CITY OF LUFKIN, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2023

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INTRODUCTORY SECTION

Our Mission . . . To meet the needs of the Citizens

Kevin T. Gee, P.E.
City Manager
City of Lufkin

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Fax: (936) 633-0381
email:
kgee@cityoflufkin.com

November 1, 2024

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

The annual comprehensive financial report of the City of Lufkin, Texas for the fiscal year ended September 30, 2023 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, 2023. This is the highest opinion auditors are able to issue. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Lufkin, incorporated in 1890, is located in East Texas at the intersection of U.S. Highways 69 and 59, and serves as the county seat of Angelina County. It also acts as the commercial hub of a 12 county rural market region, serving over 300,000 residents. The City currently has a land area of 34.02 square miles and a population of 34,181 according to the 2023 census. It is empowered to levy a property tax on both real and personal property located within its boundaries and has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City has operated under the council-manager form of government since 1918. Policymaking and legislative authority are vested in the City Council, which consists of a mayor, elected at large, and six council members, elected by ward. Council members are elected on a non-partisan basis, at three-year staggered terms with two members elected each year. The mayor serves a three-year term. The Council is responsible, among other things, for passing

ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations, and for appointing the heads of the City departments.

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

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

Local Economy

The City's sales tax revenues have seen growth in Fiscal 2023 from 2022. As internet shopping trends increase, as well as population and disposable income growth, sales tax revenues continue to be positively impacted. Also, due to the diversity of our economy, the continued growth of our medical and aerospace industries, our status as a regional hub has helped to sustain other revenues. The expected trend is for sales tax revenues to reach a plateau and eventually show small growth annually. Higher property tax collections generated an increase in revenue in this category.

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

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

The 2020 census recorded populations of 34,143 and 86,395 for the City of Lufkin and Angelina County respectively. The 2015 census reflect Lufkin's current population at 35,837 and the County's population at 88,255. The 2023 census records reflect Lufkin's current population at 34,181. The unemployment rate for the City, as of September 2023, according to Texas Workforce statistics, is 4.30 percent compared to 5.10 percent the previous year. Economic activity within the City has seen growth with new businesses and population.

Long-term Financial Planning

City Council established the following goals and objectives to be carried out through the 2020 Capital Improvements Projects. The majority of these projects have already been completed and additional projects listed below have been added and are in progress. City Council approved funding for a new Comprehensive Plan, and a new Capital Improvements Plan should be developed for Fiscal Year 2024 based on the recommendations of the Comprehensive Plan.

- Improve long range water availability for the City of Lufkin
    - Complete planning and development of water rights infrastructure

- Capital Improvement Plan (CIP)
    - Project activity began on the 2020 Capital Improvements Plan in early Fiscal 2021
    - Bus stops nearing completion
    - Daniel McCall Reconstruction Phase 1
    - Public Training & EOC
    - First Street Plaza

- Utility Reconstruction and Expansion

    - US 59 Utility Relocation (completed)
    - Homer Alto Line Replacement
    - Wastewater Treatment Plant Equal Lagoon#2
    - Advanced metering infrastructure Project (PSI)

- Additional Capital Projects

    - Morris Frank Park -Phase 1
    - Angelina Street
    - Park Improvements
    - Gaslight Blvd. Reconstruction

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, 2023 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%	$ 9,268,413	$ 15,698,994	
Hotel/Motel Tax Fund - 12.5%	34,661	472,948	
Special Recreation Fund - 12.5%	51,076	(39,689)	*
	9,354,150	16,132,253	
Proprietary Funds: (working capital)			
Water/Wastewater Fund - 12.5%	$ 1,824,918	$ 15,701,683	**
Solid Waste/Recycling Fund - 12.5%	917,962	5,628,146	
	2,742,880	21,329,829	

* Please refer to footnotes regarding negative balance of Special Recreation Fund.
** Includes Escrow for PSI Project.

Major Initiatives
City management has completed comprehensive analysis of the rolling equipment stock, and developed a fleet services and replacement policy that has been adopted by City Council. This project resulted in developing a planned replacement schedule of the vehicles and equipment used in our daily operation. High cost, long life equipment such

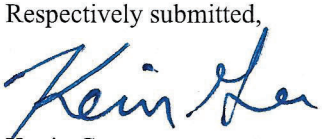
as fire trucks and road equipment will be funded separately. During FY 2023 the City purchased $2,347,781 in new/ replacement equipment and is planning to replace approximately $1,981,560 of equipment in FY 2024.

Awards and Acknowledgments

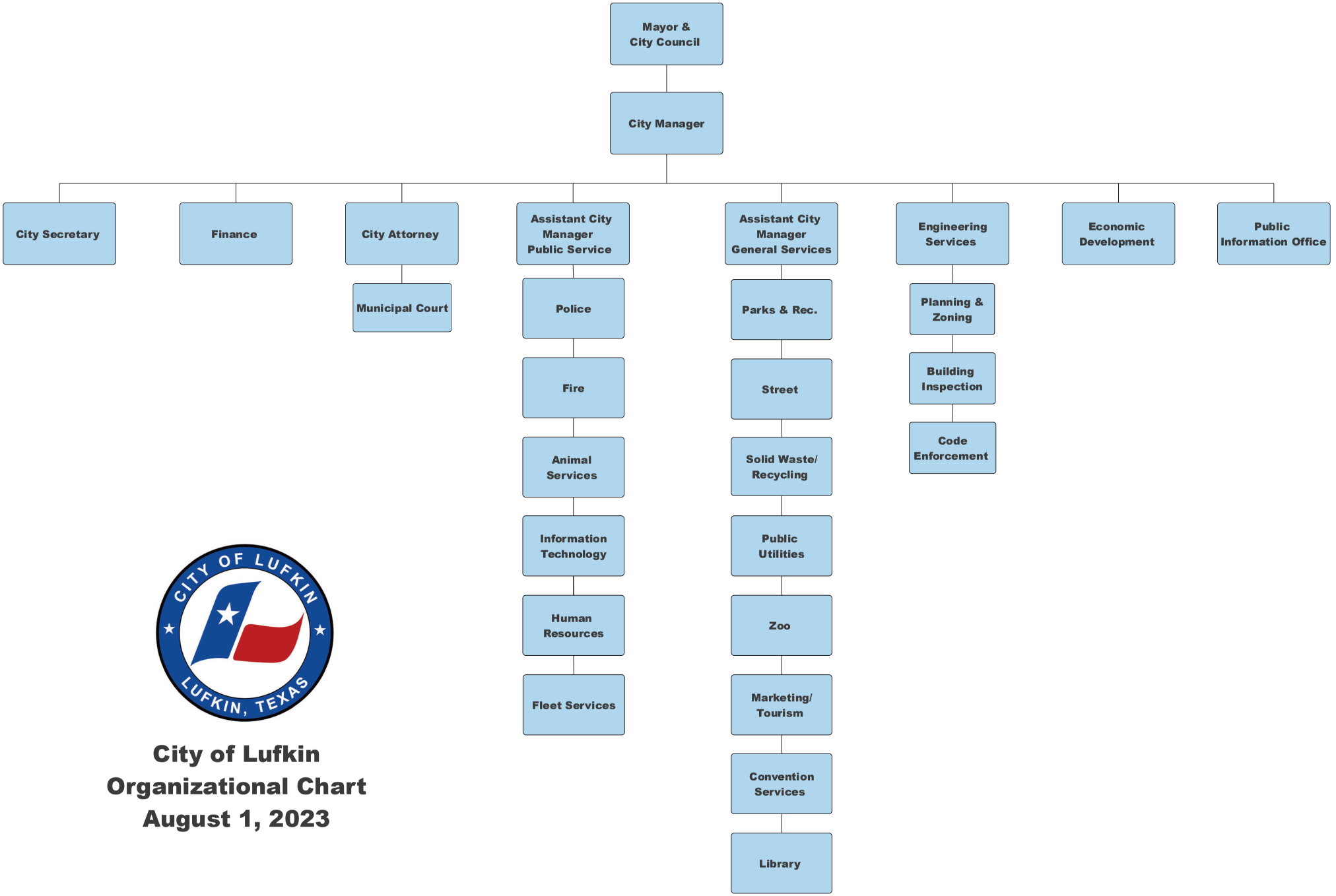
The City received the GFOA's Distinguished Budget Presentation Award for its annual budget document beginning October 1, 2022. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communication device. The City also received the Texas Comptroller's Transparency Stars for Traditional Finances, which recognizes the City for meeting a high standard for financial transparency online.

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

Respectively submitted,



Kevin Gee
City Manager



City of Lufkin
Organizational Chart
August 1, 2023

CITY OF LUFKIN, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2023

GOVERNING BODY

Mark Hicks, Mayor

CITY COUNCIL

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

OTHER PRINCIPAL OFFICIALS

Kevin Gee	City Manager
Kristi Skillern	City Attorney
Brian Bray	Assistant City Manager
Kara Andrepont	City Secretary
Adriana Thomasee	Human Resources Director
David Thomas	Police Chief
Jesse Moody	Fire Chief
Belinda Melancon	Finance Director

FINANCIAL SECTION

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

ALEXANDER LANKFORD & HIERS, INC.
Certified Public Accountants, A Professional Corporation

4000 S. Medford Drive
Lufkin, Texas 75901

Wilbur E. Alexander, CPA
(1940-2009)
Ted A. Lankford, CPA
(1947-2024)
Glenda J. Hiers, CPA
(Retired)

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lufkin, Texas (City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lufkin, Texas as of September 30, 2023, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lufkin, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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 11 through 19 and 67 through 86 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lufkin, Texas' basic financial statements. The accompanying supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2024, on our consideration of the City of Lufkin, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lufkin, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lufkin, Texas' internal control over financial reporting and compliance.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
November 1, 2024



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, 2023. 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 $180,438 (*net position).* The unrestricted net position component is $5,530. The unrestricted net position increase of $14,315 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 $34,616, an increase of $3,783 over the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $5,556 or 15% of total general fund expenditures.

