151,091</u>	<u>\$ 10,616,919</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, 2019

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	ACTIVITIES- INTERNAL SERVICE FUNDS
Operating Revenues:				
Water sales	\$ 8,606,350	\$ -	\$ 8,606,350	\$ -
Sewer service charges	7,899,418	-	7,899,418	-
Sanitation collections	-	6,766,905	6,766,905	-
Provision for bad debts	(111,873)	(52,688)	(164,561)	-
Service revenue	415,274	-	415,274	-
General and administrative	131,408	-	131,408	-
Employee premiums	-	-	-	1,045,118
Employer premiums	-	-	-	3,457,500
Equipment rental	-	-	-	2,070,985
Miscellaneous	42,199	10,062	52,261	1,507,625
Total Operating Revenues	16,982,776	6,724,279	23,707,055	8,081,228
Operating Expenses:				
Utility collections	895,999	-	895,999	-
Water/Sewer utilities	3,585,341	-	3,585,341	-
Wastewater treatment plant	2,077,035	-	2,077,035	-
Water production	1,694,499	-	1,694,499	-
Sanitation department	-	3,981,122	3,981,122	-
Recycling department	-	473,189	473,189	-
Insurance claims and related expenses	-	-	-	7,342,081
Depreciation and amortization	2,504,863	130,413	2,635,276	1,764,625
General and administrative	2,788,422	2,203,974	4,992,396	-
Non-departmental	419,710	118,610	538,320	-
Total Operating Expenses	13,965,869	6,907,308	20,873,177	9,106,706
Operating Income (Loss)	3,016,907	(183,029)	2,833,878	(1,025,478)
Nonoperating Revenues (Expenses):				
Investment earnings	331,849	129,890	461,739	109,291
Interest expense	(37)	-	(37)	-
Gain on sale of assets	52,888	8,329	61,217	282,664
Total Nonoperating Revenues (Expenses)	384,700	138,219	522,919	391,955
Income Before Contributions and Transfers	3,401,607	(44,810)	3,356,797	(633,523)
Transfers in	2,079,977	-	2,079,977	165,000
Transfers out	(6,797,312)	(199,485)	(6,996,797)	-
Total Contributions and Transfers	(4,717,335)	(199,485)	(4,916,820)	165,000
Change in Net Position	(1,315,728)	(244,295)	(1,560,023)	(468,523)
Net Position - Beginning	74,804,692	6,906,422	81,711,114	11,085,442
Net Position - Ending	\$ 73,488,964	\$ 6,662,127	\$ 80,151,091	\$ 10,616,919

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, 2019

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	ACTIVITIES- INTERNAL SERVICE FUNDS
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 17,636,162	\$ 6,782,893	\$ 24,419,055	\$ 2,242,977
Receipts from interfund services provided	131,408	-	131,408	5,528,485
Payments to suppliers	(4,385,881)	(2,061,454)	(6,447,335)	(7,295,496)
Payments to employees	(3,137,971)	(1,381,333)	(4,519,304)	-
Payments for interfund services used	(3,626,676)	(3,229,284)	(6,855,960)	-
Net Cash Provided by Operating Activities	<u>6,617,042</u>	<u>110,822</u>	<u>6,727,864</u>	<u>475,966</u>
Cash Flows From Noncapital Financing Activities:				
Transfer from other funds	2,079,977	-	2,079,977	165,000
Transfer to other funds	(6,797,312)	(199,485)	(6,996,797)	-
Net Cash Used by Noncapital Financing Activities	<u>(4,717,335)</u>	<u>(199,485)</u>	<u>(4,916,820)</u>	<u>165,000</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(2,602,369)	-	(2,602,369)	(1,907,620)
Principal paid on capital debt	(7,662)	-	(7,662)	-
Interest and fees paid on capital debt	(37)	-	(37)	-
Proceeds from sale of capital assets	68,016	8,329	76,345	321,300
Net Cash Provided by Capital and Related Financing Activities	<u>(2,542,052)</u>	<u>8,329</u>	<u>(2,533,723)</u>	<u>(1,586,320)</u>
Cash Flows From Investing Activities:				
Purchase of investments	(5,292,857)	(2,112,422)	(7,405,279)	(3,293,918)
Investment maturities	5,142,857	2,012,422	7,155,279	3,543,918
Investment earnings received	209,487	78,081	287,568	81,474
Net Cash Provided (Used) by Investing Activities	<u>59,487</u>	<u>(21,919)</u>	<u>37,568</u>	<u>331,474</u>
Net Decrease in Cash and Cash Equivalents	(582,858)	(102,253)	(685,111)	(613,880)
Cash and Cash Equivalents - Beginning	1,419,926	542,237	1,962,163	1,032,331
Cash and Cash Equivalents - Ending	<u>\$ 837,068</u>	<u>\$ 439,984</u>	<u>\$ 1,277,052</u>	<u>\$ 418,451</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 3,016,907	\$ (183,029)	\$ 2,833,878	\$ (1,025,478)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and amortization	2,504,863	130,413	2,635,276	1,764,625
(Increase) decrease in accounts receivable, net	648,274	61,530	709,804	(309,766)
(Increase) in inventories	(6,817)	-	(6,817)	-
(Increase) in prepaid items	(291)	(17)	(308)	(24)
(Increase) in deferred pension outflows	(598,519)	(244,168)	(842,687)	-
(Increase) in deferred OPEB outflows	(35,224)	(13,565)	(48,789)	-
Increase in accounts/claims payable	116,459	9,139	125,598	50,138
(Decrease) in accrued compensated absences	(19,429)	(8,502)	(27,931)	-
Increase (decrease) in accrued liabilities	136,470	(115)	136,355	-
(Decrease) in due to other funds	-	-	-	(3,529)
Increase in customer deposits	11,869	-	11,869	-
Increase in total OPEB liability	62,707	36,060	98,767	-
Increase in net pension liability	996,198	406,455	1,402,653	-
(Decrease) in deferred pension inflows	(225,415)	(87,047)	(312,462)	-
Increase in deferred OPEB inflows	8,990	3,668	12,658	-
Total Adjustments	<u>3,600,135</u>	<u>293,851</u>	<u>3,893,986</u>	<u>1,501,444</u>
Net Cash Provided by Operating Activities	<u>\$ 6,617,042</u>	<u>\$ 110,822</u>	<u>\$ 6,727,864</u>	<u>\$ 475,966</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, 2019

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, 2019 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, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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, 2019

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, 2019

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 72% and 74% of outstanding taxes at September 30, 2019, 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, 2019, was .531135 per \$100 of assessed valuation. The adjusted total tax levy for fiscal year 2019 was \$10,899,411, and \$10,664,803 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, 2019

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:

<u>ASSETS</u>	<u>YEARS</u>
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, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

For the year ended September 30, 2019, 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, 2019

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, 2019, fund balances are composed of the following:

	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Nonspendable:				
Inventories	\$ 308,447	\$ -	\$ -	\$ 308,447
Prepaid items	4,363	-	9	4,372
Restricted:				
Public safety	-	-	246,269	246,269
Debt service	-	2,163,768	-	2,163,768
Capital projects	-	-	234,310	234,310
Other purposes	-	-	65,625	65,625
Committed:				
Financial operations	8,324,638	-	-	8,324,638
Other purposes	-	-	251,395	251,395
Assigned:				
2020 budget deficit	655,713	-	-	655,713
Other purposes	-	-	1,836,230	1,836,230
Unassigned	1,725,187	-	(188,808)	1,536,379
Total Fund Balances	\$ 11,018,348	\$ 2,163,768	\$ 2,445,030	\$ 15,627,146

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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, 2019, the City has accumulated the following amounts in support of these policies:

FUND	POLICY AMOUNT	FUND TOTAL
Governmental Funds:		
General Fund - 25%	\$ 8,324,638	\$ 11,018,348
Hotel/Motel Tax Fund - 12.5%	162,969	198,727
Recreation Fund - 12.5%	33,621	110,448
Total Policy Reserves and Fund Balances	\$ 8,521,228	\$ 11,327,523

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, 2019

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.

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental funds balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(46,650,374) are as follows:

Bonds payable	\$ (41,575,000)
Bond premiums	(1,702,700)
Deferred loss on refundings	1,426,809
Accrued interest payable	(152,659)
Compensated absences	<u>(4,646,824)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position of governmental activities	<u>\$ (46,650,374)</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 \$(615,615) difference are as follows:

Capital outlay	\$ 1,132,760
Depreciation expense	<u>(1,748,375)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (615,615)</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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 \$(1,470,496) difference are as follows:

Fiscal year 2019 contributions before December 31, 2018	\$ 787,240
Fiscal year 2019 contributions after December 31, 2018	2,606,412
Amortization of deferred outflows and inflows of resources	(1,619,564)
Recognition of pension plan expense	<u>(3,244,584)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	\$ <u>(1,470,496)</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, 2019

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

B. Excess Expenditures over Appropriations

For the year ended September 30, 2019, total expenditures were under the budget in the General Fund by \$638,953. There were certain departments where expenditures exceeded appropriations as follows:

Department	Amount
Police	\$ 158,040
Animal Control	5,584
Parks	25,712
Engineering	16,779
Inspection	1,410

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	\$ 78,594	The Pines Special Events Fund has been transferred to a different entity to better manage the cost of events. Supplemental appropriations are being transferred from other funds to cover the deficit balance.
Insurance Loss Fund	57,771	Reimbursements from insurances for losses are expected in the next fiscal year. Due to deductibles and payment for replacement or repair of items which may be greater than the insurance coverage, supplemental appropriations will be transferred from other funds to offset deficits as needed.
Street Construction Fund	124,870	Supplemental transfers from other funds will be made in the next fiscal year to cover expenditures over budget for some projects.
2020 Capital Improvement Fund	63,938	The City Council issued new certificates of obligation in fiscal year 2020. The City had the opportunity to take advantage of a purchase which will be part of the 2020 Capital Improvement Program. A reimbursement resolution has been approved to reimburse the City for this purchase through bond proceeds upon issuance.

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, 2019 and had restricted debt service fund balance of \$2,163,768 at year end.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments

1. Cash Deposits

At September 30, 2019, the City's carrying amount for cash deposits including certificates of deposit was \$36,966,037 and the bank balance was \$37,773,903. The City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's agent bank in the City's name or letters of credit.

2. Investments

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

The Act requires an annual review of investment practices and controls over investments to be performed in conjunction with the annual financial audit. The 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.

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

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

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

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

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS – CONTINUED

Investments at September 30, 2019 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)
Primary Government:				
Non-negotiable certificates of deposits	\$ 33,845,000	\$ -	\$ -	-
TexPool investment pool	942,179	-	-	-
TexStar investment pool	144,479	-	-	-
Total primary government	34,931,658	-	-	-
Component Units:				
EDC:				
Land and improvements	6,106,400	-	6,106,400	-
TexPool investment pool	1,303,366	-	-	-
Total EDC	7,409,766	-	6,106,400	-
LCVB:				
Non-negotiable certificates of deposits	400,000	-	-	-
TexPool investment pool	3,345	-	-	-
TexStar investment pool	10,035	-	-	-
Total LCVB	413,380	-	-	-
Total component units	7,823,146	-	6,106,400	-
Total investments	\$ 42,754,804	\$ -	\$ 6,106,400	\$ -

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, 2019, the City was not exposed to custodial credit risk for deposits.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS – CONTINUED

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not limit the amount it may invest in any one issuer. Investments in external investment pools are excluded from this disclosure. At September 30, 2019, no issuers exceeded 5% of total investments.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity to changes in interest rates. The City's investment policy limits investment maturities for each fund type as follows: 1) for operating funds and the internal investment fund - the weighted average days to maturity is limited to less than 300 days with a maximum allowable maturity of two years, 2) for construction, bond and loan funds – maturity limited to the anticipated cash flow requirements of the projects or the "temporary period" as defined by federal tax law whichever is shorter, 3) for debt service and bond reserve funds – maturity limited to debt payment dates, and 4) for depreciation funds – maturity limited to anticipated cash flow requirements. The weighted average maturities at September 30, 2019 for TexPool and TexSTAR were 34 days and 20 days, respectively.

B. Receivables

Receivables as of September 30, 2019 for the City's governmental activities by individual major and nonmajor funds (governmental funds) and internal service funds in the aggregate, including the related allowances for uncollectible accounts are as follows:

	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR FUNDS	INTERNAL SERVICE FUNDS	TOTAL
Receivables:					
Taxes	\$ 595,146	\$ 256,486	\$ -	\$ -	\$ 851,632
Accounts	19,285,604	-	180,126	309,766	19,775,496
Other	243,442	51,237	345,311	99,456	739,446
Intergovernmental	1,146,906	-	10,831	-	1,157,737
Less allowance for uncollectibles	(17,642,802)	(190,847)	(174,072)	-	(18,007,721)
Total	<u>\$ 3,628,296</u>	<u>\$ 116,876</u>	<u>\$ 362,196</u>	<u>\$ 409,222</u>	<u>\$ 4,516,590</u>

At September 30, 2019, receivables for the City's business-type activities by major fund are as follows:

	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTAL
Receivables:			
Accounts	\$ 2,360,367	\$ 995,581	\$ 3,355,948
Other	87,742	101,572	189,314
Less allowance for uncollectibles	(544,894)	(211,346)	(756,240)
Total	<u>\$ 1,903,215</u>	<u>\$ 885,807</u>	<u>\$ 2,789,022</u>

For the City's component units, receivables at September 30, 2019, including the related allowances for uncollectible accounts, consisted of the following:

	EDC	LCVB	TOTAL
Receivables:			
Notes	\$ 2,842,165	\$ -	\$ 2,842,165
Taxes	101,247	124,740	225,987
Other	20,005	15,010	35,015
Less allowance for uncollectibles	-	-	-
Total	<u>\$ 2,963,417</u>	<u>\$ 139,750</u>	<u>\$ 3,103,167</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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, 2019 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	\$ 74,108	Short-term advances
General Fund	Insurance Loss Fund	60,332	Short-term advances
	Internal Service Funds:		
General Fund	Group Health Insurance Fund	241,998	Short-term advances
	Capital Projects Funds:		
General Fund	Street Construction Fund	124,870	Short-term advances
General Fund	2020 Capital Improvement Fund	49,442	Short-term advances
		<u>\$ 550,750</u>	

Transfers at September 30, 2019 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	\$ -	\$ -	\$ 229,660	\$ 165,000	\$ -	\$ 394,660
Nonmajor Governmental	178,368	-	-	-	-	178,368
Water and Sewer						
Utility Fund	106,849	3,759,552	850,934	-	2,079,977	6,797,312
Solid Waste Disposal						
Fund	106,849	54,200	38,436	-	-	199,485
Total	<u>\$ 392,066</u>	<u>\$ 3,813,752</u>	<u>\$ 1,119,030</u>	<u>\$ 165,000</u>	<u>\$ 2,079,977</u>	<u>\$ 7,569,825</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	\$ 1,674	\$ 423,558	\$ 413,243	\$ -	\$ 838,475
Investments	-	850,000	7,650,000	-	8,500,000
Investments - customer deposits	-	-	-	296,841	296,841
Interest receivable	156	29,266	185,965	-	215,387
Total Restricted Assets	<u>\$ 1,830</u>	<u>\$ 1,302,824</u>	<u>\$ 8,249,208</u>	<u>\$ 296,841</u>	<u>\$ 9,850,703</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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, 2019.