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 required supplementary information and other financial information in addition to the basic financial statements themselves.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements. Each type of statement is described further in the government-wide financial statements and fund financial statements subsections in this management's discussion and analysis.

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 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 the future fiscal period.

Both 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, and public works. The business-type activities of the City include water and sewer service and solid waste disposal service.

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

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

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

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

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

The City maintains twenty-seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and CARES Grant Fund, which are considered to be major funds. Data from the other twenty-four governmental funds are combined into a single, aggregate presentation.

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

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utility service and for its solid waste disposal service. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insured Group Health Insurance Plan, Equipment Acquisition and Amortization Fund, and Technology Amortization Fund. Though these services benefit both governmental and business-type activities, these funds are reported with the governmental activities in the 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 disposal service, both of which are considered to be major funds of the City. The internal service funds are presented in the proprietary fund financial statements. The proprietary funds financial statements can be found using the table of contents in this report.

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $180,438 at the close of fiscal year 2023. The following table reflects the condensed Statement of Net Position.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 52,222	$ 48,279	$ 40,798	$ 45,670	$ 93,020	$ 93,949
Capital assets	110,372	109,590	76,573	67,169	186,945	176,759
Total Assets	162,594	157,869	117,371	112,839	279,965	270,708
Deferred outflows of resources	15,319	5,011	1,881	486	17,200	5,497
Long-term liabilities	34,515	38,439	19,735	19,830	54,250	58,269
Total OPEB liability	3,366	3,754	650	771	4,016	4,525
Net pension liability	41,352	22,012	3,878	1,017	45,230	23,029
Other liabilities	8,568	9,158	3,022	4,506	11,590	13,664
Total Liabilities	87,801	73,363	27,285	26,124	115,086	99,487
Deferred inflows of resources	1,365	8,464	276	1,751	1,641	10,215
Net Position:						
Net investment in capital assets	81,912	77,648	61,621	62,314	143,533	139,962
Restricted	14,309	8,867	17,066	26,459	31,375	35,326
Unrestricted (deficit)	(7,474)	(5,462)	13,004	(3,323)	5,530	(8,785)
Total Net Position	$ 88,747	$ 81,053	$ 91,691	$ 85,450	$ 180,438	$ 166,503

The largest portion of the City's net position (80%) 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.

Additionally a portion of the City's net position (17%) represents resources that are subject to external restrictions on how they may be used.

The remaining portion of the City's net position (3%) was unrestricted, which are financial resources that are available for future operations.

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

Analysis of the City's Operations

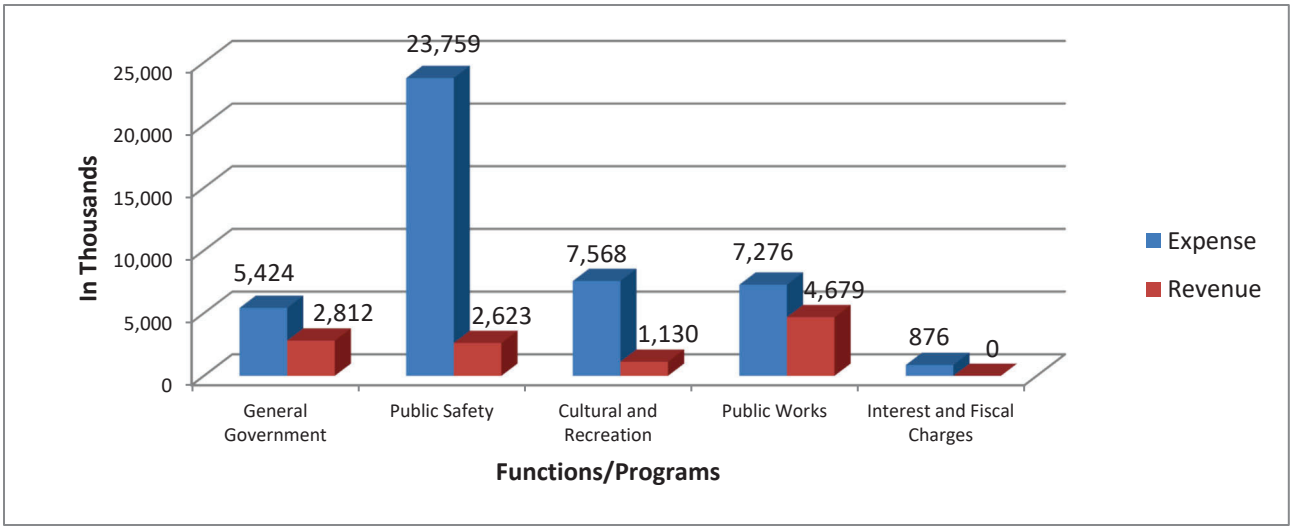
The following table provides a summary of the City's operations for the year ended September 30, 2023.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for services	$ 8,632	$ 7,721	$ 29,261	$ 26,620	$ 37,893	$ 34,341
Operating grants and contributions	549	1,692	-	-	549	1,692
Capital grants and contributions	2,063	-	-	-	2,063	-
General Revenues:						
Property taxes	13,151	12,472	-	-	13,151	12,472
Other taxes	22,112	20,808	-	-	22,112	20,808
Other	3,689	686	1,806	136	5,495	822
Total Revenues	50,196	43,379	31,067	26,756	81,263	70,135
Expenses:						
General government	5,424	4,625	-	-	5,424	4,625
Public safety	23,759	20,228	-	-	23,759	20,228
Cultural and recreation	7,568	5,536	-	-	7,568	5,536
Public works	7,276	5,256	-	-	7,276	5,256
Interest and fiscal charges	876	986	-	-	876	986
Water and sewer	-	-	15,081	14,600	15,081	14,600
Solid waste disposal	-	-	7,344	6,617	7,344	6,617
Total Expenses	44,903	36,631	22,425	21,217	67,328	57,848
Change in Net Position before transfers	5,293	6,748	8,642	5,539	13,935	12,287
Transfers	2,401	2,156	(2,401)	(2,156)	-	-
Change in Net Position	7,694	8,904	6,241	3,383	13,935	12,287
Net Position, Beginning	81,053	72,149	85,450	82,067	166,503	154,216
Net Position, Ending	$ 88,747	$ 81,053	$ 91,691	$ 85,450	$ 180,438	$ 166,503

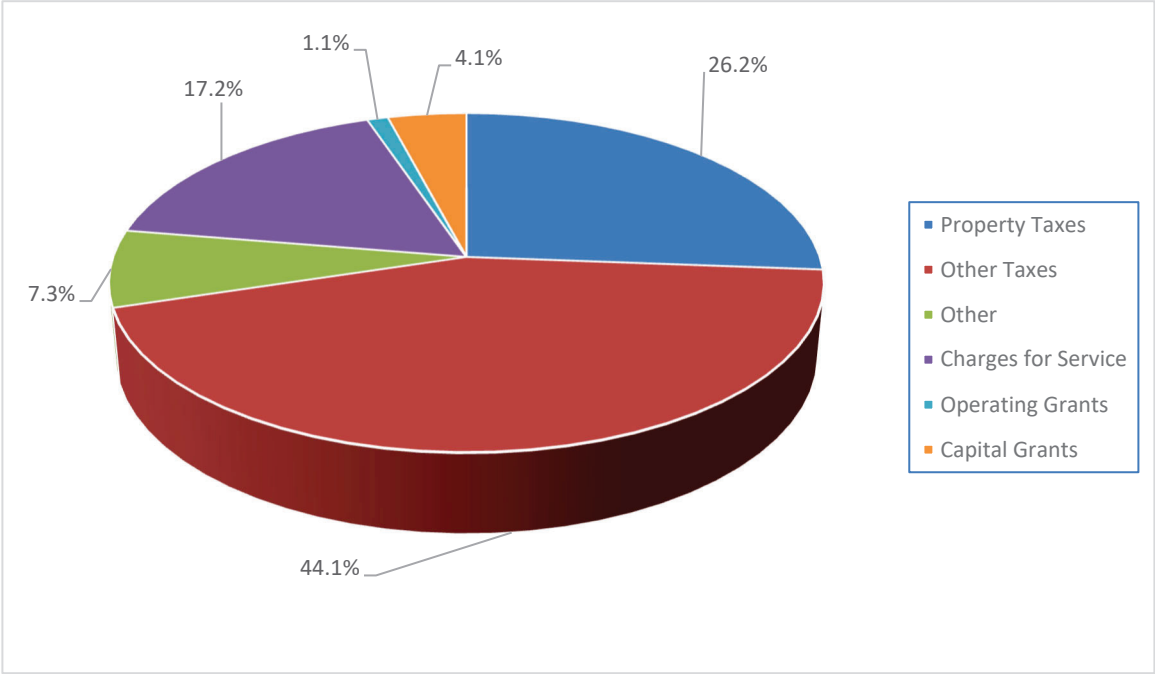
Governmental Activities. Governmental activities increased the City's net position by $7,694, which is a decrease of $1,210 (14%) from the prior year. Key elements of this change are as follows:

- Charges for services increased by $911 (12%).
- Operating grants and contributions decreased by $1,143 (68%).
- Capital grants and contributions increased by $2,063.
- Other taxes revenue increased by $1,304 (6%).
- Other revenue increased by $3,003 (438%).
- Public safety expenditures increased by $3,531 (17%).
- Cultural and recreation expenditures increased by $2,032 (37%).
- Public works expenditures increased by $2,020 (38%).