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	\$ 956,266
Capitalized Contract for Water Rights:	
50 year contract	220,000
40 year contract	305,600
Water Rights in Sam Rayburn Reservoir	<u>\$ 1,481,866</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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, 2019 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	\$ 13,230	\$ -	\$ 4,464,290
Infrastructure	67,927,080	805,055	-	68,732,135
Works of art	278,500	-	-	278,500
Construction in progress	864,279	1,018,256	(904,481)	978,054
Total capital assets not being depreciated	<u>73,520,919</u>	<u>1,836,541</u>	<u>(904,481)</u>	<u>74,452,979</u>
Capital assets being depreciated:				
Buildings	24,128,506	-	-	24,128,506
Improvements other than buildings	22,460,374	-	-	22,460,374
Machinery and equipment	17,187,843	217,162	(607,198)	16,797,807
Vehicles	14,251,889	2,058,915	(833,076)	15,477,728
Total capital assets being depreciated	<u>78,028,612</u>	<u>2,276,077</u>	<u>(1,440,274)</u>	<u>78,864,415</u>
Less accumulated depreciation for:				
Buildings	(8,670,734)	(511,404)	-	(9,182,138)
Improvements other than buildings	(8,808,980)	(721,991)	-	(9,530,971)
Machinery and equipment	(12,759,493)	(830,272)	607,198	(12,982,567)
Vehicles	(9,259,737)	(1,449,333)	794,440	(9,914,630)
Total accumulated depreciation	<u>(39,498,944)</u>	<u>(3,513,000)</u>	<u>1,401,638</u>	<u>(41,610,306)</u>
Total capital assets being depreciated, net	<u>38,529,668</u>	<u>(1,236,923)</u>	<u>(38,636)</u>	<u>37,254,109</u>
Governmental activities capital assets, net	\$ <u>112,050,587</u>	\$ <u>599,618</u>	\$ <u>(943,117)</u>	111,707,088
Governmental activities, capital related debt				<u>(41,575,000)</u>
Governmental activities, net investment in capital assets				\$ <u>70,132,088</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS - CONTINUED

BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets not being depreciated:				
Land	\$ 4,392,785	\$ -	\$ -	\$ 4,392,785
Water rights	4,007,423	61,257	-	4,068,680
Construction in progress	170,935	2,511,200	(837,717)	1,844,418
Total capital assets not being depreciated	<u>8,571,143</u>	<u>2,572,457</u>	<u>(837,717)</u>	<u>10,305,883</u>
Capital assets being depreciated:				
Buildings	5,706,060	-	-	5,706,060
Improvements other than buildings	86,582,667	134,541	(34,337)	86,682,871
Machinery and equipment	18,298,648	733,088	(66,208)	18,965,528
Vehicles	1,520,536	-	(135,393)	1,385,143
Total capital assets being depreciated	<u>112,107,911</u>	<u>867,629</u>	<u>(235,938)</u>	<u>112,739,602</u>
Less accumulated depreciation for:				
Buildings	(2,904,119)	(121,384)		(3,025,503)
Improvements other than buildings	(36,504,846)	(1,864,750)	19,209	(38,350,387)
Machinery and equipment	(15,021,888)	(586,163)	66,208	(15,541,843)
Vehicles	(1,220,532)	(62,979)	135,393	(1,148,118)
Total accumulated depreciation	<u>(55,651,385)</u>	<u>(2,635,276)</u>	<u>220,810</u>	<u>(58,065,851)</u>
Total capital assets being depreciated, net	<u>56,456,526</u>	<u>(1,767,647)</u>	<u>(15,128)</u>	<u>54,673,751</u>
Business-type activities capital assets, net	<u>\$ 65,027,669</u>	<u>\$ 804,810</u>	<u>\$ (852,845)</u>	64,979,634
Business-type activities, capital related debt				-
Business-type activities, net investment in capital assets				<u>\$ 64,979,634</u>

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

	<u>TOTAL</u>
Governmental activities:	
General government	\$ 246,922
Public safety	477,611
Cultural and recreation	573,015
Public works	450,827
Capital assets held by the government's internal service funds are charged to activities based on their equipment rental	<u>1,764,625</u>
Total governmental activities	<u>\$ 3,513,000</u>
Business-type activities:	
Water and sewer	\$ 2,504,863
Solid waste disposal	<u>130,413</u>
Total business-type activities	<u>\$ 2,635,276</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS - CONTINUED

4. Construction and Other Commitments

The government has active construction and maintenance projects as of September 30, 2019. 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, 2019, the City's commitments on construction projects are as follows:

PROJECT	EXPENDED TO DATE	REMAINING COMMITMENT	FUNDING SOURCE
Downtown Lighting	\$ 59,183	\$ 5,317	General Fund
Recreation Facility – CBC	914,871	5,129	2020 Capital Improvements Fund
Twin Disc Building	1,745,209	2,754,791	Economic Development Projects Fund
US59/LP287 Moffett Utility	104,624	1,441,376	2013 Certificate of Obligation Fund
Chlorine Contact Basin	434,845	565,155	Water/Wastewater Depreciation Fund
Palm Harbor Line Replacement	3,941	1,459	Water/Wastewater Depreciation Fund
Arena Street	26,719	81	Water/Wastewater Depreciation Fund
US 69 AFP Water Line Extension	1,148,371	351,629	Water/Wastewater Depreciation Fund
US 59 Utility – Diboll	95,120	1,354,880	Water/Wastewater Depreciation Fund
Hammer Equipment Service Extension	30,799	12,301	Water/Wastewater Depreciation Fund
Water Well #3 Rehab	57,865	184,135	Water/Wastewater Depreciation Fund
Total	<u>\$ 4,621,547</u>	<u>\$ 6,676,253</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 \$430,509 and other accrued liabilities of \$326,162. 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 \$97,513 for amounts due vendors and \$296,841 for customer deposits. The business-type activities accrued liabilities are composed of accrued salaries and benefits of \$78,406 and other accrued liabilities of \$206,890.

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, 2019

DETAIL NOTES ON ALL FUNDS - CONTINUED

G. Long-term Debt

1. General Obligation Bonds Payable

General obligation bonds payable at September 30, 2019 are comprised of the following individual issues:

\$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%.	\$ 2,355,000
\$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%.	2,895,000
\$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%.	2,720,000
\$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%.	5,250,000
\$5,100,000 Series 2013 Tax and Waterworks and Sewer System Revenue Certificates of Obligation due in annual installments of \$200,000 to \$335,000 through August 15, 2033; interest at 2.50% to 2.75%.	3,815,000
\$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%.	3,155,000
\$4,900,000 Series 2015 General Obligation Refunding bonds due in annual installments of \$440,000 to \$650,000 through August 15, 2027; interest at 2.00% to 4.00%.	3,960,000
\$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%.	8,310,000
\$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%.	9,115,000
Total general obligation bonds payable	<u>\$ 41,575,000</u>

The City expended \$1,352,145 for interest on general obligation bonds for the year ended September 30, 2019.

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

YEAR ENDING SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
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	3,270,000	709,670	3,979,670
2025-2029	12,945,000	2,212,853	15,157,853
2030-2034	7,910,000	548,979	8,458,979
TOTAL	<u>\$ 41,575,000</u>	<u>\$ 7,430,803</u>	<u>\$ 49,005,803</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS - CONTINUED

2. Notes Payable

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

YEAR ENDING SEPTEMBER 30,	COMPONENT UNITS		
	PRINCIPAL	INTEREST	TOTAL
2020	\$ 510,446	\$ 39,154	\$ 549,600
2021	162,363	16,703	179,066
2022	195,851	8,067	203,918
TOTAL	<u>\$ 868,660</u>	<u>\$ 63,924</u>	<u>\$ 932,584</u>

The City expended \$37 for interest on notes payable for business-type activities for the year ended September 30, 2019.

The EDC has entered into financing agreements with an industry. As a part of the agreement, the EDC has acquired notes for the improvements for this industry. The amount of this note payable at September 30, 2019 was \$512,376. The EDC has entered into an agreement to construct a building for a local business. As a part of this agreement, the EDC has obtained financing for the building. The amount of the construction note payable at September 30, 2019 was \$356,284. The construction note is secured by the building and sales tax revenue.

The City expended \$29,531 for interest on notes payable for the component units for the year ended September 30, 2019.

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	\$ 46,840,000	\$ -	\$ (5,265,000)	\$ 41,575,000	\$ 5,385,000
Bond premiums	1,850,886	-	(148,186)	1,702,700	148,186
Compensated absences	4,612,182	34,642	-	4,646,824	1,509,403
Total	<u>\$ 53,303,068</u>	<u>\$ 34,642</u>	<u>\$ (5,413,186)</u>	<u>\$ 47,924,524</u>	<u>\$ 7,042,589</u>

BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Notes payable	\$ 7,662	\$ -	\$ (7,662)	\$ -	\$ -
Compensated absences	363,689	-	(27,931)	335,758	135,157
Total	<u>\$ 371,351</u>	<u>\$ -</u>	<u>\$ (35,593)</u>	<u>\$ 335,758</u>	<u>\$ 135,157</u>

Component Units

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Notes payable	\$ 662,810	\$ 356,284	\$ (150,434)	\$ 868,660	\$ 510,446
Compensated absences	34,873	-	(16,320)	18,553	
Total	<u>\$ 697,683</u>	<u>\$ 356,284</u>	<u>\$ (166,754)</u>	<u>\$ 887,213</u>	<u>\$ 510,446</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS - CONTINUED

4. Defeased Debt

There was no defeased debt outstanding at September 30, 2019.

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, 2019 on the governmental funds balance sheet consisted of the following:

	<u>AMOUNT</u>
Unavailable ad valorem taxes	\$ 234,608
Unavailable fines and forfeitures	732,086
Unavailable EMS/Ambulance charges	1,286,689
Unavailable miscellaneous billings	56,257
Unavailable interest income	<u>346,007</u>
Total unavailable revenues	\$ <u>2,655,647</u>

I. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases workers' compensation insurance coverage from Deep East Texas Self Insurance Fund (the Fund), a public entity risk pool, which is self-sustaining through member contributions. The Fund reinsures through commercial companies for claims in excess of \$1,000,000 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, 2019

DETAIL NOTES ON ALL FUNDS - CONTINUED

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

The City has entered into agreements with outside firms to administer its employee health benefit plan 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, 2019, 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, 2019, the City had recorded a liability of \$371,270 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,
2017	\$ 447,196	\$ 3,862,257	\$ 4,114,625	\$ 194,828
2018	194,828	5,368,686	5,242,382	321,132
2019	321,132	6,340,861	6,290,723	371,270

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, 2019

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.

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

Inactive employees or beneficiaries currently receiving benefits	235
Inactive employees entitled to but not yet receiving benefits	190
Active employees	356
	<hr/> 781

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, 2019

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 16.64% and 16.34% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$2,783,374, and were equal to the required contributions.

D. Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2018, 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, 2018 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, 2019

DETAIL NOTES ON ALL FUNDS - CONTINUED

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

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

	TOTAL PENSION LIABILITY (A)	INCREASE (DECREASE) PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A) - (B)
Balance at December 31, 2017	\$ 100,288,893	\$ 85,810,313	\$ 14,478,580
Changes for the year:			
Service cost	2,586,703	-	2,586,703
Interest	6,711,583	-	6,711,583
Change of benefit terms	-	-	-
Difference between expected and actual experience	(979,881)	-	(979,881)
Changes of assumptions	-	-	-
Contributions - Employer	-	2,776,942	(2,776,942)
Contributions - Employee	-	1,168,189	(1,168,189)
Net investment income	-	(2,570,224)	2,570,224
Benefit payments, including refunds of employee contributions	(4,302,780)	(4,302,780)	-
Administrative expense	-	(49,678)	49,678
Other changes	-	(2,595)	2,595
Net changes	4,015,625	(2,980,146)	6,995,771
Balance at December 31, 2018	\$ 104,304,518	\$ 82,830,167	\$ 21,474,351

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

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

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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	\$ 35,804,590	\$ 21,474,351	\$ 9,683,213

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.

Financial Statement Breakdown

The City's NPL at September 30, 2019 is included in the financial statements as follows:

Governmental activities	\$ 17,023,261
Business-type activities	4,240,345
Component units	210,745
Total	<u>\$ 21,474,351</u>

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

For the year ended September 30, 2019, the City recognized pension expense of \$4,021,139.

At September 30, 2019, 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	\$ 22,649	\$ 763,835
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	4,436,253	-
Contributions subsequent to the measurement date	2,129,292	-
Total	<u>\$ 6,588,194</u>	<u>\$ 763,835</u>

The City reported \$2,129,292 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, 2020. 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	\$ 1,334,158
2020	347,588
2021	357,690
2022	1,655,631
Total	<u>\$ 3,695,067</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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.

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

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

C. Contributions

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

Members were required to contribute 14.20% of their annual gross earnings for calendar years 2018 and 2019. The contribution rate for the City was 23.00% for fiscal years 2018 and 2019. The City's contributions for the year ended September 30, 2019 were \$1,215,382 and were equal to the required contributions.

D. Net Pension Liability

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

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS - CONTINUED

Actuarial Assumptions:

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

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

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

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

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

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 31 years. Because of the 31 year amortization period, the pension plan's Fiduciary Net Position (FNP) is expected to be available to make all projected future benefit payments of all current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the Net Pension Liability

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

	TOTAL PENSION LIABILITY	INCREASE (DECREASE) PLAN FIDUCIARY NET POSITION	NET PENSION LIABILITY
	(A)	(B)	(A) - (B)
Balance at December 31, 2017	\$ 33,997,069	\$ 16,444,542	\$ 17,552,527
Changes for the year:			
Service cost	766,457	-	766,457
Interest	2,547,901	-	2,547,901
Change of benefit terms	-	-	-
Difference between expected and actual experience	(424,667)	-	(424,667)
Changes of assumptions	209,041	-	209,041
Contributions – Employer	-	1,181,244	(1,181,244)
Contributions - Employee	-	729,289	(729,289)
Net investment income	-	(1,079,360)	(729,289)
Benefit payments, including refunds of employee contributions	(1,583,037)	(1,583,037)	-
Administrative expense	-	(33,643)	33,643
Other changes	-	-	-
Net changes	1,515,695	(785,507)	2,301,202
Balance at December 31, 2018	\$ 35,512,764	\$ 15,659,035	\$ 19,853,729

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

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

	1% DECREASE IN DISCOUNT RATE (6.50%)	DISCOUNT RATE (7.50%)	1% INCREASE IN DISCOUNT RATE (8.50%)
Net pension liability	\$ 23,869,186	\$ 19,853,729	\$ 16,474,338

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.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS - CONTINUED

Financial Statement Breakdown

The City's NPL at September 30, 2019 is included in just the governmental activities.

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

For the year ended September 30, 2019, the City recognized pension expense of \$1,717,523.

At September 30, 2019, 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	\$ 37,866	\$ 1,106,577
Changes in actuarial assumptions	244,054	425,832
Difference between projected and actual investment earnings	1,675,499	-
Contributions subsequent to the measurement date	940,028	-
Total	<u>\$ 2,897,447</u>	<u>\$ 1,532,409</u>

The City reported \$940,028 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, 2020. 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	\$ 284,769
2020	(103,041)
2021	(109,574)
2022	386,672
2023	(33,816)
Total	<u>\$ 425,010</u>

L. Other Postemployment Benefits (OPEB)

1. Retiree Health Insurance

A. Plan Description

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

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS - CONTINUED

B. Benefits Provided

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

Employees covered by benefit terms

At September 30, 2019, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	-
Active employees	107
	<u>129</u>

C. Total OPEB Liability

The City's total OPEB liability of \$4,736,504 was determined by an actuarial valuation as of September 30, 2018 and rolled forward to September 30, 2019.

Actuarial assumptions and other inputs

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

Salary scale	3.50%
Discount rate	2.66%
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 discount rate changed from the prior measurement date. The discount rate for the September 30, 2018 measurement date was 4.06%. 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, 2018	\$ 4,402,829
Changes for the year:	
Service cost	86,944
Interest	178,935
Changes in assumptions	232,796
Benefit payments	(165,000)
Net changes	333,675
Balance at September 30, 2019	\$ <u>4,736,504</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS – CONTINUED

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

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

	1% DECREASE IN DISCOUNT RATE (1.66%)	DISCOUNT RATE (2.66%)	1% INCREASE IN DISCOUNT RATE (3.66%)
Total OPEB liability	\$ 4,434,533	\$ 4,736,504	\$ 5,053,349

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

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

	1% DECREASE IN HEALTHCARE COST TREND RATE (4.00%)	CURRENT HEALTHCARE COST TREND RATE (5.00%)	1% INCREASE IN HEALTHCARE COST TREND RATE (6.00%)
Total OPEB liability	\$ 4,321,069	\$ 4,736,504	\$ 5,204,384

Financial Statement Breakdown

The City's total OPEB liability at September 30, 2019 is included in the financial statements as follows:

Governmental activities	\$ 3,928,730
Business-type activities	807,774
Component units	-
Total	<u>\$ 4,736,504</u>

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$316,708. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ -	\$ -
Changes in assumptions and other inputs	181,967	-
Total	<u>\$ 181,967</u>	<u>-</u>

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

PLAN YEAR ENDED SEPTEMBER 30,	
2020	\$ 50,829
2021	50,829
2022	50,829
2023	29,480
Total	<u>\$ 181,967</u>

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS – CONTINUED

2. Supplemental Death Benefits Fund

A. Plan Description

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

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

Benefits Provided

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

Employees covered by benefit terms

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

Retirees or beneficiaries currently receiving benefits	182
Inactive employees entitled to but not yet receiving benefits	42
Active employees	356
	<u>580</u>

B. Total OPEB Liability

The City's total OPEB liability of \$1,242,924 was measured as of December 31, 2018 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	3.71%
Retirees' share of benefit-related costs	\$0

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS – CONTINUED

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the gender-distinct 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, 2018.

Changes in the Total OPEB liability

	<u>TOTAL OPEB LIABILITY</u>
Balance December 31, 2017	\$ 1,119,244
Changes for the year:	
Service cost	46,728
Interest	37,682
Difference between expected and actual experience	125,364
Changes in assumptions or other inputs	(77,750)
Benefit payments	(8,344)
Net changes	123,680
Balance at December 31, 2018	\$ 1,242,924

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 3.71%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% less than or 1% greater than the current rate:

	1% DECREASE IN DISCOUNT RATE (2.71%)	DISCOUNT RATE (3.71%)	1% INCREASE IN DISCOUNT RATE (4.71%)
Total OPEB liability	\$ 1,452,401	\$ 1,242,924	\$ 1,079,350

Financial Statement Breakdown

The City's total OPEB liability at September 30, 2019 is included in the financial statements as follows:

Governmental activities	\$ 973,047
Business-type activities	248,984
Component units	20,893
Total	\$ 1,242,924

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

DETAIL NOTES ON ALL FUNDS – CONTINUED

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$109,832. At September 30, 2019, 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	\$ 101,799	\$ -
Changes in assumptions and other inputs	54,687	63,135
Contributions made subsequent to the measurement date	29,972	-
Total	<u>\$ 186,458</u>	<u>\$ 63,135</u>

The City reported \$29,972 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, 2020. 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	\$ 25,422
2020	25,422
2021	25,422
2022	14,221
2023	2,864
Total	<u>\$ 93,351</u>

M. Tax Abatements

The City participated in multiple agreements during fiscal year 2019 which resulted in the abatement of tax revenue. The City has concluded that the dollar amounts of these tax abatements are immaterial to the financial statements; therefore, the City has elected not to present a full disclosure as required by GASB Statement No. 77, *Tax Abatements* since it states that the provisions of the statement need not be applied to immaterial items.

N. Subsequent Events

In May 2020, the City issued General Obligation Refunding Bonds, Series 2020, in the amount of \$5,085,000. Interest rates range from 3.00% to 5.00%. The bonds were issued to refund the Series 2010 Tax and Waterworks and Sewer System Revenue Certificates of Obligation and Series 2010 General Obligation Refunding bonds.

In May 2020, the City issued Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2020, in the amount of \$4,630,000. Interest rates range from 3.00% to 4.00%. The certificates of obligation were issued for designing, constructing, improving, renovating, and equipping public safety facilities; designing, constructing, purchasing, improving, and equipping municipal park and recreational facilities; constructing, resurfacing, and improving various streets, roads, pathways and related municipal facilities within the City; designing, constructing, acquiring and improving a pedestrian plaza and one or more public restrooms in the downtown area; and professional services rendered in connection therewith.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LUFKIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Taxes:				
Property	\$ 7,813,563	\$ 7,888,891	\$ 7,837,227	\$ (51,664)
Sales	13,389,174	14,007,612	14,009,391	1,779
Franchise	2,316,000	2,645,883	2,536,205	(109,678)
Other	100,000	101,345	105,600	4,255
Total Taxes	23,618,737	24,643,731	24,488,423	(155,308)
Licenses and Permits:				
Building permits and inspections	230,000	300,000	283,295	(16,705)
Plumbing permits and inspections	13,000	20,000	19,557	(443)
Electric permits and inspections	15,000	11,066	20,932	9,866
Heat and vent permits	17,000	17,000	20,280	3,280
Other permits	66,825	73,975	92,328	18,353
Licenses	3,700	3,600	3,924	324
Total Licenses and Permits	345,525	425,641	440,316	14,675
Fines and Forfeitures:				
Municipal court fines and forfeitures	819,500	737,100	586,586	(150,514)
Red light fines and costs	270,000	290,000	147,945	(142,055)
Parking fines	75	5	15	10
Total Fines and Forfeitures	1,089,575	1,027,105	734,546	(292,559)
Charges for Services:				
Emergency medical services	2,400,000	2,304,000	2,143,957	(160,043)
Emergency medical services - County	240,965	248,831	248,831	-
Other	32,725	28,175	26,662	(1,513)
Total Charges for Services	2,673,690	2,581,006	2,419,450	(161,556)
Investment earnings	100,000	100,000	195,767	95,767
Intergovernmental:				
Grant revenues	-	150,032	139,893	(10,139)
General and administrative services	4,879,698	4,879,698	4,879,698	-
Total Intergovernmental	4,879,698	5,029,730	5,019,591	(10,139)

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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Other Revenues:				
Parks	26,000	24,780	24,631	(149)
Library	18,000	13,500	14,110	610
Animal shelter fees	66,173	62,394	61,626	(768)
Zone change fees	1,500	3,150	2,400	(750)
Zoo admission fees	103,000	102,075	102,242	167
Rent on city property	25,260	26,500	28,666	2,166
Salvage and auction	-	-	23,755	23,755
Miscellaneous	132,083	122,889	122,299	(590)
Salary reimbursements	-	14,770	19,172	4,402
Total Other Revenue	372,016	370,058	398,901	28,843
 Total Revenues	 33,079,241	 34,177,271	 33,696,994	 (480,277)
Expenditures:				
Current:				
General Government:				
City Council/City Secretary:				
Payroll costs	139,339	142,597	143,984	(1,387)
Supplies	18,950	20,450	18,491	1,959
Miscellaneous services	93,235	86,455	83,053	3,402
Sundry charges	114,970	114,970	107,819	7,151
Total City Council/City Secretary	366,494	364,472	353,347	11,125
 City Administration:				
Payroll costs	640,374	591,266	616,094	(24,828)
Supplies	12,560	12,560	12,771	(211)
Miscellaneous services	30,465	131,716	73,397	58,319
Sundry charges	500	500	245	255
Total City Administration	683,899	736,042	702,507	33,535
 Finance:				
Payroll costs	563,119	567,619	569,258	(1,639)
Supplies	33,850	28,850	22,320	6,530
Maintenance	27,455	31,465	25,661	5,804
Miscellaneous services	162,820	156,820	128,314	28,506
Sundry charges	-	170	169	1
Total Finance	787,244	784,924	745,722	39,202

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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Legal:				
Payroll costs	87,738	111,448	111,122	326
Supplies	4,750	5,000	2,894	2,106
Miscellaneous services	27,839	24,130	21,076	3,054
Total Legal	120,327	140,578	135,092	5,486
Tax:				
Miscellaneous services	221,370	221,370	214,951	6,419
Total Tax	221,370	221,370	214,951	6,419
Human Resources:				
Payroll costs	353,892	362,179	364,963	(2,784)
Supplies	9,250	8,450	5,677	2,773
Miscellaneous services	34,375	36,575	30,384	6,191
Sundry charges	31,100	31,100	28,640	2,460
Total Human Resources	428,617	438,304	429,664	8,640
Building Services:				
Payroll costs	86,991	85,786	85,795	(9)
Supplies	22,600	22,740	19,043	3,697
Maintenance	75,750	133,900	72,467	61,433
Miscellaneous services	132,150	136,150	104,236	31,914
Capital outlay	-	60,000	4,000	56,000
Total Building Services	317,491	438,576	285,541	153,035
Information Technology:				
Payroll costs	610,340	629,867	662,572	(32,705)
Supplies	82,205	98,323	74,038	24,285
Maintenance	156,358	157,358	153,116	4,242
Miscellaneous services	167,330	182,530	141,458	41,072
Total Information Technology	1,016,233	1,068,078	1,031,184	36,894

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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Non-departmental:				
Payroll costs	748,315	215,038	6,381	208,657
Supplies	-	4,116	3,950	166
Maintenance	51,953	87,756	86,892	864
Miscellaneous services	222,233	272,298	324,882	(52,584)
Capital outlay	-	-	11,993	(11,993)
Total Non-departmental	1,022,501	579,208	434,098	145,110
Total General Government	4,964,176	4,771,552	4,332,106	439,446
Public Safety:				
Municipal Court:				
Payroll costs	330,168	338,553	326,755	11,798
Supplies	17,270	14,295	11,350	2,945
Miscellaneous services	47,890	46,490	36,972	9,518
Total Municipal Court	395,328	399,338	375,077	24,261
Police:				
Payroll costs	8,403,213	8,581,124	9,004,700	(423,576)
Supplies	339,822	397,930	281,534	116,396
Maintenance	170,100	182,300	128,734	53,566
Miscellaneous services	655,176	701,176	606,492	94,684
Sundry charges	1,000	1,000	110	890
Total Police	9,569,311	9,863,530	10,021,570	(158,040)
Fire:				
Payroll costs	7,102,271	7,256,908	7,289,285	(32,377)
Supplies	381,895	427,391	355,935	71,456
Maintenance	191,710	179,159	162,635	16,524
Miscellaneous services	541,322	552,922	514,018	38,904
Capital outlay	-	12,352	12,352	-
Total Fire	8,217,198	8,428,732	8,334,225	94,507
Emergency Management:				
Supplies	1,320	1,320	98	1,222
Miscellaneous services	50,435	50,435	39,824	10,611
Total Emergency Management	51,755	51,755	39,922	11,833

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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Animal Control:				
Payroll costs	546,833	522,046	515,629	6,417
Supplies	63,800	67,800	75,790	(7,990)
Maintenance	18,000	15,100	14,044	1,056
Miscellaneous services	107,836	97,146	102,213	(5,067)
Capital outlay	-	5,590	5,590	-
Total Animal Control	736,469	707,682	713,266	(5,584)
City Marshall:				
Payroll costs	73,434	74,231	66,057	8,174
Supplies	4,055	8,655	3,863	4,792
Maintenance	1,500	1,500	1,154	346
Miscellaneous services	3,040	3,040	2,280	760
Total City Marshall	82,029	87,426	73,354	14,072
Total Public Safety	19,052,090	19,538,463	19,557,414	(18,951)
Cultural and Recreation:				
Parks:				
Payroll costs	1,159,230	1,105,199	1,197,883	(92,684)
Supplies	107,355	88,080	75,285	12,795
Maintenance	98,744	104,800	95,117	9,683
Miscellaneous services	428,381	377,009	332,515	44,494
Sundry charges	80	-	-	-
Total Parks	1,793,790	1,675,088	1,700,800	(25,712)
Zoo:				
Payroll costs	1,225,727	1,261,704	1,223,790	37,914
Supplies	204,741	211,451	212,103	(652)
Maintenance	3,750	4,750	4,198	552
Miscellaneous services	178,399	167,399	149,158	18,241
Total Zoo	1,612,617	1,645,304	1,589,249	56,055
Library:				
Payroll costs	538,597	538,862	536,428	2,434
Supplies	19,950	17,950	16,162	1,788
Maintenance	36,250	36,520	30,213	6,307
Miscellaneous services	71,935	74,595	61,558	13,037
Total Library	666,732	667,927	644,361	23,566
Total Cultural and Recreation	4,073,139	3,988,319	3,934,410	53,909

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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Public Works:				
Engineering:				
Payroll costs	545,413	533,782	542,643	(8,861)
Supplies	15,135	10,183	5,815	4,368
Maintenance	20,415	20,415	17,327	3,088
Miscellaneous services	80,182	67,069	61,895	5,174
Capital outlay	-	-	20,548	(20,548)
Total Engineering	661,145	631,449	648,228	(16,779)
Inspection:				
Payroll costs	480,405	426,662	432,662	(6,000)
Supplies	15,850	13,950	12,717	1,233
Maintenance	1,500	2,400	2,258	142
Miscellaneous services	41,057	39,707	36,492	3,215
Total Inspection	538,812	482,719	484,129	(1,410)
Planning and Zoning:				
Payroll costs	186,126	190,737	191,779	(1,042)
Supplies	8,430	5,580	2,572	3,008
Maintenance	2,210	2,210	791	1,419
Miscellaneous services	16,105	16,105	12,597	3,508
Total Planning and Zoning	212,871	214,632	207,739	6,893
Street:				
Payroll costs	1,611,877	1,564,893	1,628,064	(63,171)
Supplies	182,270	201,270	195,302	5,968
Maintenance	1,038,900	1,034,380	968,734	65,646
Miscellaneous services	977,696	973,916	891,590	82,326
Capital outlay	-	12,820	12,818	2
Total Street	3,810,743	3,787,279	3,696,508	90,771
Fleet Management:				
Payroll costs	450,242	424,305	413,875	10,430
Supplies	23,600	25,800	23,509	2,291
Maintenance	8,100	7,000	5,989	1,011
Miscellaneous services	18,603	14,903	11,946	2,957
Sundry charges	-	-	(17,302)	17,302
Total Fleet Management	500,545	472,008	438,017	33,991
Total Public Works	5,724,116	5,588,087	5,474,621	113,466

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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Debt Service:				
Principal	86,706	49,356	-	49,356
Interest	4,176	1,727	-	1,727
Total Debt Service	90,882	51,083	-	51,083
Total Expenditures	33,904,403	33,937,504	33,298,551	638,953
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	(825,162)	239,767	398,443	158,676
Other Financing Sources (Uses):				
Transfers in	378,368	378,368	392,066	13,698
Transfers out	(243,580)	(473,240)	(394,660)	78,580
Total Other Financing Sources (Uses)	134,788	(94,872)	(2,594)	92,278
Net Change in Fund Balance	(690,374)	144,895	395,849	250,954
Fund Balance - Beginning	10,622,499	10,622,499	10,622,499	-
Fund Balance - Ending	\$ 9,932,125	\$ 10,767,394	\$ 11,018,348	\$ 250,954