Expenses and Program Revenues - Governmental Activities



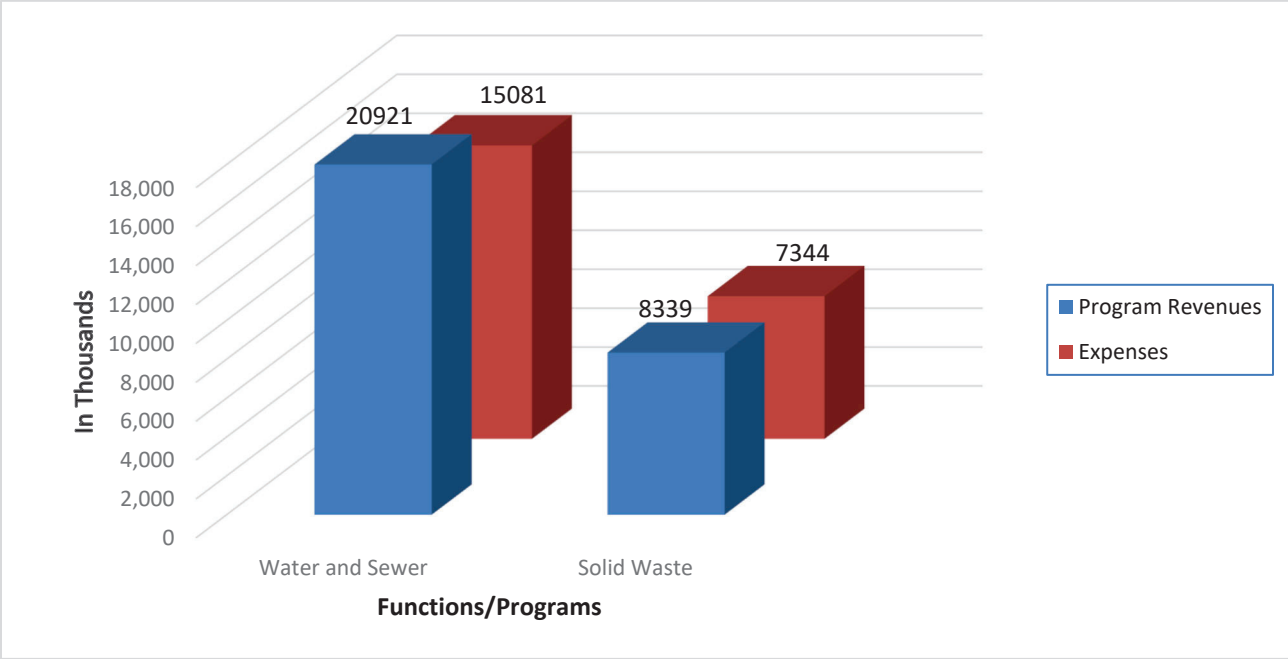
Revenues by Source - Governmental Activities



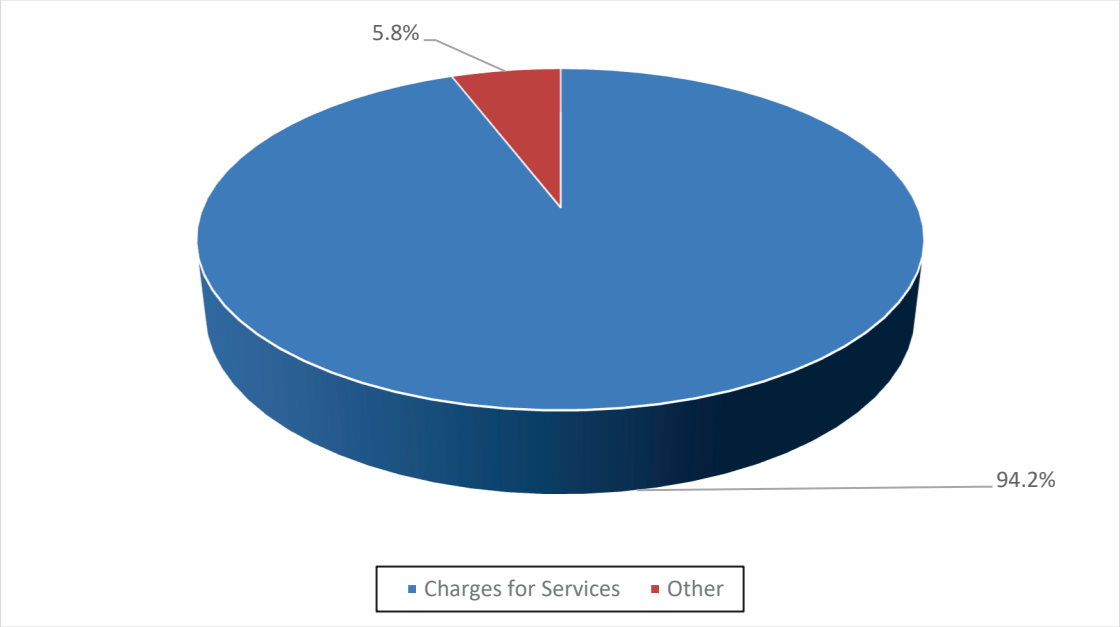
Business-type Activities. Business-type activities increased the City's net position by $6,241, which is an increase of $2,858 (84%) from the prior year. Key elements of this change are as follows:

- Charges for services increased by $2,641 (10%).
- Other revenues increased by $1,670 (1,228%).
- Water and sewer expenses increased by $481 (3%).
- Solid waste expenses increased by $727 (11%).

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



Financial Analysis of the City's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $34,616, an increase of $3,783 from the prior year. Sixteen percent of the ending fund balance, or $5,556, 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 $3,492, $10,968, and $14,309, respectively. A portion of the assigned fund balance, $584, is related to the fiscal year 2024 budgeted deficit. The remaining amount, $291, 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 $5,556 while total fund balance was $15,699. 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 15% of total general fund expenditures, while total fund balance represents 42% of the same amount. Fund balance of the General Fund decreased by $2,165 during the current fiscal year.

The Debt Service fund has a total fund balance of $2,724, 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 $126.

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 $6,823 and for the Solid Waste Disposal Fund was $6,181. The total net position increased for the Water and Sewer Utility Fund by $5,232 and for the Solid Waste Disposal Fund by $1,009. 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. Appropriations for all projects lapse at the end of a contract period which may not coincide with the fiscal year end of the City.

The budget was amended several times during the year. Differences between the original budget and the final budget were significant ($2,734 increase in revenues and $2,323 increase in expenditures). The major adjustments were:

- Increase of $854 in tax revenue was primarily due to higher anticipated collections for sales and franchise taxes.
- Increase of $1,413 in other revenue was primarily due to anticipated proceeds from the sale of property.
- Increase of $971 for general government expenditures was primarily due to increases in capital outlay and miscellaneous services for non-departmental.
- Increase of $1,205 for public safety expenditures was primarily due to increases in payroll costs for the fire and animal control departments.

Differences between the actual results and the final budget were significant for expenditures ($3,346 decrease in actual expenditures) and can be briefly summarized as follows:

- Decrease of $2,645 in general government expenditures was primarily due to less miscellaneous services costs for non-departmental.
- Decrease of $482 in public safety expenditures was primarily due to less payroll and supplies costs for the fire department.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities amounts to $186,945 (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, vehicles, and infrastructure.

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

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

The City's policy is to achieve an average rating of at least a 56 condition index of its street system. The City performed a complete inventory and conditions assessment during 2022. This condition assessment is performed every two years. The average rating for the City's streets at September 30, 2022 was 69.9; this rating decreased from the previous assessment. The City's streets are constantly deteriorating resulting from traffic using the streets, the sun's ultra-violet rays drying out and breaking down the top layer of pavement, trenching operations for repair work on water and sewer lines and water damage from natural precipitation. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching and street sweeping. The City's budget for street maintenance for the fiscal year ended September 30, 2023 was $4,186 as compared to $3,666 for the previous year. Actual expenditures were $4,130 for fiscal year 2023, reflecting an increase of $477 from fiscal year 2022.

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

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

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

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

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

Governmental
- Morris Frank Park Land - $298
- Standby/Portable Generators - $462
- Thrash Building/Land/Parking - $225
- Electric upgrades - $648

Business-type
- Energy Conservation Project - $16,043
- US 59/Loop 287 Moffett UT - $1,612
- Belt Thickner - $625

The following table presents a summary of the City's investment in capital assets, net of depreciation.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2023	2022	2023	2022	2023	2022
Land	$ 5,202	$ 4,743	$ 4,388	$ 4,393	$ 9,590	$ 9,136
Water rights	-	-	4,152	4,130	4,152	4,130
Works of art	278	278	-	-	278	278
Buildings	13,915	14,439	2,199	2,320	16,114	16,759
Machinery and equipment	3,200	3,765	3,429	3,772	6,629	7,537
Vehicles	6,308	5,700	109	277	6,417	5,977
Improvements other than buildings	10,189	10,845	43,649	44,648	53,838	55,493
Infrastructure	69,021	69,021	-	-	69,021	69,021
Right-to-use lease assets	60	130	-	-	60	130
Construction in progress	2,199	669	18,647	7,629	20,846	8,298
Total	$ 110,372	$ 109,590	$ 76,573	$ 67,169	$ 186,945	$ 176,759

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

Long-term Obligations. At the end of the current fiscal year, the City had total long-term obligations outstanding of $47,941.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2023	2022	2023	2022	2023	2022
General obligation bonds	$ 28,460	$ 31,825	$ -	$ -	$ 28,460	$ 31,825
Leases	-	117	-	-	-	117
Financed purchases	-	-	19,481	19,481	19,481	19,481
Total	$ 28,460	$ 31,942	$ 19,481	$ 19,481	$ 47,941	$ 51,423

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 obligations can be found in in Detail Notes on All Funds, F. of this report.

Economic Factors and Next Year's Budgets and Rates

- For September 2023, the unemployment rate for the City, according to Texas Workforce statistics, is 4.3%, which is the same as last year. The 4.2% unemployment rate for Angelina County is the same as last year. The Texas unemployment rate is 3.9%, an increase of 0.1% from last year. The national unemployment rate is 3.8%, an increase of 0.3% from last year.
- The state sales tax revenue for the current fiscal year totaled $18,176, an increase of $927 from the previous year indicating an increase in the retail economy.
- Economic trends in the region compare favorably with state and national indices.