**CITY OF LUFKIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
CONDITION RATING OF THE CITY'S STREET SYSTEM
SEPTEMBER 30, 2019**

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:

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

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

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

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

	PERCENTAGE OF LANE-MILES IN SUBSTANDARD CONDITION		
	2018	2016	2014
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, 2019

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>
2019	\$	3,787	\$	3,697
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

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 2,586,703	\$ 2,582,456	\$ 2,515,515	\$ 2,299,919	\$ 2,123,077
Interest (on the total pension liability)	6,711,583	6,388,272	6,052,902	5,894,713	5,650,445
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(979,881)	(48,701)	83,312	(192,026)	(776,242)
Change of assumptions	-	-	-	948,593	-
Benefit payments, including refunds of employee contributions	(4,302,780)	(3,965,957)	(3,467,542)	(3,725,580)	(3,466,727)
Net change in total pension liability	4,015,625	4,956,070	5,184,187	5,225,619	3,530,553
Total pension liability - beginning	100,288,893	95,332,823	90,148,636	84,923,017	81,392,464
Total pension liability - ending (a)	\$ 104,304,518	\$ 100,288,893	\$ 95,332,823	\$ 90,148,636	\$ 84,923,017
Plan Fiduciary Net Position					
Contributions - employer	\$ 2,776,942	\$ 2,732,648	\$ 2,520,598	\$ 2,509,431	\$ 2,486,016
Contributions - employee	1,168,189	1,152,313	1,122,282	1,086,453	1,034,606
Net investment income	(2,570,224)	10,461,909	4,771,526	104,308	3,824,460
Benefit payments, including refunds of employee contributions	(4,302,780)	(3,965,957)	(3,467,542)	(3,725,580)	(3,466,727)
Administrative expense	(49,678)	(54,219)	(53,883)	(63,532)	(39,929)
Other	(2,595)	(2,748)	(2,903)	(3,138)	(3,283)
Net change in plan fiduciary net position	(2,980,146)	10,323,946	4,890,078	(92,058)	3,835,143
Plan fiduciary net position - beginning	85,810,313	75,486,367	70,596,289	70,688,347	66,853,204
Plan fiduciary net position - ending (b)	\$ 82,830,167	\$ 85,810,313	\$ 75,486,367	\$ 70,596,289	\$ 70,688,347
Net pension liability - ending (a) - (b)	\$ 21,474,351	\$ 14,478,580	\$ 19,846,456	\$ 19,552,347	\$ 14,234,670
Plan fiduciary net position as a percentage of total pension liability	79.41%	85.56%	79.18%	78.31%	83.24%
Covered payroll	\$ 16,688,409	\$ 16,448,764	\$ 16,032,603	\$ 15,446,063	\$ 14,772,880
Net pension liability as a percentage of covered payroll	128.68%	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 five 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

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,783,374	\$ 2,779,508	\$ 2,668,749	\$ 2,606,843	\$ 2,507,504
Contributions in relation to the actuarially determined contribution	(2,783,374)	(2,779,508)	(2,668,749)	(2,606,843)	(2,507,504)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 16,964,478	\$ 16,708,530	\$ 16,261,675	\$ 16,454,792	\$ 15,328,570
Contributions as a percentage of covered payroll	16.41%	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, 2018 - December 31, 2018.

Note: Only five 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, 2019

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	27 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

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 766,457	\$ 744,133	\$ 717,504	\$ 696,606	\$ 648,006
Interest (on the total pension liability)	2,547,901	2,429,092	2,502,453	2,373,987	2,282,146
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(424,667)	-	(1,480,396)	-	227,196
Change of assumptions	209,041	-	(836,604)	-	-
Administrative expense	-	-	-	-	421,584
Benefit payments, including refunds of employee contributions	(1,583,037)	(1,639,827)	(2,175,654)	(1,974,776)	(1,437,981)
Net change in total pension liability	1,515,695	1,533,398	(1,272,697)	1,095,817	2,140,951
Total pension liability - beginning	33,997,069	32,463,671	33,736,368	32,640,551	30,499,600
Total pension liability - ending (a)	<u>\$ 35,512,764</u>	<u>\$ 33,997,069</u>	<u>\$ 32,463,671</u>	<u>\$ 33,736,368</u>	<u>\$ 32,640,551</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 1,181,244	\$ 1,178,934	\$ 1,112,799	\$ 1,146,462	\$ 1,094,156
Contributions - employee	729,289	727,352	718,762	666,247	627,405
Net investment income	(1,079,360)	1,877,559	982,695	(336,255)	714,645
Benefit payments, including refunds of employee contributions	(1,583,037)	(1,639,827)	(2,175,654)	(1,974,776)	(1,437,981)
Administrative expense	(33,643)	(35,273)	(25,850)	(43,114)	(28,082)
Other	-	-	-	-	-
Net change in plan fiduciary net position	(785,507)	2,108,745	612,752	(541,436)	970,143
Plan fiduciary net position - beginning	16,444,542	14,335,797	13,723,045	14,264,481	13,294,338
Plan fiduciary net position - ending (b)	<u>\$ 15,659,035</u>	<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>\$ 19,853,729</u>	<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	44.10%	48.40%	44.20%	40.70%	43.70%
Covered payroll	\$ 5,135,838	\$ 5,122,197	\$ 5,061,704	\$ 5,047,326	\$ 4,753,068
Net pension liability as a percentage of covered payroll	386.60%	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 five years of data are presented in accordance with GASB No. 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Notes to Schedule:

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

The ending total pension liability for 2018 and 2016 was 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

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

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

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

Notes to Schedule:

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

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

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

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

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

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

Notes to Schedule:

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

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

SUPPLEMENTAL INFORMATION

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
SEPTEMBER 30, 2019

	ECONOMIC DEVELOPMENT CORPORATION	LUFKIN CONVENTION AND VISITORS BUREAU	TOTAL COMPONENT UNITS
ASSETS			
Cash and cash equivalents	\$ 1,303,366	\$ 248,161	\$ 1,551,527
Investments:			
Certificates of deposit	-	400,000	400,000
Land and improvements	6,106,400	-	6,106,400
Receivables - net	121,252	139,750	261,002
Notes receivable	2,842,165	-	2,842,165
Prepaid items	6	-	6
Total Assets	<u>10,373,189</u>	<u>787,911</u>	<u>11,161,100</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	47,808	35,523	83,331
Deferred OPEB outflows	1,508	1,635	3,143
Total Deferred Outflows of Resources	<u>49,316</u>	<u>37,158</u>	<u>86,474</u>
LIABILITIES			
Accounts/claims payable	849,990	2,622	852,612
Accrued interest	8,494	-	8,494
Accrued liabilities	3,519	3,075	6,594
Deposits	127,009	-	127,009
Noncurrent liabilities:			
Due within one year	510,446	-	510,446
Due in more than one year	369,159	7,608	376,767
Total OPEB liability	8,189	12,704	20,893
Net pension liability	105,927	104,818	210,745
Total Liabilities	<u>1,982,733</u>	<u>130,827</u>	<u>2,113,560</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	-	10,026	10,026
Deferred OPEB inflows	581	486	1,067
Total Deferred Inflows of Resources	<u>581</u>	<u>10,512</u>	<u>11,093</u>
NET POSITION			
Unrestricted	8,439,191	683,730	9,122,921
Total Net Position	<u>\$ 8,439,191</u>	<u>\$ 683,730</u>	<u>\$ 9,122,921</u>

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

FUNCTIONS/PROGAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	LUFKIN		TOTAL
				ECONOMIC DEVELOPMENT CORPORATION	CONVENTION AND VISITORS BUREAU	
Economic Development Corporation	\$ 987,917	\$ -	\$ -	\$ (987,917)	\$ -	\$ (987,917)
Lufkin Convention and Visitors Bureau	336,616	-	-	-	(336,616)	(336,616)
Total	\$ 1,324,533	\$ -	\$ -	(987,917)	(336,616)	(1,324,533)
General Revenues:						
Sales taxes				1,273,581	-	1,273,581
Other taxes				-	485,056	485,056
Unrestricted investment earnings				120,079	16,828	136,907
Miscellaneous revenues				101,597	120,844	222,441
Total General Revenues				1,495,257	622,728	2,117,985
Change in Net Position				507,340	286,112	793,452
Net Position - Beginning				7,931,851	397,618	8,329,469
Net Position - Ending				\$ 8,439,191	\$ 683,730	\$ 9,122,921

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.

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

INTERNAL SERVICE FUNDS

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

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

CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 954,371	\$ 234,282	\$ 1,188,653
Investments	1,600,000	-	1,600,000
Receivables:			
Accounts	180,126	-	180,126
Intergovernmental	10,831	-	10,831
Other	339,908	5,403	345,311
Allowance for uncollectibles	(174,072)	-	(174,072)
Prepaid items	9	-	9
Total assets	<u>\$ 2,911,173</u>	<u>\$ 239,685</u>	<u>\$ 3,150,858</u>
LIABILITIES			
Accounts/claims payable	\$ 285,430	\$ 14,496	\$ 299,926
Accrued liabilities	6,446	-	6,446
Due to other funds	134,440	174,312	308,752
Customer deposits	20,295	-	20,295
Total Liabilities	<u>446,611</u>	<u>188,808</u>	<u>635,419</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	65,034	5,375	70,409
Total Deferred Inflows of Resources	<u>65,034</u>	<u>5,375</u>	<u>70,409</u>
FUND BALANCES			
Nonspendable	9	-	9
Restricted	311,894	234,310	546,204
Committed	251,395	-	251,395
Assigned	1,836,230	-	1,836,230
Unassigned	-	(188,808)	(188,808)
Total Fund Balances	<u>2,399,528</u>	<u>45,502</u>	<u>2,445,030</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,911,173</u>	<u>\$ 239,685</u>	<u>\$ 3,150,858</u>

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:			
Other taxes	\$ 1,155,219	\$ -	\$ 1,155,219
Charges for services	1,048,519	-	1,048,519
Investment earnings	39,751	5,280	45,031
Intergovernmental	180,199	-	180,199
Other revenues	284,427	-	284,427
Total Revenues	<u>2,708,115</u>	<u>5,280</u>	<u>2,713,395</u>
Expenditures:			
Current:			
General government	200,205	-	200,205
Public safety	115,902	-	115,902
Cultural and recreation	2,048,287	-	2,048,287
Capital outlay:			
General government	-	65,983	65,983
Cultural and recreation	-	1,150,520	1,150,520
Public works	-	46,464	46,464
Total Expenditures	<u>2,364,394</u>	<u>1,262,967</u>	<u>3,627,361</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>343,721</u>	<u>(1,257,687)</u>	<u>(913,966)</u>
Other Financing Sources (Uses):			
Transfers in	-	1,119,030	1,119,030
Transfers out	(178,368)	-	(178,368)
Total Other Financing Sources (Uses)	<u>(178,368)</u>	<u>1,119,030</u>	<u>940,662</u>
Net Change in Fund Balances	165,353	(138,657)	26,696
Fund Balances - Beginning	<u>2,234,175</u>	<u>184,159</u>	<u>2,418,334</u>
Fund Balances - Ending	<u><u>\$ 2,399,528</u></u>	<u><u>\$ 45,502</u></u>	<u><u>\$ 2,445,030</u></u>

CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2019

	HOTEL/ MOTEL TAX FUND	ZOO BUILDING FUND	MAIN STREET/ DOWNTOWN DEVELOPMENT FUND	POLICE SEIZED FUND
ASSETS				
Cash and cash equivalents	\$ 90,785	\$ 246,481	\$ 39,250	\$ 173,180
Investments	-	1,600,000	-	-
Receivables:				
Accounts	-	-	-	-
Intergovernmental	-	-	-	-
Other	277,121	42,501	901	4,017
Allowance for uncollectibles	-	-	-	-
Prepaid items	9	-	-	-
Total Assets	<u>\$ 367,915</u>	<u>\$ 1,888,982</u>	<u>\$ 40,151</u>	<u>\$ 177,197</u>
LIABILITIES				
Accounts/claims payable	\$ 146,301	\$ 2,300	\$ 185	\$ 127,644
Accrued liabilities	4,428	348	-	-
Due to other funds	-	-	-	-
Customer deposits	15,985	-	-	-
Total Liabilities	<u>166,714</u>	<u>2,648</u>	<u>185</u>	<u>127,644</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	2,474	42,369	901	3,975
Total Deferred Inflows of Resources	<u>2,474</u>	<u>42,369</u>	<u>901</u>	<u>3,975</u>
FUND BALANCES				
Nonspendable	9	-	-	-
Restricted	-	-	-	45,578
Committed	198,718	-	-	-
Assigned	-	1,843,965	39,065	-
Total Fund Balances	<u>198,727</u>	<u>1,843,965</u>	<u>39,065</u>	<u>45,578</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 367,915</u>	<u>\$ 1,888,982</u>	<u>\$ 40,151</u>	<u>\$ 177,197</u>

HOME INVESTMENT PROGRAM FUND	COURT SECURITY/ TECHNOLOGY FUND	POLICE GRANTS FUND	PINES THEATER SPECIAL EVENTS FUND	SPECIAL RECREATION FUND	INSURANCE LOSS FUND
\$ 4	\$ 60,277	\$ 6,838	\$ -	\$ 116,941	\$ -
-	-	-	-	-	-
-	180,126	-	-	-	-
-	-	10,831	-	-	-
-	1,384	157	1,148	2,671	4,940
-	(174,072)	-	-	-	-
-	-	-	-	-	-
<u>\$ 4</u>	<u>\$ 67,715</u>	<u>\$ 17,826</u>	<u>\$ 1,148</u>	<u>\$ 119,612</u>	<u>\$ 4,940</u>
\$ -	\$ -	\$ -	\$ 1,324	\$ 4,834	\$ 2,379
-	-	-	-	1,670	-
-	-	-	74,108	-	60,332
-	-	-	4,310	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>79,742</u>	<u>6,504</u>	<u>62,711</u>
-	7,438	157	-	2,660	-
<u>-</u>	<u>7,438</u>	<u>157</u>	<u>-</u>	<u>2,660</u>	<u>-</u>
-	-	-	-	-	-
4	60,277	17,669	-	-	-
-	-	-	-	110,448	(57,771)
-	-	-	(78,594)	-	-
<u>4</u>	<u>60,277</u>	<u>17,669</u>	<u>(78,594)</u>	<u>110,448</u>	<u>(57,771)</u>
<u>\$ 4</u>	<u>\$ 67,715</u>	<u>\$ 17,826</u>	<u>\$ 1,148</u>	<u>\$ 119,612</u>	<u>\$ 4,940</u>

CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET - CONTINUED
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2019

	ANIMAL CONTROL - KURTH GRANT FUND	POLICE DARE CONTRIBUTION GRANT FUND	ANIMAL'S ATTIC GIFT SHOP FUND	FIRE GRANTS FUND
ASSETS				
Cash and cash equivalents	\$ 40,525	\$ 109	\$ 31,873	\$ 123,020
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Intergovernmental	-	-	-	-
Other	938	-	731	2,823
Allowance for uncollectibles	-	-	-	-
Prepaid items	-	-	-	-
Total Assets	<u>\$ 41,463</u>	<u>\$ 109</u>	<u>\$ 32,604</u>	<u>\$ 125,843</u>
LIABILITIES				
Accounts/claims payable	\$ -	\$ -	\$ 188	\$ 275
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Customer deposits	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>188</u>	<u>275</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	930	-	731	2,823
Total Deferred Inflows of Resources	<u>930</u>	<u>-</u>	<u>731</u>	<u>2,823</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	40,533	-	-	122,745
Committed	-	-	-	-
Assigned	-	109	31,685	-
Total Fund Balances	<u>40,533</u>	<u>109</u>	<u>31,685</u>	<u>122,745</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 41,463</u>	<u>\$ 109</u>	<u>\$ 32,604</u>	<u>\$ 125,843</u>

FEMA GRANT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ 25,088	\$ 954,371
-	1,600,000
-	180,126
-	10,831
576	339,908
-	(174,072)
-	9
<u>\$ 25,664</u>	<u>\$ 2,911,173</u>
\$ -	\$ 285,430
-	6,446
-	134,440
-	20,295
<u>-</u>	<u>446,611</u>
576	65,034
<u>576</u>	<u>65,034</u>
-	9
25,088	311,894
-	251,395
-	1,836,230
<u>25,088</u>	<u>2,399,528</u>
<u>\$ 25,664</u>	<u>\$ 2,911,173</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, 2019

	HOTEL/ MOTEL TAX FUND	ZOO BUILDING FUND	MAIN STREET/ DOWNTOWN DEVELOPMENT FUND	POLICE SEIZED FUND
Revenues:				
Other taxes	\$ 1,155,219	\$ -	\$ -	\$ -
Charges for services	220,819	341,285	-	-
Investment earnings	3,421	28,170	709	3,483
Intergovernmental	-	-	-	-
Other revenues	-	34,474	13,436	2,240
Total Revenues	<u>1,379,459</u>	<u>403,929</u>	<u>14,145</u>	<u>5,723</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	6,322
Cultural and recreation	1,303,749	238,383	18,304	-
Total Expenditures	<u>1,303,749</u>	<u>238,383</u>	<u>18,304</u>	<u>6,322</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>75,710</u>	<u>165,546</u>	<u>(4,159)</u>	<u>(599)</u>
Other Financing Sources (Uses):				
Transfers out	-	(28,599)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(28,599)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	75,710	136,947	(4,159)	(599)
Fund Balances - Beginning	<u>123,017</u>	<u>1,707,018</u>	<u>43,224</u>	<u>46,177</u>
Fund Balances - Ending	<u>\$ 198,727</u>	<u>\$ 1,843,965</u>	<u>\$ 39,065</u>	<u>\$ 45,578</u>

HOME INVESTMENT PROGRAM FUND	COURT SECURITY/ TECHNOLOGY FUND	POLICE GRANTS FUND	PINES THEATER SPECIAL EVENTS FUND	SPECIAL RECREATION FUND	INSURANCE LOSS FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	149,756	336,659	-
-	710	13	-	1,695	2
-	-	10,831	-	-	-
-	25,934	4,353	870	-	181,783
-	26,644	15,197	150,626	338,354	181,785
-	-	-	-	-	200,205
-	1,696	28,234	-	-	-
-	-	-	198,355	268,964	-
-	1,696	28,234	198,355	268,964	200,205
-	24,948	(13,037)	(47,729)	69,390	(18,420)
-	-	-	-	(59,769)	-
-	-	-	-	(59,769)	-
-	24,948	(13,037)	(47,729)	9,621	(18,420)
4	35,329	30,706	(30,865)	100,827	(39,351)
\$ 4	\$ 60,277	\$ 17,669	\$ (78,594)	\$ 110,448	\$ (57,771)

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, 2019

	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	711	-	499	-
Intergovernmental	69,368	-	-	100,000
Other revenues	-	-	21,337	-
Total Revenues	<u>70,079</u>	<u>-</u>	<u>21,836</u>	<u>100,000</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	79,650
Cultural and recreation	-	-	20,532	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>20,532</u>	<u>79,650</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>70,079</u>	<u>-</u>	<u>1,304</u>	<u>20,350</u>
Other Financing Sources (Uses):				
Transfers out	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(19,921)	-	1,304	20,350
Fund Balances - Beginning	<u>60,454</u>	<u>109</u>	<u>30,381</u>	<u>102,395</u>
Fund Balances - Ending	<u>\$ 40,533</u>	<u>\$ 109</u>	<u>\$ 31,685</u>	<u>\$ 122,745</u>

FEMA GRANT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ 1,155,219
-	1,048,519
338	39,751
-	180,199
-	284,427
<u>338</u>	<u>2,708,115</u>
-	200,205
-	115,902
-	2,048,287
<u>-</u>	<u>2,364,394</u>
<u>338</u>	<u>343,721</u>
-	(178,368)
<u>-</u>	<u>(178,368)</u>
338	165,353
<u>24,750</u>	<u>2,234,175</u>
<u>\$ 25,088</u>	<u>\$ 2,399,528</u>

CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2019

	STREET CONSTRUCTION FUND	DRAINAGE MITIGATION FUND	TEXAS CAPITAL GRANT FUND
ASSETS			
Cash and cash equivalents	\$ -	\$ 19,199	\$ 53
Receivables:			
Intergovernmental	-	-	-
Other	-	441	-
Total Assets	<u>\$ -</u>	<u>\$ 19,640</u>	<u>\$ 53</u>
LIABILITIES			
Accounts/claims payable	\$ -	\$ -	\$ -
Due to other funds	124,870	-	-
Total Liabilities	<u>124,870</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	-	441	-
Total Deferred Inflows of Resources	<u>-</u>	<u>441</u>	<u>-</u>
FUND BALANCES			
Restricted	-	19,199	53
Unassigned	(124,870)	-	-
Total Fund Balances	<u>(124,870)</u>	<u>19,199</u>	<u>53</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 19,640</u>	<u>\$ 53</u>

CONVENTION CENTER FUND	2010 CAPITAL IMPROVEMENT FUND	2012 CAPITAL IMPROVEMENT FUND	2020 CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
\$ 29,710	\$ 53,925	\$ 131,395	\$ -	\$ 234,282
-	-	-	-	-
682	1,237	3,043	-	5,403
<u>\$ 30,392</u>	<u>\$ 55,162</u>	<u>\$ 134,438</u>	<u>\$ -</u>	<u>\$ 239,685</u>
\$ -	\$ -	\$ -	\$ 14,496	\$ 14,496
-	-	-	49,442	174,312
<u>-</u>	<u>-</u>	<u>-</u>	<u>63,938</u>	<u>188,808</u>
682	1,237	3,015	-	5,375
<u>682</u>	<u>1,237</u>	<u>3,015</u>	<u>-</u>	<u>5,375</u>
29,710	53,925	131,423	-	234,310
-	-	-	(63,938)	(188,808)
<u>29,710</u>	<u>53,925</u>	<u>131,423</u>	<u>(63,938)</u>	<u>45,502</u>
<u>\$ 30,392</u>	<u>\$ 55,162</u>	<u>\$ 134,438</u>	<u>\$ -</u>	<u>\$ 239,685</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, 2019

	STREET CONSTRUCTION FUND	DRAINAGE MITIGATION FUND	TEXAS CAPITAL GRANT FUND
Revenues:			
Investment earnings	\$ 1,438	\$ 307	\$ -
Total Revenues	<u>1,438</u>	<u>307</u>	<u>-</u>
Expenditures:			
Capital outlay:			
General government	65,983	-	-
Cultural and recreation	4,827	-	-
Public works	46,464	-	-
Total Expenditures	<u>117,274</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(115,836)</u>	<u>307</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers in	102,936	-	-
Total Other Financing Sources (Uses)	<u>102,936</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(12,900)	307	-
Fund Balances - Beginning	<u>(111,970)</u>	<u>18,892</u>	<u>53</u>
Fund Balances - Ending	<u><u>\$ (124,870)</u></u>	<u><u>\$ 19,199</u></u>	<u><u>\$ 53</u></u>

CONVENTION CENTER FUND	2010 CAPITAL IMPROVEMENT FUND	2012 CAPITAL IMPROVEMENT FUND	2020 CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
\$ 531	\$ 866	\$ 2,138	\$ -	\$ 5,280
531	866	2,138	-	5,280
-	-	-	-	65,983
230,821	-	-	914,872	1,150,520
-	-	-	-	46,464
230,821	-	-	914,872	1,262,967
(230,290)	866	2,138	(914,872)	(1,257,687)
165,160	-	-	850,934	1,119,030
165,160	-	-	850,934	1,119,030
(65,130)	866	2,138	(63,938)	(138,657)
94,840	53,059	129,285	-	184,159
\$ 29,710	\$ 53,925	\$ 131,423	\$ (63,938)	\$ 45,502

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2019

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 218,234	\$ 200,217	\$ 418,451
Investments	2,500,000	1,750,000	4,250,000
Accounts receivable (net of allowance for uncollectibles)	309,766	-	309,766
Interest receivable	52,807	46,649	99,456
Prepaid items	-	24	24
Total Current Assets	<u>3,080,807</u>	<u>1,996,890</u>	<u>5,077,697</u>
Noncurrent Assets:			
Capital Assets:			
Machinery and equipment	-	5,360,748	5,360,748
Vehicles	-	11,576,424	11,576,424
Less accumulated depreciation	-	(10,616,925)	(10,616,925)
Total Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>6,320,247</u>	<u>6,320,247</u>
Total Assets	<u>3,080,807</u>	<u>8,317,137</u>	<u>11,397,944</u>
LIABILITIES			
Current Liabilities:			
Accounts/claims payable	371,270	167,757	539,027
Due to other funds	241,998	-	241,998
Total Current Liabilities	<u>613,268</u>	<u>167,757</u>	<u>781,025</u>
Total Liabilities	<u>613,268</u>	<u>167,757</u>	<u>781,025</u>
NET POSITION			
Net investment in capital assets	-	6,320,247	6,320,247
Unrestricted	2,467,539	1,829,133	4,296,672
Total Net Position	<u>\$ 2,467,539</u>	<u>\$ 8,149,380</u>	<u>\$ 10,616,919</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, 2019

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TOTAL
Operating Revenues:			
Employee premiums	\$ 1,045,118	\$ -	\$ 1,045,118
Employer premiums	3,457,500	-	3,457,500
Equipment rental	-	2,070,985	2,070,985
Miscellaneous	1,507,625	-	1,507,625
Total Operating Revenues	<u>6,010,243</u>	<u>2,070,985</u>	<u>8,081,228</u>
Operating Expenses:			
Insurance claims and related expenses	7,313,810	28,271	7,342,081
Depreciation and amortization	-	1,764,625	1,764,625
Total Operating Expenses	<u>7,313,810</u>	<u>1,792,896</u>	<u>9,106,706</u>
Operating Income (Loss)	<u>(1,303,567)</u>	<u>278,089</u>	<u>(1,025,478)</u>
Nonoperating Revenues (Expenses):			
Investment earnings	54,216	55,075	109,291
Gain on sale of assets	-	282,664	282,664
Total Nonoperating Revenues (Expenses)	<u>54,216</u>	<u>337,739</u>	<u>391,955</u>
Income (Loss) Before Transfers	(1,249,351)	615,828	(633,523)
Transfers in	<u>165,000</u>	<u>-</u>	<u>165,000</u>
Change in Net Position	(1,084,351)	615,828	(468,523)
Net Position - Beginning	<u>3,551,890</u>	<u>7,533,552</u>	<u>11,085,442</u>
Net Position - Ending	<u>\$ 2,467,539</u>	<u>\$ 8,149,380</u>	<u>\$ 10,616,919</u>

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2019

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TOTAL
Cash Flows From Operating Activities:			
Receipts from customers and users	\$ 2,242,977	\$ -	\$ 2,242,977
Receipts from interfund services provided	3,457,500	2,070,985	5,528,485
Payments to suppliers	(7,267,201)	(28,295)	(7,295,496)
Net Cash Provided (Used) by Operating Activities	<u>(1,566,724)</u>	<u>2,042,690</u>	<u>475,966</u>
Cash Flows From Noncapital Financing Activities:			
Transfer from other funds	165,000	-	165,000
Net Cash Provided by Noncapital Financing Activities	<u>165,000</u>	<u>-</u>	<u>165,000</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(1,907,620)	(1,907,620)
Proceeds from sale of capital assets	-	321,300	321,300
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(1,586,320)</u>	<u>(1,586,320)</u>
Cash Flows From Investing Activities:			
Purchases of investments	(2,096,713)	(1,197,205)	(3,293,918)
Investment maturities	3,096,713	447,205	3,543,918
Investment earnings received	53,629	27,845	81,474
Net Cash Provided (Used) by Investing Activities	<u>1,053,629</u>	<u>(722,155)</u>	<u>331,474</u>
Net Decrease in Cash and Cash Equivalents	(348,095)	(265,785)	(613,880)
Cash and Cash Equivalents - Beginning	566,329	466,002	1,032,331
Cash and Cash Equivalents - Ending	<u>\$ 218,234</u>	<u>\$ 200,217</u>	<u>\$ 418,451</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,303,567)	\$ 278,089	\$ (1,025,478)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and amortization	-	1,764,625	1,764,625
(Increase) in accounts receivable	(309,766)	-	(309,766)
(Increase) in prepaid items	-	(24)	(24)
Increase in accounts/claims payable	50,138	-	50,138
(Decrease) in due to other funds	(3,529)	-	(3,529)
Total Adjustments	<u>(263,157)</u>	<u>1,764,601</u>	<u>1,501,444</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,566,724)</u>	<u>\$ 2,042,690</u>	<u>\$ 475,966</u>

CITY OF LUFKIN, TEXAS
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
WATER AND SEWER UTILITY ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Utility Collections:	
Payroll costs	\$ 635,780
Supplies	83,727
Maintenance of equipment	21,978
Miscellaneous services	154,514
Total Utility Collections	<u>895,999</u>
Water/Sewer Utilities	
Payroll costs	2,120,387
Supplies	229,761
Maintenance of equipment	858,932
Miscellaneous services	376,261
Total Water/Sewer Utilities	<u>3,585,341</u>
Wastewater Treatment Plant:	
Payroll costs	1,029,320
Supplies	310,255
Maintenance of equipment	184,944
Miscellaneous services	552,516
Total Wastewater Treatment Plant	<u>2,077,035</u>
Water Production:	
Payroll costs	84,142
Supplies	322,710
Maintenance of equipment	143,463
Miscellaneous services	1,144,184
Total Water Production	<u>1,694,499</u>
Depreciation and amortization	2,504,863
General and administrative	2,788,422
Non-departmental	419,710
Total Operating Expenses	<u><u>\$ 13,965,869</u></u>

CITY OF LUFKIN, TEXAS
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
SOLID WASTE DISPOSAL ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Sanitation:	
Payroll costs	\$ 1,502,546
Supplies	392,515
Maintenance of equipment	256,909
Miscellaneous services	1,829,152
Total Sanitation	<u>3,981,122</u>
Recycling:	
Payroll costs	215,572
Supplies	57,046
Maintenance of equipment	81,245
Miscellaneous services	119,326
Total Recycling	<u>473,189</u>
Depreciation and amortization	130,413
General and administrative	2,203,974
Non-departmental	118,610
Total Operating Expenses	<u>\$ 6,907,308</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, 2019