These factors were considered in preparing the City's budget for the 2024 fiscal year.

Water and Sewer Utility rates were not increased for the 2024 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

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CITY OF LUFKIN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	UNIT
ASSETS				
Cash and cash equivalents	$ 12,060,957	$ 2,174,905	$ 14,235,862	$ 8,177,253
Investments	31,831,285	13,875,185	45,706,470	-
Receivables, net	8,039,652	3,531,914	11,571,566	184,209
Notes receivable	-	1,684,266	1,684,266	3,827,432
Inventories	286,015	69,456	355,471	-
Restricted Assets:				
Cash and cash equivalents	-	7,818,395	7,818,395	-
Investments	-	11,399,815	11,399,815	-
Receivables, net	-	243,536	243,536	-
Prepaid items	4,401	-	4,401	-
Capital assets, net:				
Land and improvements	5,202,448	4,387,945	9,590,393	5,147,878
Water rights	-	4,152,050	4,152,050	-
Infrastructure	69,020,767	-	69,020,767	-
Works of art	278,500	-	278,500	-
Buildings	13,915,164	2,198,869	16,114,033	-
Improvements other than buildings	10,188,278	43,649,269	53,837,547	-
Machinery and equipment	3,199,974	3,429,413	6,629,387	-
Vehicles	6,308,090	108,438	6,416,528	-
Right-to-use lease assets	60,258	-	60,258	-
Construction in progress	2,198,255	18,647,169	20,845,424	510,542
Total Assets	162,594,044	117,370,625	279,964,669	17,847,314
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refundings	989,742	-	989,742	-
Deferred pension outflows	14,142,497	1,835,540	15,978,037	105,023
Deferred OPEB outflows	186,470	45,509	231,979	2,604
Total Deferred Outflows of Resources	15,318,709	1,881,049	17,199,758	107,627
LIABILITIES				
Accounts/claims payable	2,294,636	233,630	2,528,266	218,244
Accrued interest	109,854	-	109,854	69,041
Accrued liabilities	1,219,084	306,039	1,525,123	8,094
Customer deposits	25,941	-	25,941	-
Unearned revenue	4,918,406	-	4,918,406	-
Payable from restricted assets	-	2,482,121	2,482,121	-
Noncurrent liabilities:				
Due within one year	4,750,999	1,130,155	5,881,154	411,157
Due in more than one year	29,763,987	18,605,049	48,369,036	5,748,536
Net pension liability	41,352,090	3,877,928	45,230,018	221,881
Total OPEB liability	3,366,312	649,894	4,016,206	12,831
Total Liabilities	87,801,309	27,284,816	115,086,125	6,689,784
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	348,928	68,903	417,831	3,943
Deferred OPEB inflows	1,015,463	207,105	1,222,568	6,073
Total Deferred Inflows of Resources	1,364,391	276,008	1,640,399	10,016
NET POSITION				
Net investment in capital assets	81,911,734	61,621,356	143,533,090	5,486,203
Restricted for:				
Retirement of debt	2,724,091	1,787	2,725,878	-
Capital projects	11,309,983	3,879,627	15,189,610	-
Renewal and replacement	-	13,184,161	13,184,161	-
Other	274,857	-	274,857	-
Unrestricted (deficit)	(7,473,612)	13,003,919	5,530,307	5,768,938
Total Net Position	$ 88,747,053	$ 91,690,850	$ 180,437,903	$ 11,255,141

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, 2023

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS
Primary Government:			
Governmental Activities:			
General government	$ 5,423,951	$ 2,734,096	$ 23,093
Public safety	23,758,658	2,164,990	458,053
Cultural and recreation	7,568,488	1,061,991	68,172
Public works	7,275,833	2,671,026	-
Interest and fiscal charges	875,754	-	-
Total Governmental Activities	44,902,684	8,632,103	549,318
Business-Type Activities:			
Water and sewer	15,081,411	20,921,170	-
Solid waste disposal	7,343,695	8,339,371	-
Total Business-Type Activities	22,425,106	29,260,541	-
Total Primary Government	$ 67,327,790	$ 37,892,644	$ 549,318
Component Unit	$ 804,972	$ -	$ -
General Revenues:			
Property taxes			
Sales taxes			
Franchise taxes			
Hotel taxes			
Other taxes			
Unrestricted investment earnings			
Gain on sale of 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 GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
$ 55,129	$ (2,611,633)	$ -	$ (2,611,633)	$ -
-	(21,135,615)	-	(21,135,615)	-
-	(6,438,325)	-	(6,438,325)	-
2,007,553	(2,597,254)	-	(2,597,254)	-
-	(875,754)	-	(875,754)	-
2,062,682	(33,658,581)	-	(33,658,581)	-
-	-	5,839,759	5,839,759	-
-	-	995,676	995,676	-
-	-	6,835,435	6,835,435	-
$ 2,062,682	(33,658,581)	6,835,435	(26,823,146)	-
$ -				(804,972)
	13,151,510	-	13,151,510	-
	18,175,842	-	18,175,842	1,652,349
	2,380,834	-	2,380,834	-
	1,406,709	-	1,406,709	-
	148,543	-	148,543	-
	1,714,504	1,128,550	2,843,054	524,602
	711,964	677,499	1,389,463	-
	1,262,433	-	1,262,433	-
	2,400,695	(2,400,695)	-	-
	41,353,034	(594,646)	40,758,388	2,176,951
	7,694,453	6,240,789	13,935,242	1,371,979
	81,052,600	85,450,061	166,502,661	9,883,162
	$ 88,747,053	$ 91,690,850	$ 180,437,903	$ 11,255,141

CITY OF LUFKIN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	GENERAL FUND	DEBT SERVICE FUND	CARES GRANT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	$ 1,157,073	$ 1,049,091	$ 1,069,587	$ 5,618,858	$ 8,894,609
Investments	10,681,285	1,675,000	4,300,000	10,975,000	27,631,285
Receivables:					
Taxes	714,142	241,230	-	-	955,372
Accounts	18,565,793	-	-	212,903	18,778,696
Intergovernmental	1,800,285	-	-	-	1,800,285
Other	3,355,272	49,019	-	607,658	4,011,949
Allowance for uncollectibles	(17,550,912)	(179,618)	-	(203,900)	(17,934,430)
Due from other funds	271,649	-	-	-	271,649
Inventories	286,015	-	-	-	286,015
Prepaid items	4,401	-	-	-	4,401
Total Assets	$ 19,285,003	$ 2,834,722	$ 5,369,587	$ 17,210,519	$ 44,699,831
LIABILITIES					
Accounts/claims payable	$ 326,075	$ -	$ 451,181	$ 637,941	$ 1,415,197
Accrued liabilities	1,196,023	-	-	23,061	1,219,084
Due to other funds	-	-	-	29,651	29,651
Customer deposits	7,650	-	-	18,291	25,941
Unearned revenue	-	-	4,918,406	-	4,918,406
Total Liabilities	1,529,748	-	5,369,587	708,944	7,608,279
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	2,056,261	110,631	-	308,587	2,475,479
Total Deferred Inflows of Resources	2,056,261	110,631	-	308,587	2,475,479
FUND BALANCES					
Nonspendable	290,416	-	-	-	290,416
Restricted	-	2,724,091	-	11,584,840	14,308,931
Committed	9,268,413	-	-	1,699,915	10,968,328
Assigned	584,053	-	-	2,908,233	3,492,286
Unassigned	5,556,112	-	-	-	5,556,112
Total Fund Balances	15,698,994	2,724,091	-	16,192,988	34,616,073
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 19,285,003	$ 2,834,722	$ 5,369,587	$ 17,210,519	$ 44,699,831

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, 2023

Total fund balances – governmental funds balance sheet	$ 34,616,073
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	103,558,905
Certain unavailable revenues are not available to pay current-period expenditures and therefore, are deferred in the funds.	2,475,479
An internal service fund is used to charge the cost of health insurance to individual funds. The funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,085,502
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.	11,303,038
An internal service fund is used for technology amortization. The governmental funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,096,980
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(33,635,098)
The City's deferred outflows of resources related to OPEB and pension plans is not reported in the governmental funds.	14,328,967
The City's total OPEB liability is not reported in the governmental funds.	(3,366,312)
The City's net pension liability is not reported in the governmental funds.	(41,352,090)
The City's deferred inflows of resources related to pension and OPEB plans is not reported in the governmental funds.	(1,364,391)
Net position of governmental activities	$ 88,747,053

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, 2023

	GENERAL FUND	DEBT SERVICE FUND	CARES GRANT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:					
Taxes:					
Property	$ 10,567,050	$ 2,498,335	$ -	$ -	$ 13,065,385
Sales	18,175,842	-	-	-	18,175,842
Franchise	2,380,834	-	-	-	2,380,834
Other	148,543	-	-	1,406,709	1,555,252
Licenses and permits	452,239	-	-	-	452,239
Fines and forfeitures	351,280	-	-	-	351,280
Charges for services	1,625,785	-	-	1,061,991	2,687,776
Investment earnings	649,289	100,273	-	133,320	882,882
Intergovernmental	5,867,288	-	2,062,682	110,368	8,040,338
Other revenues	902,330	-	-	554,378	1,456,708
Total Revenues	41,120,480	2,598,608	2,062,682	3,266,766	49,048,536
Expenditures:					
Current:					
General government	5,211,741	-	55,129	182,869	5,449,739
Public safety	21,364,317	-	-	160,174	21,524,491
Cultural and recreation	4,517,926	-	-	2,379,959	6,897,885
Public works	5,979,666	-	2,007,553	-	7,987,219
Debt service:					
Principal	-	3,365,000	-	-	3,365,000
Interest and fiscal charges	-	978,214	-	-	978,214
Capital outlay	-	-	-	769,124	769,124
Total Expenditures	37,073,650	4,343,214	2,062,682	3,492,126	46,971,672
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,046,830	(1,744,606)	-	(225,360)	2,076,864
Other Financing Sources (Uses):					
Transfers in	608,663	1,870,695	-	7,184,000	9,663,358
Transfers out	(6,820,000)	-	-	(1,137,663)	(7,957,663)
Total Other Financing Sources (Uses)	(6,211,337)	1,870,695	-	6,046,337	1,705,695
Net Change in Fund Balances	(2,164,507)	126,089	-	5,820,977	3,782,559
Fund Balances - Beginning	17,863,501	2,598,002	-	10,372,011	30,833,514
Fund Balances - Ending	$ 15,698,994	$ 2,724,091	$ -	$ 16,192,988	$ 34,616,073

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, 2023

Net change in fund balances – total governmental funds	$	3,782,559
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.		369,188
Internal service net revenues are reported with governmental activities and the expenses not recovered through user charges are allocated to the participating funds.		999,056
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.		269,310
The issuance of or acquisition of long-term debt (e.g. bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.		3,691,398
Current year OPEB expenditures are reported on the fiscal year basis in the funds, but as of the measurement date in the statement of activities.		379,359
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.		(1,796,417)
Change in net position of governmental activities	$	7,694,453

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, 2023

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	ACTIVITIES-INTERNAL SERVICE FUNDS
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 1,106,951	$ 1,067,954	$ 2,174,905	$ 3,166,348
Investments	10,175,185	3,700,000	13,875,185	4,200,000
Restricted Assets:				
Cash and cash equivalents	5,468,851	-	5,468,851	-
Investments - customer deposits	249,815	-	249,815	-
Interest receivable	32	-	32	-
Accounts receivable, net	2,353,824	878,032	3,231,856	13,664
Other receivables	5,215	-	5,215	262,009
Notes receivable	-	111,616	111,616	-
Interest receivable	189,170	105,673	294,843	152,107
Inventories	63,488	5,968	69,456	-
Total Current Assets	19,612,531	5,869,243	25,481,774	7,794,128
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	1,529,561	819,983	2,349,544	-
Investments	11,150,000	-	11,150,000	-
Interest receivable	228,672	14,832	243,504	-
Total Restricted Noncurrent Assets	12,908,233	834,815	13,743,048	-
Notes receivable	-	1,572,650	1,572,650	-
Capital Assets:				
Land	4,226,581	161,364	4,387,945	-
Water rights	4,152,050	-	4,152,050	-
Buildings	3,326,288	2,379,772	5,706,060	-
Machinery and equipment	20,544,567	1,288,155	21,832,722	4,680,325
Vehicles	388,627	970,562	1,359,189	15,425,889
Improvements	87,767,397	784,023	88,551,420	-
Construction in progress	18,647,169	-	18,647,169	-
Right-to-use lease assets	-	-	-	258,154
Less accumulated depreciation and amortization	(64,458,066)	(3,605,336)	(68,063,402)	(13,551,539)
Total Capital Assets, net	74,594,613	1,978,540	76,573,153	6,812,829
Total Noncurrent Assets	87,502,846	4,386,005	91,888,851	6,812,829
Total Assets	107,115,377	10,255,248	117,370,625	14,606,957
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	1,222,432	613,108	1,835,540	-
Deferred OPEB outflows	30,308	15,201	45,509	-
Total Deferred Outflows of Resources	1,252,740	628,309	1,881,049	-
LIABILITIES				
Current Liabilities:				
Accounts/claims payable	72,194	161,436	233,630	879,439
Accrued compensated absences	31,094	7,910	39,004	-
Accrued liabilities	234,288	71,751	306,039	-
Due to other funds	-	-	-	241,998
Financed purchases	1,091,151	-	1,091,151	-
Current liabilities payable from Restricted Assets:				
Accounts/claims payable	2,146,354	-	2,146,354	-
Customer deposits	249,815	-	249,815	-
Accrued interest payable	85,952	-	85,952	-
Total Current Liabilities	3,910,848	241,097	4,151,945	1,121,437
Noncurrent Liabilities:				
Accrued compensated absences	126,880	88,093	214,973	-
Financed purchases	18,390,076	-	18,390,076	-
Total OPEB liability	468,578	181,316	649,894	-
Net pension liability	2,582,620	1,295,308	3,877,928	-
Total Noncurrent Liabilities	21,568,154	1,564,717	23,132,871	-
Total Liabilities	25,479,002	1,805,814	27,284,816	1,121,437
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	45,888	23,015	68,903	-
Deferred OPEB inflows	146,411	60,694	207,105	-
Total Deferred Inflows of Resources	192,299	83,709	276,008	-
NET POSITION				
Net invested in capital assets	59,642,817	1,978,539	61,621,356	6,812,829
Restricted for retirement of debt	1,787	-	1,787	-
Restricted for construction	3,879,627	-	3,879,627	-
Restricted for renewal and replacement	12,349,347	834,814	13,184,161	-
Unrestricted	6,823,238	6,180,681	13,003,919	6,672,691
Total Net Position	$ 82,696,816	$ 8,994,034	$ 91,690,850	$ 13,485,520

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, 2023

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	ACTIVITIES-INTERNAL SERVICE FUNDS
Operating Revenues:				
Water sales	$ 10,194,837	$ -	$ 10,194,837	$ -
Sewer service charges	9,089,461	-	9,089,461	-
Sanitation collections	-	8,322,142	8,322,142	-
Provision for bad debts	(182,335)	(12,524)	(194,859)	-
Service revenue	436,848	-	436,848	-
General and administrative	114,722	-	114,722	-
Employee premiums	-	-	-	1,109,581
Employer premiums	-	-	-	3,413,882
Equipment rental	-	-	-	2,496,817
Miscellaneous	1,267,637	29,753	1,297,390	(16,368)
Total Operating Revenues	20,921,170	8,339,371	29,260,541	7,003,912
Operating Expenses:				
Utility collections	664,881	-	664,881	-
Water/Sewer utilities	3,559,279	-	3,559,279	-
Wastewater treatment plant	2,408,733	-	2,408,733	-
Water production	2,043,398	-	2,043,398	-
Sanitation department	-	4,502,542	4,502,542	-
Recycling department	-	252,434	252,434	-
Insurance claims and related expenses	-	-	-	5,618,475
Equipment acquisition and related expenses	-	-	-	128,646
Depreciation and amortization	2,405,783	95,806	2,501,589	1,888,853
General and administrative	3,088,424	2,433,456	5,521,880	-
Non-departmental	428,843	59,457	488,300	-
Total Operating Expenses	14,599,341	7,343,695	21,943,036	7,635,974
Operating Income (Loss)	6,321,829	995,676	7,317,505	(632,062)
Nonoperating Revenues (Expenses):				
Investment earnings	865,772	262,778	1,128,550	261,029
Gain on sale of assets	677,499	-	677,499	680,351
Interest and fiscal charges	(482,070)	-	(482,070)	(5,262)
Total Nonoperating Revenues (Expenses)	1,061,201	262,778	1,323,979	936,118
Income Before Contributions and Transfers	7,383,030	1,258,454	8,641,484	304,056
Transfers in	-	-	-	695,000
Transfers out	(2,150,695)	(250,000)	(2,400,695)	-
Total Contributions and Transfers	(2,150,695)	(250,000)	(2,400,695)	695,000
Change in Net Position	5,232,335	1,008,454	6,240,789	999,056
Net Position - Beginning	77,464,481	7,985,580	85,450,061	12,486,464
Net Position - Ending	$ 82,696,816	$ 8,994,034	$ 91,690,850	$ 13,485,520

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, 2023

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATER AND SEWER UTILITY FUND	SOLID WASTE DISPOSAL FUND	TOTALS	
Cash Flows From Operating Activities:				
Receipts from customers and users	$ 20,278,986	$ 8,222,975	$ 28,501,961	$ 1,096,794
Receipts from interfund services provided	114,722	-	114,722	5,910,699
Payments to suppliers	(6,344,770)	(2,111,932)	(8,456,702)	(5,292,678)
Payments to employees	(3,922,939)	(1,690,560)	(5,613,499)	-
Payments for interfund services used	(3,996,308)	(3,444,533)	(7,440,841)	-
Net Cash Provided by Operating Activities	6,129,691	975,950	7,105,641	1,714,815
Cash Flows From Noncapital Financing Activities:				
Transfer from other funds	-	-	-	695,000
Transfer to other funds	(2,150,695)	(250,000)	(2,400,695)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(2,150,695)	(250,000)	(2,400,695)	695,000
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(12,448,739)	-	(12,448,739)	(2,347,781)
Proceeds from sale of capital assets	1,220,116	-	1,220,116	430,981
Interest and fiscal charges	(713,013)	-	(713,013)	(5,262)
Principal payments on leases payable	-	-	-	(116,749)
Net Cash Used by Capital and Related Financing Activities	(11,941,636)	-	(11,941,636)	(2,038,811)
Cash Flows From Investing Activities:				
Purchase of investments	(18,129,061)	(3,192,324)	(21,321,385)	(3,599,795)
Investment maturities	13,340,169	1,957,091	15,297,260	2,316,557
Notes receivable principal payments	-	107,246	107,246	-
Investment earnings received	414,674	164,230	578,904	114,499
Net Cash Used by Investing Activities	(4,374,218)	(963,757)	(5,337,975)	(1,168,739)
Net Decrease in Cash and Cash Equivalents	(12,336,858)	(237,807)	(12,574,665)	(797,735)
Cash and Cash Equivalents - Beginning	20,442,221	2,125,744	22,567,965	3,964,083
Cash and Cash Equivalents - Ending	$ 8,105,363	$ 1,887,937	$ 9,993,300	$ 3,166,348
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	$ 6,321,829	$ 995,676	$ 7,317,505	$ (632,062)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and amortization	2,405,783	95,806	2,501,589	1,888,853
(Increase) in accounts receivable, net	(527,747)	(114,024)	(641,771)	(12,787)
(Increase) in other receivables	(5,180)	-	(5,180)	-
Decrease in inventories	18,870	-	18,870	-
(Increase) in deferred pension outflows	(947,520)	(474,251)	(1,421,771)	-
Decrease in deferred OPEB outflows	18,029	8,526	26,555	-
Increase (decrease) in accounts/claims payable	(1,005,024)	23,120	(981,904)	470,811
(Decrease) in accrued compensated absences	(93,511)	(746)	(94,257)	-
Increase (decrease) in accrued liabilities	(266,668)	7,116	(259,552)	-
(Decrease) in due to other funds	(607,210)	-	(607,210)	-
(Decrease) in customer deposits	(11,444)	-	(11,444)	-
(Decrease) in total OPEB liability	(87,956)	(33,202)	(121,158)	-
Increase in net pension liability	1,906,763	953,936	2,860,699	-
(Decrease) in deferred pension inflows	(984,231)	(497,293)	(1,481,524)	-
Increase (decrease) in deferred OPEB inflows	(5,092)	11,286	6,194	-
Total Adjustments	(192,138)	(19,726)	(211,864)	2,346,877
Net Cash Provided by Operating Activities	$ 6,129,691	$ 975,950	$ 7,105,641	$ 1,714,815
Noncash Financing and Investing Activities:				
Increase in fair value of investments	$ 86,108	$ 14,767	$ 100,875	$ 16,762