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Revenues:				
Property taxes	\$ 3,092,261	\$ 3,127,808	\$ 3,083,300	\$ (44,508)
Investment earnings	25,000	30,000	61,541	31,541
Total Revenues	<u>3,117,261</u>	<u>3,157,808</u>	<u>3,144,841</u>	<u>(12,967)</u>
Expenditures:				
Debt service:				
Principal:				
2009 certificates of obligation	700,000	700,000	700,000	-
2010 general obligation refunding bonds	1,260,000	1,260,000	1,260,000	-
2010 certificates of obligation	405,000	405,000	405,000	-
2011 general obligation refunding bonds	1,105,000	1,105,000	1,105,000	-
2012 certificates of obligation	325,000	325,000	325,000	-
2013 certificates of obligation	220,000	220,000	220,000	-
2014 general obligation refunding bonds	475,000	475,000	475,000	-
2015 general obligation refunding bonds	500,000	500,000	500,000	-
2016 general obligation refunding bonds	220,000	220,000	220,000	-
2017 general obligation refunding bonds	187,000	187,000	55,000	132,000
Total Principal	<u>5,397,000</u>	<u>5,397,000</u>	<u>5,265,000</u>	<u>132,000</u>
Interest:				
2009 certificates of obligation	12,600	12,600	12,600	-
2010 general obligation refunding bonds	144,600	144,600	144,600	-
2010 certificates of obligation	132,000	132,000	132,000	-
2011 general obligation refunding bonds	79,900	79,900	79,900	-
2012 certificates of obligation	112,438	112,438	112,438	-
2013 certificates of obligation	126,533	126,533	126,532	1
2014 general obligation refunding bonds	99,550	99,550	99,550	-
2015 general obligation refunding bonds	136,950	136,950	136,950	-
2016 general obligation refunding bonds	277,700	277,700	277,700	-
2017 general obligation refunding bonds	229,875	229,875	229,875	-
Paying agent fees	7,732	7,732	6,250	1,482
Total Interest and Fiscal Charges	<u>1,359,878</u>	<u>1,359,878</u>	<u>1,358,395</u>	<u>1,483</u>
Total Expenditures	<u>6,756,878</u>	<u>6,756,878</u>	<u>6,623,395</u>	<u>133,483</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,639,617)</u>	<u>(3,599,070)</u>	<u>(3,478,554)</u>	<u>120,516</u>
Other Financing Sources (Uses):				
Transfers in	<u>3,815,752</u>	<u>3,815,752</u>	<u>3,813,752</u>	<u>(2,000)</u>
Total Other Financing Sources (Uses)	<u>3,815,752</u>	<u>3,815,752</u>	<u>3,813,752</u>	<u>(2,000)</u>
Net Change in Fund Balances	176,135	216,682	335,198	118,516
Fund Balances - Beginning	<u>1,828,570</u>	<u>1,828,570</u>	<u>1,828,570</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,004,705</u>	<u>\$ 2,045,252</u>	<u>\$ 2,163,768</u>	<u>\$ 118,516</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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Other taxes	\$ 975,000	\$ 975,125	\$ 1,155,219	\$ 180,094
Charges for services	203,351	202,560	220,819	18,259
Investment earnings	400	2,000	3,421	1,421
Total Revenues	<u>1,178,751</u>	<u>1,179,685</u>	<u>1,379,459</u>	<u>199,774</u>
Expenditures:				
Current:				
Cultural and recreation	1,170,211	1,169,789	1,303,749	(133,960)
Total Expenditures	<u>1,170,211</u>	<u>1,169,789</u>	<u>1,303,749</u>	<u>(133,960)</u>
Net Change in Fund Balances	8,540	9,896	75,710	333,734
Fund Balances - Beginning	<u>123,017</u>	<u>123,017</u>	<u>123,017</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 131,557</u>	<u>\$ 132,913</u>	<u>\$ 198,727</u>	<u>\$ 333,734</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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ 326,775	\$ 301,220	\$ 341,285	\$ 40,065
Investment earnings	14,000	14,000	28,170	14,170
Other revenues	6,020	31,993	34,474	2,481
Total Revenues	<u>346,795</u>	<u>347,213</u>	<u>403,929</u>	<u>56,716</u>
Expenditures:				
Current:				
Cultural and recreation	255,980	335,318	238,383	96,935
Total Expenditures	<u>255,980</u>	<u>335,318</u>	<u>238,383</u>	<u>96,935</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>90,815</u>	<u>11,895</u>	<u>165,546</u>	<u>153,651</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	62,216	(16,704)	136,947	153,651
Fund Balances - Beginning	<u>1,617,153</u>	<u>1,617,153</u>	<u>1,707,018</u>	<u>89,865</u>
Fund Balances - Ending	<u>\$ 1,679,369</u>	<u>\$ 1,600,449</u>	<u>\$ 1,843,965</u>	<u>\$ 243,516</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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 100	\$ 400	\$ 710	\$ 310
Other revenues	35,000	30,000	25,934	(4,066)
Total Revenues	<u>35,100</u>	<u>30,400</u>	<u>26,644</u>	<u>(3,756)</u>
Expenditures:				
Current:				
Public safety	7,365	7,365	1,696	5,669
Total Expenditures	<u>7,365</u>	<u>7,365</u>	<u>1,696</u>	<u>5,669</u>
Net Change in Fund Balances	27,735	23,035	24,948	1,913
Fund Balances - Beginning	<u>35,329</u>	<u>35,329</u>	<u>35,329</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 63,064</u>	<u>\$ 58,364</u>	<u>\$ 60,277</u>	<u>\$ 1,913</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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ 435,210	\$ 369,545	\$ 336,659	\$ (32,886)
Investment earnings	1,000	1,000	1,695	695
Other revenues	1,020	-	-	-
Total Revenues	<u>437,230</u>	<u>370,545</u>	<u>338,354</u>	<u>(32,191)</u>
Expenditures:				
Current:				
Cultural and recreation	<u>377,692</u>	<u>303,833</u>	<u>268,964</u>	<u>34,869</u>
Total Expenditures	<u>377,692</u>	<u>303,833</u>	<u>268,964</u>	<u>34,869</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>59,538</u>	<u>66,712</u>	<u>69,390</u>	<u>2,678</u>
Other Financing Sources (Uses):				
Transfers out	<u>(59,769)</u>	<u>(59,769)</u>	<u>(59,769)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(59,769)</u>	<u>(59,769)</u>	<u>(59,769)</u>	<u>-</u>
Net Change in Fund Balances	(231)	6,943	9,621	2,678
Fund Balances - Beginning	<u>100,827</u>	<u>100,827</u>	<u>100,827</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 100,596</u>	<u>\$ 107,770</u>	<u>\$ 110,448</u>	<u>\$ 2,678</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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 500	\$ 500	\$ 711	\$ 211
Intergovernmental revenue	95,000	95,000	69,368	(25,632)
Total Revenues	95,500	95,500	70,079	(25,421)
Expenditures:				
Current:				
Public safety	40,000	40,000	-	40,000
Total Expenditures	40,000	40,000	-	40,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	55,500	55,500	70,079	14,579
Other Financing Sources (Uses):				
Transfers out	(90,000)	(90,000)	(90,000)	-
Total Other Financing Sources (Uses)	(90,000)	(90,000)	(90,000)	-
Net Change in Fund Balances	(34,500)	(34,500)	(19,921)	14,579
Fund Balances - Beginning	60,454	60,454	60,454	-
Fund Balances - Ending	\$ 25,954	\$ 25,954	\$ 40,533	\$ 14,579

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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 400	\$ 400	\$ 499	\$ 99
Other revenues	15,000	17,211	21,337	4,126
Total Revenues	15,400	17,611	21,836	4,225
Expenditures:				
Current:				
Cultural and recreation	-	17,211	20,532	(3,321)
Total Expenditures	-	17,211	20,532	(3,321)
Net Change in Fund Balances	15,400	400	1,304	904
Fund Balances - Beginning	30,381	30,381	30,381	-
Fund Balances - Ending	\$ 45,781	\$ 30,781	\$ 31,685	\$ 904

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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Charges for services	\$ 144,013	\$ 153,975	\$ 149,756	\$ (4,219)
Investment earnings	25	25	-	(25)
Other revenue	2,002	755	870	115
Total Revenues	<u>146,040</u>	<u>154,755</u>	<u>150,626</u>	<u>(4,129)</u>
Expenditures:				
Current:				
Cultural and recreation	161,495	212,095	198,355	13,740
Total Expenditures	<u>161,495</u>	<u>212,095</u>	<u>198,355</u>	<u>13,740</u>
Net Change in Fund Balances	(15,455)	(57,340)	(47,729)	9,611
Fund Balances - Beginning (deficit)	<u>(30,865)</u>	<u>(30,865)</u>	<u>(30,865)</u>	-
Fund Balances - Ending (deficit)	<u>\$ (46,320)</u>	<u>\$ (88,205)</u>	<u>\$ (78,594)</u>	<u>\$ 9,611</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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment earnings	\$ 250	\$ 400	\$ 709	\$ 309
Intergovernmental revenue	60	50	-	(50)
Other revenue	17,500	12,186	13,436	1,250
Total Revenues	17,810	12,636	14,145	1,509
Expenditures:				
Current:				
Cultural and recreation	19,450	19,450	18,304	1,146
Total Expenditures	19,450	19,450	18,304	1,146
Net Change in Fund Balances	(1,640)	(6,814)	(4,159)	2,655
Fund Balances - Beginning	43,224	43,224	43,224	-
Fund Balances - Ending	\$ 41,584	\$ 36,410	\$ 39,065	\$ 2,655

STATISTICAL SECTION

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

	FISCAL YEAR									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities										
Net investment in capital assets	\$ 70,132	\$ 65,211	\$ 60,323	\$ 56,575	\$ 51,434	\$ 38,764	\$ 43,330	\$ 76,984	\$ 30,728	\$ 67,637
Restricted	2,710	2,424	2,488	2,263	5,016	6,604	7,133	5,789	8,564	3,019
Unrestricted	(20,771)	(19,005)	(14,959)	(14,553)	(11,680)	15,691	7,863	(29,381)	10,486	(14,334)
Total Governmental Activities	<u>\$ 52,071</u>	<u>\$ 48,630</u>	<u>\$ 47,852</u>	<u>\$ 44,285</u>	<u>\$ 44,770</u>	<u>\$ 61,059</u>	<u>\$ 58,326</u>	<u>\$ 53,392</u>	<u>\$ 49,778</u>	<u>\$ 56,322</u>
Business-type activities										
Net investment in capital assets	\$ 64,980	\$ 65,020	\$ 66,302	\$ 67,655	\$ 67,005	\$ 67,260	\$ 65,900	\$ 31,354	\$ 66,072	\$ 55,837
Restricted	9,456	10,675	9,582	8,583	1,294	1,308	2,419	7,729	9,285	10,033
Unrestricted	5,715	6,016	5,543	6,946	14,873	16,603	14,075	45,344	8,060	7,151
Total Business-Type Activities	<u>\$ 80,151</u>	<u>\$ 81,711</u>	<u>\$ 81,427</u>	<u>\$ 83,184</u>	<u>\$ 83,172</u>	<u>\$ 85,171</u>	<u>\$ 82,394</u>	<u>\$ 84,427</u>	<u>\$ 83,417</u>	<u>\$ 73,021</u>
Primary government										
Net investment in capital assets	\$ 135,112	\$ 130,231	\$ 126,625	\$ 124,230	\$ 118,439	\$ 106,024	\$ 109,230	\$ 108,339	\$ 96,800	\$ 96,800
Restricted	12,166	13,099	12,070	11,629	6,310	7,912	9,552	13,518	17,849	17,849
Unrestricted	(15,056)	(12,989)	(9,416)	(8,390)	3,193	32,294	21,938	15,963	18,546	18,546
Total Primary Government	<u>\$ 132,222</u>	<u>\$ 130,341</u>	<u>\$ 129,279</u>	<u>\$ 127,469</u>	<u>\$ 127,942</u>	<u>\$ 146,230</u>	<u>\$ 140,720</u>	<u>\$ 137,819</u>	<u>\$ 133,195</u>	<u>\$ 129,343</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				
	2019	2018	2017	2016	2015
Expenses:					
Governmental Activities:					
General government	\$ 4,899	\$ 5,086	\$ 5,086	\$ 4,509	\$ 2,786
Public safety	21,592	21,558	20,990	21,465	19,892
Cultural and recreation	7,062	6,110	6,424	6,475	6,381
Planning and community development	-	444	455	528	97
Public works	6,209	5,496	5,717	5,447	1,678
Interest and fiscal charges	1,300	1,463	1,839	2,094	2,323
Total Governmental Activities	<u>41,062</u>	<u>40,157</u>	<u>40,511</u>	<u>40,518</u>	<u>33,157</u>
Business-Type Activities:					
Water and sewer	13,966	13,645	14,211	13,450	12,277
Solid waste disposal	6,907	6,556	6,484	6,247	5,751
Total Business-Type Activities	<u>20,873</u>	<u>20,201</u>	<u>20,695</u>	<u>19,697</u>	<u>18,028</u>
Total Primary Government	<u>\$ 61,935</u>	<u>\$ 60,358</u>	<u>\$ 61,206</u>	<u>\$ 60,215</u>	<u>\$ 51,185</u>
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 2,263	\$ 2,642	\$ 2,452	\$ 2,386	\$ 2,940
Public safety	3,596	4,326	4,809	3,627	3,748
Cultural and recreation	1,049	1,013	1,109	1,091	1,311
Planning and community development	-	-	40	39	-
Public works	2,591	1,866	1,479	1,461	-
Operating grants and contributions	320	423	274	248	410
Capital grants and contributions	-	268	(31)	965	702
Total Governmental Activities	<u>9,819</u>	<u>10,538</u>	<u>10,132</u>	<u>9,817</u>	<u>9,111</u>
Business-type activities:					
Charges for services:					
Water and sewer	16,983	17,991	16,774	16,880	16,172
Solid waste disposal	6,724	6,864	6,646	6,236	6,374
Capital grants and contributions	-	-	3	104	102
Total Business-Type Activities	<u>23,707</u>	<u>24,855</u>	<u>23,423</u>	<u>23,220</u>	<u>22,648</u>
Total Primary Government	<u>\$ 33,526</u>	<u>\$ 35,393</u>	<u>\$ 33,555</u>	<u>\$ 33,037</u>	<u>\$ 31,759</u>
Net (expense)/revenue:					
Governmental Activities	\$ (31,243)	\$ (29,619)	\$ (30,379)	\$ (30,701)	\$ (24,046)
Business-Type Activities	2,834	4,654	2,728	3,523	4,620
Total Primary Government	<u>\$ (28,409)</u>	<u>\$ (24,965)</u>	<u>\$ (27,651)</u>	<u>\$ (27,178)</u>	<u>\$ (19,426)</u>
General Revenues and Transfers:					
Governmental Activities:					
Taxes:					
Property taxes	\$ 10,953	\$ 10,749	\$ 10,713	\$ 10,685	\$ 10,802
Sales taxes	14,009	13,643	13,130	13,270	12,909
Franchise taxes	2,536	2,366	2,359	2,383	2,480
Hotel tax	1,155	1,087	972	1,151	926
Other	106	99	97	117	93
Unrestricted investment earnings	571	354	240	252	108
Gain on retirement of capital assets	19	96	25	75	98
Miscellaneous revenues	418	740	1,758	1,014	461
Transfers	4,917	4,145	4,652	3,723	4,023
Total Governmental Activities	<u>34,684</u>	<u>33,279</u>	<u>33,946</u>	<u>32,670</u>	<u>31,900</u>
Business-Type Activities:					
Unrestricted investment earnings	462	270	167	168	55
Gain on retirement of capital assets	61	-	-	43	35
Miscellaneous revenues	-	-	-	-	-
Transfers	(4,917)	(4,145)	(4,652)	(3,723)	(4,023)
Total Business-Type Activities	<u>(4,394)</u>	<u>(3,875)</u>	<u>(4,485)</u>	<u>(3,512)</u>	<u>(3,933)</u>
Total Primary Government	<u>\$ 30,290</u>	<u>\$ 29,404</u>	<u>\$ 29,461</u>	<u>\$ 29,158</u>	<u>\$ 27,967</u>
Change in Net Position:					
Governmental Activities	\$ 3,441	\$ 3,660	\$ 3,567	\$ 1,969	\$ 7,854
Business-type activities	(1,560)	779	(1,757)	11	687
Total Primary Government	<u>\$ 1,881</u>	<u>\$ 4,439</u>	<u>\$ 1,810</u>	<u>\$ 1,980</u>	<u>\$ 8,541</u>

Source: City of Lufkin accounting records.

FISCAL YEAR				
2014	2013	2012	2011	2010
\$ 1,789	\$ 2,069	\$ 2,706	\$ 2,114	\$ 2,978
20,712	20,204	19,673	17,812	17,122
6,259	7,113	6,472	5,740	5,814
487	359	944	406	444
3,368	4,285	3,681	4,992	5,095
2,654	2,467	1,374	2,870	2,477
<u>35,269</u>	<u>36,497</u>	<u>34,850</u>	<u>33,934</u>	<u>33,930</u>
13,635	13,229	12,619	12,676	13,594
5,882	5,477	5,025	6,032	5,796
<u>19,517</u>	<u>18,706</u>	<u>17,644</u>	<u>18,708</u>	<u>19,390</u>
<u>\$ 54,786</u>	<u>\$ 55,203</u>	<u>\$ 52,494</u>	<u>\$ 52,642</u>	<u>\$ 53,320</u>
\$ 3,065	\$ 4,896	\$ -	\$ -	\$ 535
3,607	2,017	4,022	3,989	3,268
1,285	1,293	738	624	1,494
-	117	-	-	-
-	681	-	16	26
-	-	452	750	417
-	-	170	909	760
<u>7,957</u>	<u>9,004</u>	<u>5,382</u>	<u>6,288</u>	<u>6,500</u>
15,493	16,316	16,256	16,255	14,412
6,221	6,137	6,199	6,198	5,995
-	-	-	-	226
<u>21,714</u>	<u>22,453</u>	<u>22,455</u>	<u>22,453</u>	<u>20,633</u>
<u>\$ 29,671</u>	<u>\$ 31,457</u>	<u>\$ 27,837</u>	<u>\$ 28,741</u>	<u>\$ 27,133</u>
\$ (27,312)	\$ (27,493)	\$ (29,468)	\$ (27,646)	\$ (27,430)
2,197	3,747	4,811	3,745	1,243
<u>\$ (25,115)</u>	<u>\$ (23,746)</u>	<u>\$ (24,657)</u>	<u>\$ (23,901)</u>	<u>\$ (26,187)</u>
\$ 10,768	\$ 9,535	\$ 9,981	\$ 9,963	\$ 9,864
12,054	12,286	11,841	11,350	10,949
2,513	2,322	2,388	2,423	2,262
877	1,171	4,780	3,201	3,817
95	661	76	95	90
143	145	195	429	294
94	471	77	92	61
752	-	-	-	-
253	5,835	3,745	(6,426)	3,051
<u>27,549</u>	<u>32,426</u>	<u>33,083</u>	<u>21,127</u>	<u>30,388</u>
81	48	136	181	254
57	7	-	44	52
131	-	-	-	-
(253)	(5,835)	(3,742)	6,426	(3,051)
<u>16</u>	<u>(5,780)</u>	<u>(3,606)</u>	<u>6,651</u>	<u>(2,745)</u>
<u>\$ 27,565</u>	<u>\$ 26,646</u>	<u>\$ 29,477</u>	<u>\$ 27,778</u>	<u>\$ 27,643</u>
\$ 237	\$ 4,933	\$ 3,615	\$ (6,519)	\$ 2,958
2,213	(2,033)	1,205	10,396	(1,502)
<u>\$ 2,450</u>	<u>\$ 2,900</u>	<u>\$ 4,820</u>	<u>\$ 3,877</u>	<u>\$ 1,456</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
2019	\$ 10,953	\$ 14,009	\$ 2,536	\$ 106	\$ 1,155	\$ 28,759
2018	10,749	13,643	2,366	99	1,087	27,944
2017	10,713	13,130	2,359	97	972	27,271
2016	10,685	13,270	2,383	117	1,151	27,606
2015	10,802	12,909	2,480	93	926	27,210
2014	10,768	12,055	2,513	94	877	26,307
2013	9,894	12,286	2,322	57	661	25,220
2012	9,867	11,841	2,388	78	809	24,983
2011	9,813	11,350	2,423	95	848	24,529
2010	9,918	10,949	2,262	90	766	23,985

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund:										
Nonspendable	\$ 313	\$ 295	\$ 251	\$ 214	\$ 253	\$ 249	\$ 199	\$ 212	\$ 208	\$ 218
Restricted	-	-	-	-	-	-	-	-	9	-
Committed	8,324	8,332	8,330	8,148	7,733	7,645	7,841	7,416	7,267	7,380
Assigned	656	690	704	428	-	-	398	720	774	1,353
Unassigned	1,725	1,305	1,158	1,690	3,183	2,411	1,190	1,343	3,207	2,297
Total General Fund	<u>\$ 11,018</u>	<u>\$ 10,622</u>	<u>\$ 10,443</u>	<u>\$ 10,480</u>	<u>\$ 11,169</u>	<u>\$ 10,305</u>	<u>\$ 9,628</u>	<u>\$ 9,691</u>	<u>\$ 11,465</u>	<u>\$ 11,248</u>
All Other Governmental Funds:										
Nonspendable:										
Special Revenue Funds	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:										
Debt Service Fund	2,164	1,829	1,828	1,407	1,811	1,991	2,280	2,022	1,612	983
Special Revenue Funds	312	300	368	217	309	484	440	155	594	583
Capital Project Funds	234	296	292	639	1,501	2,165	4,413	1,806	6,347	1,453
Committed:										
Special Revenue Funds	252	184	212	49	1,786	92	104	1,789	1,698	1,648
Capital Project Funds	-	-	136	980						
Assigned:										
Special Revenue Funds	1,836	1,750	1,675	1,455	(52)	1,871	1,879	411	189	117
Unassigned:										
Special Revenue Funds	-	(112)	-	-	-	-	-	-	-	-
Capital Project Funds	<u>(189)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ 4,609</u>	<u>\$ 4,247</u>	<u>\$ 4,511</u>	<u>\$ 4,747</u>	<u>\$ 5,355</u>	<u>\$ 6,603</u>	<u>\$ 9,116</u>	<u>\$ 6,183</u>	<u>\$ 10,440</u>	<u>\$ 4,784</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			
	2019	2018	2017	2016
Revenues:				
Taxes	\$ 28,727	\$ 27,929	\$ 27,328	\$ 27,557
Licenses and permits	440	388	330	322
Fines and forfeitures	735	992	1,107	1,064
Charges for services	3,468	3,589	3,875	3,905
Investment earnings	302	225	146	110
Intergovernmental	5,200	5,473	4,473	5,353
Other revenues	683	1,090	1,560	1,039
Total Revenues	39,555	39,686	38,819	39,350
Expenditures:				
General government	4,532	4,773	4,430	4,195
Public safety	19,673	20,337	19,711	19,543
Cultural and recreation	5,983	5,823	5,812	6,445
Planning and community development	-	224	429	421
Public works	5,475	4,989	5,221	4,788
Debt service:				
Principal	5,265	5,205	4,685	4,535
Interest and fiscal charges	1,358	1,476	1,815	1,926
Bond issuance costs	-	-	122	233
Capital outlay	1,263	864	1,483	2,153
Total Expenditures	43,549	43,691	43,708	44,239
Excess of Revenues Over (Under) Expenditures	(3,994)	(4,005)	(4,889)	(4,889)
Other Financing Sources (Uses):				
Capital lease proceeds	-	-	-	-
Bond proceeds	-	-	-	-
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	5,325	4,460	4,941	4,956
Transfers out	(573)	(540)	(454)	(1,450)
Total Other Financing Sources (Uses)	4,752	3,920	4,616	3,591
Net Change In Fund Balances	\$ 758	\$ (85)	\$ (273)	\$ (1,298)
Debt service as a percentage of noncapital expenditures	15.66%	15.60%	15.68%	15.91%

Source: City of Lufkin accounting records

FISCAL YEAR					
2015	2014	2013	2012	2011	2010
\$ 26,816	\$ 25,961	\$ 25,220	\$ 24,983	\$ 24,528	\$ 23,985
298	319	287	285	292	241
1,048	1,192	1,186	1,157	1,213	1,020
3,606	3,386	3,227	2,945	3,022	3,112
90	127	141	174	242	131
5,126	6,577	4,992	4,211	4,999	4,719
875	1,063	1,174	1,353	523	629
37,859	38,625	36,227	35,108	34,819	33,837
4,071	3,843	3,522	3,903	3,888	4,295
18,726	18,177	17,148	16,881	16,721	16,172
5,721	5,597	5,410	5,056	4,770	4,748
390	431	473	437	376	377
4,345	4,570	4,575	4,494	4,546	4,825
5,054	5,010	4,334	13,758	6,572	3,949
2,193	2,455	2,448	2,451	2,678	2,776
131	104	100	174	382	-
1,568	4,569	6,107	6,787	5,611	2,172
42,199	44,756	44,117	53,941	45,544	39,314
(4,340)	(6,131)	(7,890)	(18,833)	(10,725)	(5,477)
-	-	-	-	140	-
151	5,259	-	-	-	-
-	-	-	-	-	91
-	-	-	9,680	12,130	-
-	-	-	(375)	(74)	-
-	-	48	125	968	-
-	-	-	50	168	534
-	-	7,100	-	9,660	-
-	-	-	-	-	-
4,191	4,717	4,752	7,482	3,702	3,453
(725)	(5,681)	(1,141)	(4,160)	(10,070)	(552)
3,617	4,295	10,759	12,802	16,624	3,526
\$ (723)	\$ (1,836)	\$ 2,869	\$ (6,031)	\$ 5,899	\$ (1,951)
18.11%	23.21%	23.15%	17.87%	17.99%	16.44%

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

<u>FISCAL YEAR</u>	<u>PROPERTY TAXES</u>	<u>SALES TAXES</u>	<u>FRANCHISE TAXES</u>	<u>MIXED BEVERAGE TAXES</u>	<u>HOTEL TAXES</u>	<u>TOTAL</u>
2019	\$ 10,921	\$ 14,009	\$ 2,536	\$ 106	\$ 1,155	\$ 28,727
2018	10,734	13,643	2,366	99	1,087	27,929
2017	10,770	13,160	2,359	97	972	27,358
2016	10,637	13,270	2,383	117	1,151	27,558
2015	10,408	12,909	2,480	93	926	26,816
2014	10,422	12,055	2,513	94	877	25,961
2013	9,894	12,286	2,322	57	661	25,220
2012	9,867	11,841	2,388	78	809	24,983
2011	9,813	11,350	2,423	95	848	24,529
2010	9,918	10,949	2,262	90	766	23,985

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
2019	1.000%	0.375%	0.125%	1.500%	1,569	(0.51)%	\$ 3,280,397	\$ 907,285	1.90%	27.66%
2018	1.000%	0.375%	0.125%	1.500%	1,577	(3.87)%	3,267,495	890,349	5.47%	27.25%
2017	1.000%	0.375%	0.125%	1.500%	1,641	0.29%	3,006,669	844,194	(2.88)%	28.08%
2016	1.000%	0.375%	0.125%	1.500%	1,636	2.47%	3,298,349	869,218	0.62%	26.35%
2015	1.000%	0.375%	0.125%	1.500%	1,596	5.80%	3,200,576	863,900	(0.41)%	26.99%
2014	1.000%	0.375%	0.125%	1.500%	1,509	(1.54)%	3,299,928	867,456	4.67%	26.29%
2013	1.000%	0.375%	0.125%	1.500%	1,532	1.39%	3,134,183	828,784	4.99%	26.44%
2012	1.000%	0.375%	0.125%	1.500%	1,511	3.07%	2,995,077	789,429	5.75%	26.36%
2011	1.000%	0.375%	0.125%	1.500%	1,466	0.94%	2,928,866	746,515	2.00%	25.49%
2010	1.000%	0.375%	0.125%	1.500%	1,453	-	2,829,466	731,889	-	25.87%

TAXABLE SALES BY INDUSTRY
LAST TEN FISCAL YEARS

FISCAL YEAR	TAXABLE SALES BY INDUSTRY						MISC ⁽¹⁾ (000's)
	MANUFACTURING (000's)	RETAIL TRADE (000's)	ACCOMMODATION FOOD SERVICE (000's)	WHOLESALE TRADE (000's)	INFORMATION (000's)		
2019	\$ 35,763	\$ 511,999	\$ 143,245	\$ 50,753	\$ 63,889	\$	101,636
2018	28,416	507,145	138,222	51,051	63,181		102,334
2017	20,768	495,452	132,118	41,734	63,598		90,524
2016	25,236	506,108	130,113	51,875	67,801		88,087
2015	38,485	495,129	127,784	47,615	67,931		86,955
2014	73,552	483,795	117,845	40,916	66,761		84,587
2013	51,024	474,307	113,450	44,725	63,670		81,607
2012	40,310	454,266	108,829	49,519	64,671		71,834
2011	29,789	445,324	100,934	37,583	62,636		70,249
2010	27,375	436,093	96,081	39,482	64,900		67,959

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

Source: Texas Comptroller Public Accounts website

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

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FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		LESS: TAX EXEMPT REAL PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE	ESTIMATED ACTUAL TAXABLE VALUE	ASSESSED VALUE AS A PERCENTAGE OF ACTUAL VALUE
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	PERSONAL PROPERTY	MINERALS					
2019	\$ 839,971	\$ 996,903	\$ 482,050	\$ -	\$ 209,819	\$ 2,109,105	0.531135	\$ 2,318,924	90.95%
2018	777,456	960,502	502,659	-	195,258	2,045,359	0.531135	\$ 2,240,617	91.29%
2017	740,765	974,620	533,422	-	197,027	2,051,780	0.529942	2,248,907	91.23%
2016	768,569	936,793	568,133	-	224,415	2,049,080	0.523800	2,273,494	90.13%
2015	758,004	935,930	533,785	-	214,697	2,013,023	0.523800	2,227,720	90.36%
2014	764,341	927,495	550,627	-	227,004	2,015,459	0.050380	2,242,462	89.88%
2013	773,305	883,472	541,395	-	208,709	1,989,464	0.050380	2,198,174	90.51%
2012	776,165	875,537	512,846	-	201,141	1,936,207	0.051380	2,164,348	89.46%
2011	787,785	881,832	466,059	-	198,699	1,936,977	0.051380	2,135,676	90.70%
2010	736,618	848,592	500,690	-	200,075	1,885,825	0.053380	2,085,900	90.41%

Source: Angelina County Appraisal District

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

FISCAL YEAR	CITY OF LUFKIN			LUFKIN INDEPENDENT SCHOOL DISTRICT			
	OPERATING MILLAGE	DEBT SERVICE MILLAGE	TOTAL CITY MILLAGE	OPERATING MILLAGE	DEBT SERVICE MILLAGE	TOTAL SCHOOL MILLAGE	
2019	0.38114	0.15000	0.53114	1.17000	0.28000	1.45000	
2018	0.38114	0.15000	0.53114	1.17000	0.04300	1.21300	
2017	0.37994	0.15000	0.52994	1.17000	0.04300	1.21300	
2016	0.37380	0.15000	0.52380	1.17000	0.04300	1.21300	
2015	0.36380	0.16000	0.52380	1.04000	0.17300	1.21300	
2014	0.33380	0.17000	0.50380	1.04000	0.16700	1.20700	
2013	0.33380	0.17000	0.50380	1.04000	0.17000	1.21000	
2012	0.33380	0.18000	0.51380	1.04000	0.16500	1.20500	
2011	0.33380	0.18000	0.51380	1.04000	0.16000	1.20000	
2010	0.33160	0.20220	0.53380	1.04000	0.17200	1.21200	
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	
2019	0.41716	0.01996	0.43712	0.14156	0.03943	0.18099	2.59925
2018	0.43832	0.02048	0.45880	0.13971	0.04128	0.18099	2.38393
2017	0.44081	0.02104	0.46185	0.13496	0.04420	0.17916	2.38395
2016	0.41400	0.04229	0.45629	0.12744	0.04446	0.17190	2.36499
2015	0.42160	0.04380	0.46540	0.12610	0.04580	0.17190	2.37410
2014	0.42300	0.04390	0.46690	0.12240	0.04828	0.17068	2.34838
2013	0.41630	0.04560	0.46190	0.12240	0.04828	0.17068	2.34638
2012	0.41930	0.03290	0.45220	0.11880	0.04820	0.16700	2.33800
2011	0.40380	0.04370	0.44750	0.11000	0.04900	0.15900	2.32030
2010	0.38940	0.04340	0.43280	0.10350	0.05170	0.15520	2.33380

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	2019			2010		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Lufkin Industries LLC	\$ 41,386	1	1.96%	\$ 50,645	1	2.69%
Brookshire Brothers Inc.	25,474	2	1.25%	28,254	3	1.50%
Oncor Electric Delivery Co	25,327	3	1.23%	19,927	5	1.06%
Pilgrim Industries Inc.	24,502	4	1.20%	14,410	8	0.76%
Georgia Pacific Chemicals	18,371	5	0.90%			
Consolidated Comm of Texas Co	17,562	6	0.87%	33,157	2	1.76%
Lufkin GKD Partners LP	13,854	7	0.70%	18,203	6	0.97%
Pineywoods Health Care Systems LP	13,211	8	0.68%	14,084	9	0.75%
BVMC Lufkin LLC	13,000	9	0.67%		-	
Pineywoods Health Care Systems LP	11,904	10	0.63%	20,236	4	1.07%
Lufkin Industries				15,783	7	0.84%
Keystone Southloop of Lufkin LLC				13,609	10	0.72%

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
2019	\$ 10,935	\$ 10,664	97.52%	\$ 110	\$ 10,774	98.53%
2018	10,652	10,447	98.08%	144	10,591	99.43%
2017	10,615	10,428	98.24%	114	10,542	99.31%
2016	10,552	10,307	97.68%	239	10,546	99.94%
2015	10,311	10,103	97.97%	102	10,205	98.97%
2014	9,927	9,734	98.06%	67	9,801	98.73%
2013	9,893	9,552	96.55%	175	9,727	98.32%
2012	9,874	9,493	96.14%	182	9,675	97.98%
2011	9,726	9,478	97.45%	95	9,573	98.43%
2010	9,894	9,676	97.80%	18	9,694	97.98%

Source: Angelina County Tax Assessor's Office

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

FISCAL YEAR	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES			TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME ¹	PER CAPITA ¹
	GENERAL OBLIGATION BONDS	CERTIFICATES OF OBLIGATION	CAPITAL LEASES	NOTES PAYABLE	WATER WORKS AND SEWER SYSTEM BONDS	NOTES PAYABLE	CAPITAL LEASES			
2019	\$ 30,155	\$ 11,420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,575	5.06%	1,170.80
2018	32,915	13,925	-	-	-	8	-	46,848	5.61%	1,318.96
2017	36,830	15,215	-	-	-	15	-	52,060	6.35%	1,439.75
2016	30,560	26,040	-	-	-	22	-	56,622	6.72%	1,558.42
2015	26,460	34,985	-	-	-	29	-	61,474	8.03%	1,700.95
2014	21,670	44,425	-	-	-	48	-	66,143	8.65%	1,832.98
2013	24,430	41,400	-	147	1,070	66	-	67,113	8.53%	1,863.78
2012	27,085	35,800	-	364	1,135	83	-	64,467	8.95%	1,819.82
2011	24,100	42,705	-	514	1,195	83	-	68,597	9.62%	1,956.17
2010	13,990	37,935	-	588	11,400	228	-	64,141	9.52%	1,775.82

¹ See the Schedule of Demographic and Economic Statistics for income and population data.

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

<u>FISCAL YEAR</u>	<u>GENERAL OBLIGATION BONDS</u>	<u>LESS: AMOUNTS AVAILABLE IN DEBT SERVICE FUND</u>	<u>TOTAL</u>	<u>PERCENTAGE OF ESTIMATED ACTUAL TAXABLE VALUE ¹ OF PROPERTY</u>	<u>PER CAPITA ²</u>
2019	\$ 30,155	\$ 2,164	\$ 27,991	1.21%	788.26
2018	32,915	1,829	31,086	1.39%	875.19
2017	36,830	1,828	35,002	1.56%	968.00
2016	30,560	1,407	29,153	1.28%	802.38
2015	26,480	1,811	24,669	1.11%	682.58
2014	21,670	1,991	19,679	0.88%	545.35
2013	24,430	2,280	22,150	1.01%	615.12
2012	27,085	2,022	25,063	1.16%	707.49
2011	24,100	1,612	22,488	1.05%	641.29
2010	13,990	984	13,006	0.62%	360.09

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

² See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF LUFKIN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2019
(amounts expressed in thousands)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE ¹	ESTIMATED SHARE OF OVERLAPPING DEBT
Direct:			
City of Lufkin	\$ 41,575	100.00%	\$ 41,575
Overlapping:			
Angelina County	2,835	50.77%	1,439
Angelina College	12,890	50.14%	6,463
Hudson Independent School District	13,540	14.17%	1,919
Lufkin Independent School District	75,945	80.07%	60,809
Total Overlapping	105,210		70,630
Total Direct and Overlapping Debt	\$ 146,785		\$ 112,205

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.

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

CITY OF LUFKIN, TEXAS
LEGAL DEBT MARGIN INFORMATION
SEPTEMBER 30, 2019

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

The City's Charter (Section 6) states:

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

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

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

The tax rate at September 30, 2019 is \$ 0.531135 per \$100 of assessed valuation with assessed valuation being 100% of appraised value.

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

<u>FISCAL YEAR</u>	<u>WATER AND SEWER CHARGES AND OTHER</u>	<u>LESS: OPERATING EXPENSES ¹</u>	<u>NET AVAILABLE REVENUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>COVERAGE</u>
2019	\$ 17,368	\$ 13,966	\$ 3,402	\$ -	\$ -	\$ -
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

Source: City of Lufkin accounting records.

¹ Excludes depreciation

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

141	FISCAL YEAR	POPULATION ¹	PERSONAL INCOME ¹ (AMOUNTS EXPRESSED IN THOUSANDS)	PER CAPITA PERSONAL INCOME	MEDIAN AGE	EDUCATION LEVEL IN YEARS OF FORMAL SCHOOLING	SCHOOL ENROLLMENT ²	UNEMPLOYMENT RATE ¹
	2019	35,510	821,488	23.13	34.0	13.1	8,171	3.7
	2018	35,519	834,981	23.51	34.0	13.1	7,953	4.3
	2017	36,159	820,484	22.69	34.0	13.1	8,176	4.6
	2016	36,333	842,054	23.18	34.0	13.1	8,348	6.4
	2015	36,141	765,611	21.18	34.0	13.1	8,271	3.8
	2014	36,085	764,425	21.18	34.0	13.1	8,271	3.8
	2013	36,009	787,013	21.86	35.4	13.1	8,325	7.1
	2012	35,425	720,580	20.34	34.0	13.1	8,448	7.2
	2011	35,067	713,298	20.34	34.0	13.1	8,514	8.5
	2010	36,119	673,836	18.66	35.8	13.1	8,540	7.9

Data Sources

¹ Texas Workforce Solutions

² Lufkin Independent School District

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

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

EMPLOYER	2019			2014		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Lufkin ISD	1000+	1	4.33%	1000+	5	3.56%
Pilgrim's Pride	1000+	2	3.66%	1000+	2	4.06%
Brookshire Brothers/Polk Oil	1000+	3	3.10%	1000+	3	3.87%
Lufkin State Supported Living Center	1000+	4	3.10%	1000+	4	3.14%
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	9	1.45%
Angelina County	400-500	10	1.13%	500-999	8	1.54%
Lufkin Industries	-	-		1000+	1	4.84%
Memorial Health Systems	-	-		1000+	6	3.08%
Temple-Inland	-	-		500-599	7	1.54%
Burke Center	-	-		500-599	10	1.44%

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,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government	30	32	32	31	31	27	27	26	26	27
Public Safety:										
Police:										
Officers	77	77	77	79	78	76	76	76	76	76
Civilians	42	49	49	39	37	39	39	41	40	40
Fire:										
Officers	79	79	79	79	79	79	79	79	79	78
Civilians	1	1	1	2	2	2	2	2	4	5
Cultural and recreation	69	70	69	69	69	67	66	64	61	61
Community development	4	7	10	10	10	11	11	11	10	10
Public works	57	48	50	58	58	58	58	57	57	58
Water	32	32	33	33	33	33	33	33	31	31
Sewer	40	40	38	37	38	38	38	38	40	40
Solid waste	34	34	33	33	33	34	34	33	33	33
Total	<u>465</u>	<u>469</u>	<u>471</u>	<u>470</u>	<u>468</u>	<u>464</u>	<u>463</u>	<u>460</u>	<u>457</u>	<u>459</u>

Source: City of Lufkin Budget Document

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

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

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

Function	FISCAL YEAR									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police										
Physical arrests	1,484	1,809	1,678	1,534	1,589	1,779	1,770	1,663	1,995	1,913
Parking violations	9	47	199	37	25	178	26	44	533	857
Traffic violations	4,317	5,614	6,892	5,905	6,708	9,481	8,401	10,793	12,298	12,136
Fire										
Number of calls answered ⁽¹⁾	12,932	13,722	11,972	12,975	13,181	12,465	11,969	8,283	2,546	1,201
Inspections	850	727	276	517	337	375	458	672	314	426
Highways and streets										
Street resurfacing (miles)	3.50	3.95	5.02	3.75	3	3	3	3	3	4
Potholes repaired	855	566	625	525	661	568	580	617	948	1,977
Sanitation										
Refuse collected (cu yd/day)	511	511	511	510	417	511	407	564	707	705
Recyclables collected (tons/day)	12	12	12	12	12	12	12	11	11	10
Cultural and recreation										
Community center rentals	242	242	242	242	242	283	252	253	491	233
Water										
New connections	111	113	118	59	125	27	110	136	107	102
Water mains breaks	408	585	599	475	460	414	465	456	598	647
Average daily consumption (thousands of gallons)	7,163	7,726	11,460	11,910	10,571	7,354	6,192	7,649	8,540	7,459
Wastewater										
Average daily sewage treatment (thousands of gallons)	5,974	5,330	5,474	5,667	4,964	5,175	5,463	5,226	4,959	5,251

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	22	22	22	22	22	19	20	19	19
Fire:										
Fire stations	4	4	4	4	4	5	5	5	4	5
Sanitation:										
Collection trucks	19	19	19	19	19	19	19	19	19	19
Highways and Streets:										
Streets (miles)	208.9	211.4	211.4	211.4	211.4	211.4	208.8	208.8	208.9	282.6
Streetlights	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,641	3,626
Traffic signals	3	3	3	3	3	3	3	3	3	3
Cultural and Recreation:										
Parks acreage	650.0	650.0	650.0	650.0	650.0	653.0	653.0	653.0	655.0	659.9
Parks	16	16	16	16	16	16	16	16	16	16
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	11	11	11	11	13	13	13	13	13	13
Community centers	2	2	2	2	2	2	2	2	2	2
Water:										
Water mains (miles)	702	698	697	694	685	685	685	685	685	679
Fire hydrants	1,958	1,948	1,931	1,770	1,770	1,770	1,759	1,758	1,694	1,648
Maximum daily capacity in thousands of gallons	19,000	19,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Sewer:										
Sanitary sewers (miles)	274.6	274.2	276.0	273.5	272.7	272.7	272.5	270.8	270.8	269.9
Storm sewers (miles)	17.1	17.1	17.0	17.0	16.9	16.9	16.9	16.9	16.9	16.7
Maximum daily treatment capacity in thousands of gallons	11,300	13,000	11,300	11,300	11,300	11,300	11,300	17,100	17,100	17,100

Sources: Various city departments.

CITY OF LUFKIN, TEXAS
WATER, SEWER AND SANITATION RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Approved Rates

The monthly billing rates for water, sewer, and sanitation services as approved by the City Council effective October 1, 2018 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, 2019

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, 2019**

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, 2019:</u>	<u>Water</u>	<u>Sewer</u>
Number of metered customers	15,500	13,750
Gallons of water pumped	2,614,545,000	-
Gallons of water sold	2,080,993,260	-

**CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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	10-1-18 to	3,000,000
	Deductible	9-30-19	2,500
	Auto Liability	10-1-18 to	1,000,000
	Deductible	9-30-19	500
	Law Enforcement Liability	10-1-18 to	1,000,000
	Deductible	9-30-19	10,000
	Errors and Omissions Liability	10-1-18 to	1,000,000
	Deductible	9-30-19	10,000
	General Liability	10-1-18 to	1,000,000
	Deductible	9-30-19	10,000
	Real and Personal	10-1-18 to	
	Deductible	9-30-19	2,500
	City Hall/Police		7,658,093
	City Hall/Police contents		1,529,004
	Civic Center		10,576,551
	Civic Center contents		1,400,000
	City Hall Annex		436,380
	City Hall Annex contents		25,000
	Fine Arts		503,450
	Sewer Treatment Plant		840,778
	Recycling Building		676,756
	Recycling Building contents		500,000
	Wastewater Administration Building		393,498
	Administration Building contents-WW		50,000
	Waterworks Plants/Buildings		1,021,412
	Sewer Treatment Buildings		661,965
	Solid Waste Building		561,835
	Solid Waste Building contents		680,000
	Fleet Office/Maint Shop/Extras		1,410,654
	Animal Control		1,024,285
	Animal Control contents		155,000
	Kurth Memorial Library		7,046,352
	Kurth Memorial Library contents		3,000,000
	Police Radio Antenna		139,421
	Animal Control Barn		35,008
	Animal Control contents		45,000
	Computer Equipment -Contents value		2,500,000
	Community Center Building - Keltys		251,123
	Community Center Building - Keltys - contents		6,000
	Community Center Building - Pershing		269,532
	Community Center Building - Pershing contents		6,000
	Downtown Center		1,312,226
	Downtown Center contents		33,000
	Fire Station 1		702,507
	Fire Station 1 contents		115,000

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

**CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Loss of Revenues		50,000
	Personal Property - Employees		5,000
	Leasehold Interest		5,000
	Outdoors Trees & Shrubs		10,000
	(\$250.00 each)		
	Supplemental Sewage Backup		
	Deductible		500
	each structure		25,000
	each occurrence		50,000
	Mobile Equipment	10-1-18 to	
	Deductible	9-30-19	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
	2018 John Deere Tractor-5065E -Street		25,400

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	2018 Kioti Tractor-DK5510 -Parks/Maint		27,325
	Fogger Sprayer-Parks & Rec		6,975
	2018 John Deere 450K Bulldozer-Street		85,000
	2018 Polaris Utility Vehicle-Fire		10,481
	2018 Kioti Tractor-Parks & Rec		27,325
	Auto Physical Damage	10-1-18 to	
	Deductible each vehicle	9-30-19	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

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 6, 2020.

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's internal control.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lufkin, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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
August 6, 2020