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

The Lufkin Industrial Development Authority (Authority) was created by the Development Corporation Act of 1979 and the approval of the City Council and has been in operation since August 1979. The Authority was created to encourage industrial development in the City of Lufkin. The Texas Housing Finance Corporation Act and the approval of the City Council created Lufkin Housing Finance Corporation to encourage safe, decent housing in the City. The Texas Health Facilities Development Act and the approval of the City Council created Lufkin Health Facilities Development Corporation to encourage health care, research, and education and to assist with the maintenance of public health. As of September 30, 2023 and for the year then ended, there were no assets, liabilities, fund equity, revenues or expenditures for the Authority, the Lufkin Housing Finance Corporation, or the Lufkin Health Facilities Development Corporation.

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all 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. All taxes and other internally dedicated resources are reported instead as *general revenues* rather than program revenues.

The fund financial statements provide information about the City's funds. Separate financial statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund 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 *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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 City reports the following major governmental funds:

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

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

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

The City 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 City reports the following fund type:

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

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

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. 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.

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

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

The Texas Local Government Investment Pool (TexPool) is overseen by the State Comptroller of Public Accounts. Federated Hermes, 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 advises on the investment policy and management fee structure and approves any fee increases.

The Texas Short Term Asset Reserve Program (TexSTAR) is governed by a Board of Directors (Board). JP Morgan Investment Management, Inc. (JPMIM), Hilltop Securities, Inc. (HTS) and Hilltop Securities Asset Management, LLC (HSAM) serve as administrators of TexSTAR under an agreement with the board of directors. The Board consists of three representatives of participants, a representative from JPMIM and a representative from HTS or HSAM. The Board appoints an Advisory Board that consists of participant employees, officers or elected officials and other individuals that do not have a business relationship with TexSTAR and are qualified to advise TexSTAR.

2. Receivables and Payables

The City does not believe that additional details of certain receivable and payable balances in the financial statements are needed to avoid the obscuring of significant components by aggregation; however, the City does believe that additional details of certain payable balances are necessary. Therefore, disaggregation disclosures for payables are provided in detail notes on all funds (E).

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 63% and 74% of outstanding taxes at September 30, 2023, 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 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, 2023, was .5246710 per $100 of assessed valuation. The adjusted total tax levy for fiscal year 2023 was $13,119,028, and $12,794,758 was collected for a current collection rate of 98%.

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

Restricted assets include cash and cash equivalents, investments, and receivables of the enterprise funds that are legally restricted as to their use. The restricted use of these assets are limited to debt retirement, renewal and replacement, and construction activity.

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 City 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 asset 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:

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

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

The City performs a complete inventory and condition assessment on its streets every two years. Each street was assigned a physical condition based on nineteen potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The condition of road pavement is measured using the Paver 4.2 Pavement Management System, which is based on a weighted average of 19 distress factors found in pavement surfaces dependent upon the type of road material (concrete or asphalt). The Paver 4.2 Pavement Management System uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good to excellent condition (80-100) fair condition (56-79), and substandard condition (less than 55). The City's policy is to achieve an average rating of at least a 56 condition index of its street system. No more than 10% should be in substandard condition.

6. Deferred Outflows and Inflows of Resources

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

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

For the year ended September 30, 2023, 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 the OPEB liability for TMRS and the Retiree Health Insurance Fund are reported on the government-wide and proprietary fund statements of net position. The TMRS, Firemen's Fund, and the Retiree Health Insurance Fund deferred outflows and inflows are detailed in detail notes on all funds (K and L).

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

7. Compensated Absences

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

8. Long-Term Obligations

In the government-wide and proprietary fund financial statements, 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 governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of debt issued and premiums received on debt issuances are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Leases

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

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

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

- The City uses the interest rate charged by the lessor as the discount rate when available. When the interest rate charged by the lessor is not available, the City uses its estimated incremental borrowing rate as the discount rate.

- The lease term includes the noncancelable period of the lease.

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

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

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

10. Interfund Activity

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

11. Fund Balances

Fund balances of the governmental funds are classified as follows:

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

Restricted - amounts that can only be spent for the specific purposes stipulated by enabling legislation or external parties such as creditors, grantors, or contributors. Restrictions may only be changed or lifted with consent of the external parties.

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

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

Unassigned - all other spendable amounts.

12. Net Position and Fund Balance Flow Assumptions

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

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

13. Use of Estimates

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

14. 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 Firemen's Fund. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Implementation of New Standards

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

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*

This statement provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). The statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

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 $(33,635,098) are as follows:

Bonds payable	$	(28,460,000)
Bond premiums		(1,679,271)
Deferred loss on refundings		989,742
Accrued interest payable		(109,854)
Compensated absences		(4,375,715)
Net adjustment to reduce fund balance – total governmental funds to arrive at net position of governmental activities	$	(33,635,098)

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 $269,310 difference are as follows:

Capital outlay	$	2,057,145
Depreciation expense		(1,787,835)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$	269,310

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 $(1,796,417) difference are as follows:

Fiscal year 2023 contributions before December 31, 2022	$	966,201
Fiscal year 2023 contributions after December 31, 2022		2,694,465
Amortization of deferred outflows and inflows of resources		4,661,749
Recognition of pension plan expense		(10,118,832)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$	(1,796,417)

Another element of that reconciliation explains that "Current year OPEB expenditures are reported on the fiscal year basis in the funds, but as of the measurement date in the statement of activities." The details of this $379,359 difference are as follows:

Fiscal year 2023 contributions before December 31, 2022	$	11,088
Fiscal year 2023 contributions after December 31, 2022		52,114
Amortization of deferred outflows and inflows of resources		446,293
Recognition of OPEB plan expense		(130,136)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$	379,359

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Accounting

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

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

B. Excess Expenditures over Appropriations

For the year ended September 30, 2023, total expenditures were under the budget in the General Fund by $3,346,143. Departments where expenditures exceeded appropriations are as follows:

Department		Amount
Police	$	37,301
Zoo		22,567

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

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

FUND NAME	DEFICIT AMOUNT	REMARKS
Main Street/Downtown Development Fund	$ 90	This fund is supplemented by the Marketing and Tourism Fund and is no longer active. A transfer will be made to cover the deficit and close out the fund in the next fiscal year.
Special Recreation Fund	39,689	This fund is expected to have sufficient revenue to cover costs. Fees for recreation activities have been adjusted to cover the costs. A transfer from General Fund will be made in the future if necessary to cover the deficit.
2012 Capital Improvement Fund	2,931	This deficit will be covered by a transfer from the General Fund to close the fund.

D. Compliance with Debt Ordinances

Debt ordinances on all general obligation bonds require that income from tax revenues be segregated and deposited into the Debt Service Fund annually. The amount required is the next anticipated bond interest and principal payment, but such annual deposits shall never be less than 2% of the original bond principal. The City satisfactorily complied with the bond ordinance requirements during the year ended September 30, 2023, and had restricted debt service fund balance of $2,724,091 at year end.

DETAIL NOTES ON ALL FUNDS

A. Deposits and Investments

1. Cash Deposits

At September 30, 2023, the City's carrying amount for cash deposits including certificates of deposit was $71,001,926 and the bank balance was $73,644,407. The City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's agent bank in the City's name or letters of credit.

2. Investments

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

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

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

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

Those three levels are as follows:

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

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

INVESTMENTS, INVESTMENT TYPE		AMOUNT	RATING	MATURITY DATE
Debt Securities/Obligations:				
U.S Government Obligations (Level 1):				
U.S Treasury Note	$	1,975,080		02/29/2024
U.S Treasury Note		1,966,020		04/30/2024
Government Sponsored Enterprises (Level 1):				
Federal Home Loan Bank Bond		1,961,680	S&P AA+	06/14/2024
Federal Home Loan Bank Bond		1,962,280	S&P AA+	09/13/2024
Federal Farm Credit Bank Cons Systemwide Bonds		1,986,200	S&P AA+	11/24/2023
Cash Equivalents:				
Local Government Investment Pools:				
TexPool – City		445,112	S&P AAAm	
TexPool – Component unit		5,807,992	S&P AAAm	
TexStar		164,207	S&P AAAm	
Money Market Mutual Funds:				
Federated Hermes Government Obligations Fund		40,369	S&P AAAm	
Deposits:				
Non-negotiable Certificates of Deposit		47,255,025		
Total Investments	$	63,563,965		

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

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The rating of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City's investment policy only limits its investments in investment pools based on credit ratings. Investment pools are required to maintain a rating of at least AAA or AAAm. Investments in obligations of or guaranteed by the U.S. government are exempted from this disclosure. The ratings for investments are shown in the table above.

Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City requires its deposits to be secured by pledged collateral with a fair value equal to or greater than 102% of the deposits, less any amount insured by the FDIC. At September 30, 2023, the City was not exposed to this risk for deposits.

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities in possession of the counterparty. At September 30, 2023, the City was not exposed to this risk for investments.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not limit the amount it may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. government, mutual funds, and external investment pools are excluded from this disclosure. At September 30, 2023, more than 5% of the City's investments, excluding non-negotiable certificates of deposit, were in the following:

ISSUER	PERCENTAGE OF INVESTMENTS
Federal Home Loan Bank	24.06%
Federal Farm Credit Bank	12.18%

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity to changes in interest rates. The City's investment policy limits investment maturities for each fund type as follows: 1) for operating funds and the internal investment fund - the weighted average days to maturity is limited to less than 300 days with a maximum allowable maturity of two years, 2) for construction, bond and loan funds – maturity limited to the anticipated cash flow requirements of the projects or the "temporary period" as defined by federal tax law whichever is shorter, 3) for debt service and bond reserve funds – maturity limited to debt payment dates, and 4) for depreciation funds – maturity limited to anticipated cash flow requirements. The maturity dates for investments in debt securities/obligations are shown in the table above. At September 30, 2023, TexPool, TexSTAR, and Federated Hermes Government Obligations Fund had weighted average maturities of 28 days, 27 days, and 27 days, respectively.

B. Interfund Receivables, Payables and Transfers

During the course of operations, transactions occur between individual funds that result in amounts owed between funds. Due from and to other funds at September 30, 2023 consisted of the following:

DUE FROM	DUE TO	AMOUNT	PURPOSE
	Special Revenue Funds:		
General Fund	Special Recreation Fund	$ 26,720	Short-term advances
	Capital Projects Funds:		
General Fund	2012 Capital Improvement Fund	2,931	Short-term advances
	Internal Service Funds:		
General Fund	Group Health Insurance Fund	241,998	Short-term advances
		$ 271,649	

Transfers at September 30, 2023 consisted of the following:

	TRANSFER IN				
TRANSFER OUT	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	TOTAL
General Fund	$ -	$ -	$ 6,125,000	$ 695,000	$ 6,820,000
Nonmajor Governmental	108,663	-	1,029,000	-	1,137,663
Water and Sewer Utility Fund	250,000	1,870,695	30,000	-	2,150,695
Solid Waste Disposal Fund	250,000	-	-	-	250,000
Total	$ 608,663	$ 1,870,695	$ 7,184,000	$ 695,000	$ 10,358,358

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 and 2) move general fund resources to finance various programs that the City accounts for in other funds in accordance with budgetary authorizations.

C. Restricted Assets

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

	BOND RESERVE	CONSTRUCTION	RENEWAL AND REPLACEMENT	OPERATIONS	TOTAL
Cash and cash equivalents	$ 1,755	$ 5,926,713	$ 1,889,927	$ -	$ 7,818,395
Investments	-	-	11,150,000	-	11,150,000
Investments – customer deposits	-	-	-	249,815	249,815
Interest receivable	32	8,313	235,191		243,536
Total Restricted Assets	$ 1,787	$ 5,935,026	$ 13,275,118	$ 249,815	$ 19,461,746

D. 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, 2023.

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

- The sum of $220,000 in fifty consecutive annual installments in the amount of $7,698 each, which commenced on the first day of January, 1970. Except for the first payment, which was applied solely to retirement of principal, all installments shall include accrued interest at the rate of 2.591% per annum on the unpaid balance.

- The sum of $305,600 in forty consecutive annual installments in the amount of $12,049 each, which commenced on the first day of January, 1976. Except for the first payment, which was applied solely to retirement of principal, all installments shall include accrued interest at the rate of 2.591% per annum on the unpaid balance.

- .692 percent of the annual experienced joint use costs of ordinary operation and maintenance of the Sam Rayburn Reservoir, which shall be applicable to the present water supply storage space.

- .964 percent of the annual experienced joint use costs of ordinary operation and maintenance of the Sam Rayburn Reservoir, which shall be applicable to the future water supply storage space.

- 1.689 percent of the joint use cost of sedimentation resurveys when incurred.

- 1.689 percent of the joint use cost of major capital replacement when incurred.

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

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

Capitalized payments for water supply	$	1,039,636
Capitalized Contract for Water Rights:		
50 year contract		220,000
40 year contract		305,600
Water Rights in Sam Rayburn Reservoir	$	1,565,236

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.

4. Change in Capital Assets

Capital asset activity for the year ended September 30, 2023 was as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets not being depreciated/amortized:				
Land	$ 4,742,591	$ 459,857	$ -	$ 5,202,448
Infrastructure	69,020,767	-	-	69,020,767
Works of art	278,500	-	-	278,500
Construction in progress	668,636	1,761,454	(231,835)	2,198,255
Total capital assets not being depreciated/amortized	74,710,494	2,221,311	(231,835)	76,699,970
Capital assets being depreciated/amortized:				
Buildings	25,087,003	-	-	25,087,003
Improvements other than buildings	22,460,374	-	-	22,460,374
Machinery and equipment	16,845,300	190,531	(190,294)	16,845,537
Vehicles	18,917,232	2,291,281	(1,713,018)	19,495,495
Right-to-use lease assets - equipment	258,154	-	-	258,154
Total capital assets being depreciated/amortized	83,568,063	2,481,812	(1,903,312)	84,146,563
Less accumulated depreciation/amortization for:				
Buildings	(10,647,745)	(524,094)	-	(11,171,839)
Improvements other than buildings	(11,615,005)	(657,091)	-	(12,272,096)
Machinery and equipment	(13,080,310)	(742,908)	177,655	(13,645,563)
Vehicles	(13,217,573)	(1,682,850)	1,713,018	(13,187,405)
Right-to-use lease assets - equipment	(128,151)	(69,745)	-	(197,896)
Total accumulated depreciation/amortization	(48,688,784)	(3.676.688)	1,890,673	(50,474,799)
Total capital assets being depreciated/amortized, net	34,879,279	(1,194,876)	(12,639)	33,671,764
Governmental activities capital assets, net	$ 109,589,773	$ 1,026,435	$ (244,474)	110,371,734
Governmental activities, capital related debt				(28,460,000)
Governmental activities, net investment in capital assets				$ 81,911,734

BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets not being depreciated:				
Land	$ 4,392,785	$ -	$ (4,840)	$ 4,387,945
Water rights	4,129,632	22,418	-	4,152,050
Construction in progress	7,629,089	12,073,053	(1,054,973)	18,647,169
Total capital assets not being depreciated	16,151,506	12,095,471	(1,059,813)	27,187,164
Capital assets being depreciated:				
Buildings	5,706,060	-	-	5,706,060
Improvements other than buildings	88,093,409	1,054,973	(596,962)	88,551,420
Machinery and equipment	21,508,404	353,267	(28,949)	21,832,722
Vehicles	1,587,040	-	(227,851)	1,359,189
Total capital assets being depreciated	116,894,913	1,408,240	(853,762)	117,449,391
Less accumulated depreciation for:				
Buildings	(3,386,769)	(120,422)	-	(3,507,191)
Improvements other than buildings	(43,445,133)	(1,674,356)	217,338	(44,902,151)
Machinery and equipment	(17,736,206)	(696,052)	28,949	(18,403,309)
Vehicles	(1,309,691)	(10,759)	69,699	(1,250,751)
Total accumulated depreciation	(65,877,799)	(2,501,589)	315,986	(68,063,402)
Total capital assets being depreciated, net	51,017,114	(1,093,349)	(537,776)	49,385,989
Business-type activities capital assets, net	$ 67,168,620	$ 11,002,122	$ (1,597,589)	76,573,153
Business-type activities, capital related debt				(14,951,797)
Business-type activities, net investment in capital assets				$ 61,621,356

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets not being depreciated:				
Land and land improvements	$ 5,147,878	$ -	$ -	$ 5,147,878
Construction in progress	126,467	384,076	-	510,543
Total capital assets not being depreciated	5,274,345	384,076	-	5,658,421
Component unit capital assets, net	$ 5,274,345	$ 384,076	$ -	5,658,421
Component unit, capital related debt				(172,218)
Component unit, net investment in capital assets				$ 5,486,203

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

	TOTAL
Governmental activities:	
General government	$ 251,528
Public safety	612,500
Cultural and recreation	499,394
Public works	424,413
Capital assets held by the government's internal service funds are charged to activities based on their equipment rental	1,888,853
Total governmental activities	$ 3,676,688
Business-type activities:	
Water and sewer	$ 2,405,783
Solid waste disposal	95,806
Total business-type activities	$ 2,501,589

5. Construction and Other Commitments

The City has active construction and maintenance projects. The commitments on those construction and maintenance projects at September 30, 2023 are as follows:

PROJECT	EXPENDED TO DATE	REMAINING COMMITMENT	FUNDING SOURCE
Hurricane Creek 42" Sewer main	$ 356,149	$ 58,851	CARES Grant Fund
WP #1 Electric Main Buss/MC	176,795	794,205	CARES Grant Fund
Forced Aeration Stg #3 & #4	13,313	260,187	CARES Grant Fund
Standby Generator WW#10 & #34	242,357	530,643	CARES Grant Fund
Room 202 Remodel	43,174	5,126	General Fund Construction Fund
Kurth Lake Renovations	140,952	14,048	General Fund Construction Fund
Pines Theater Repairs	170,992	129,008	General Fund Construction Fund
City Hall Refresh	15,571	234,429	General Fund Construction Fund
FY 22 Park Improvements	55,964	444,036	General Fund Construction Fund
Angelina St Reconstruction	4,948	2,095,052	General Fund Construction Fund
Gaslight Blvd Reconstruction	104,778	295,222	General Fund Construction Fund
Thrash Parking Downtown	62,592	112,408	General Fund Construction Fund
Bus Stop Shelters	107,210	52,790	2020 Capital Improvement Fund
Public Training & EOC	62,304	1,543,548	2020 Capital Improvement Fund
Daniel McCall Reconstruction	74,500	155,500	2020 Capital Improvement Fund
2020 Drainage Improvement	155,895	144,105	2013 Water Certificates of Obligation Fund
Belt Thickner	625,535	124,465	Water/Wastewater Depreciation Fund
Dig 1 & 2 Boiler Street Replacement	10,500	2,000	Water/Wastewater Depreciation Fund
US 59 Utility Relocation – Diboll	1,054,973	395,027	Water/Wastewater Depreciation Fund
Primary Pump Replacement	38,528	16,672	Water/Wastewater Depreciation Fund
Implant Pump Replacement	48,234	57,766	Water/Wastewater Depreciation Fund
TBLL Redevelopment	17,950	67,050	Water/Wastewater Depreciation Fund
WWTA Process Evaluation	61,760	18,240	Water/Wastewater Depreciation Fund
Gate & Door Security	8,943	18,057	Water/Wastewater Depreciation Fund
C12 Scale Drum Holder Replacement	23,200	12,800	Water/Wastewater Depreciation Fund
Manhole Rehabilitation	674,269	10,731	Water/Wastewater Depreciation Fund
Digital Strap-on Well	44,316	17,028	Water/Wastewater Depreciation Fund
Lufkin FWD Downtown Street	272,277	2,127,723	Economic Development Corporation
Bus Parks Rd Extension	238,266	161,734	Economic Development Corporation
Total	$ 4,906,245	$ 9,898,451	

E. Current Liabilities

1. Accounts/Claims Payable and Accrued Liabilities

Accounts/claims payable in the governmental and business-type activities are all for amounts due to vendors. Accrued liabilities are composed of accrued salaries and benefits of $1,215,861 and other accrued liabilities of $3,223 for governmental activities and accrued salaries and benefits of $174,332 and other accrued liabilities of $131,707 for business-type activities.

2. Compensated Absences

The City recognizes liabilities for compensated absences related to unpaid vacation and sick leave when 1) obligations are attributable to employees' services already rendered, 2) compensated absence rights vest or are accumulated, 3) payment of the compensated absences compensation is probable, and 4) the amount can be reasonably estimated.

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

F. Long-term Obligations

1. General Obligation Bonds Payable

General obligation bonds payable at September 30, 2023 consist of the following:

$9,680,000 Series 2011 General Obligation Refunding bonds due in annual installments of $195,000 to $1,125,000 through August 15, 2024; interest at 2.00% to 2.50%.	$	315,000
$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%.		3,900,000
$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%.		2,885,000
$5,350,000 Series 2014 General Obligation Refunding bonds due in annual installments of $405,000 to $580,000 through August 15, 2025; interest at 2.00% to 3.00%.		1,145,000
$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%.		1,745,000
$9,080,000 Series 2016 General Obligation Refunding Bonds due in annual installments of $50,000 to $1,105,000 through August 15, 2034; interest at 3.00% to 5.00%.		7,120,000
$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%.		5,905,000
$5,085,000 Series 2020 General Obligation Refunding Bonds due in annual installments of $70,000 to $1,800,000 through August 15, 2026; interest at 3.00% to 5.00%.		1,015,000
$4,630,000 Series 2020 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation due in annual installments of $145,000 to $350,000 through August 15, 2040; interest at 3.00% to 4.00%.		4,430,000
Total general obligation bonds payable	$	28,460,000

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

YEAR ENDING	GOVERNMENTAL ACTIVITIES		
SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2024	$ 3,435,000	$ 879,570	$ 4,314,570
2025	3,150,000	781,321	3,931,321
2026	2,700,000	679,448	3,379,448
2027	2,925,000	581,680	3,506,680
2028	2,525,000	491,393	3,016,393
2029-2033	10,730,000	1,408,915	12,138,915
2034-2038	2,305,000	335,725	2,640,725
2039-2040	690,000	41,600	731,600
TOTAL	$ 28,460,000	$ 5,199,652	$ 33,659,652

The City expended $974,214 for interest on general obligation bonds for the year ended September 30, 2023.

2. Notes Payable – Component Unit

The EDC has entered into an agreement to construct a building with a lease purchase for a local business. As a part of this agreement, the EDC has obtained financing for the cost of the building. The notes payable at September 30, 2023 were $2,111,263 and $1,684,266, respectively. The notes are secured by the building and sales tax revenue. The $1,684,266 note payable is with the City's Solid Waste Disposal Fund.

During the year, the EDC borrowed $2,400,000 from a local financial institution for improvements to downtown Lufkin. At September 30, 2023, the note payable balance was $2,299,941. The note payable is unsecured.

The City expended $165,578 for interest on notes payable for the year ended September 30, 2023.

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

YEAR ENDING SEPTEMBER 30,	COMPONENT UNIT PRINCIPAL	INTEREST	TOTAL
2024	$ 397,737	$ 213,934	$ 611,671
2025	411,988	199,683	611,671
2026	426,766	184,905	611,671
2027	442,090	169,581	611,671
2028	457,980	153,691	611,671
2029-2033	2,549,625	508,728	3,058,353
2034-2037	1,409,284	76,266	1,485,550
TOTAL	$ 6,095,470	$ 1,506,788	$ 7,602,258

3. Leases

In prior years, the City entered into lease agreements with Dell Financial Services (Dell) for technology equipment. The leases with Dell have interest rates ranging from 4.487% to 12.885% and had maturity dates ranging from October 2022 to July 2025. Advance payments of principal and interest were made either annually or quarterly. The City paid off all leases during the year. During the year, the City made principal and interest payments of $116,749 and $5,262, respectively. At September 30, 2023, leases payable were $0. The right-to-use lease assets associated with these leases are amortized over the lease terms. Amortization is included in depreciation and details of the right-to-use lease assets are shown in the capital asset footnote.

4. Financed Purchases

In a prior year, the City entered into a Public Property Finance Act Lease Purchase Agreement with a principal amount of $19,481,227 to finance the acquisition and installation of equipment for an energy conservation project at certain City facilities. Annual payments with interest of 2.44% commenced in July 2023 and will continue through July 2038 unless the City exercises the option to purchase as set forth in the agreement. The City expended $713,013 in interest during the year ended September 30, 2023. At September 30, 2023, the balance was $19,841,227.

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

YEAR ENDING SEPTEMBER 30,	BUSINESS-TYPE ACTIVITIES PRINCIPAL	INTEREST	TOTAL
2024	$ 1,091,151	$ 475,342	$ 1,566,493
2025	1,117,776	448,717	1,566,493
2026	1,145,049	421,444	1,566,493
2027	1,172,988	393,505	1,566,493
2028	1,201,609	364,884	1,566,493
2029-2033	6,462,408	1,370,059	7,832,467
2034-2038	7,290,246	542,221	7,832,467
TOTAL	$ 19,481,227	$ 4,016,172	$ 23,497,399

5. Change in Long-term Obligations

Primary Government

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Bonds Payable:					
General obligation bonds	$ 31,825,000	$ -	$ (3,365,000)	$ 28,460,000	$ 3,435,000
Unamortized bond premiums	1,902,737	-	(223,466)	1,679,271	-
Leases payable	116,749	-	(116,749)	-	-
Compensated absences	4,594,391	-	(218,676)	4,375,715	1,315,999
Total	$ 38,438,877	$ -	$ (3,923,891)	$ 34,514,986	$ 4,750,999

BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Financed purchases	$ 19,481,227	$ -	$ -	$ 19,481,227	$ 1,091,151
Compensated absences	348,234	-	(94,257)	253,977	39,004
Total	$ 19,829,461	$ -	$ (94,257)	$ 19,735,204	$ 1,130,155

Component Unit

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Notes payable	$ 4,037,519	$ 2,400,000	$ (342,049)	$ 6,095,470	$ 397,737
Compensated absences	10,447	53,776	-	64,223	13,420
Total	$ 4,047,966	$ 2,453,776	$ (342,049)	$ 6,159,693	$ 411,157

6. Defeased Debt

There was no defeased debt outstanding at September 30, 2023.

7. Debt Issuance Costs

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

G. Deferred Inflows of Resources – Unavailable Revenues

Deferred inflows of resources related to unavailable revenues on the governmental funds balance sheet at September 30, 2023 consisted of the following:

	AMOUNT
Unavailable ad valorem taxes	$ 324,270
Unavailable fines and forfeitures	802,033
Unavailable EMS/Ambulance charges	555,124
Unavailable miscellaneous billings	118,213
Unavailable interest income	675,839
Total unavailable revenues	$ 2,475,479

H. Fund Balance

As of September 30, 2023, fund balances are composed of the following:

	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Nonspendable:				
Inventories	$ 286,015	$ -	$ -	$ 286,015
Prepaid Items	4,401	-	-	4,401
Restricted:				
Public safety	-	-	248,558	248,558
Debt service	-	2,724,091	-	2,724,091
Capital projects	-	-	11,309,983	11,309,983
Other purposes	-	-	26,299	26,299
Committed:				
Financial operations	9,268,413	-	-	9,268,413
Other purposes	-	-	1,699,915	1,699,915
Assigned:				
FY 24 budget deficit	584,053	-	-	584,053
Other purposes	-	-	2,908,233	2,908,233
Unassigned	5,556,112	-	-	5,556,112
Total Fund Balances	$ 15,698,994	$ 2,724,091	$ 16,192,988	$ 34,616,073

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, 2023, the City has accumulated the following in support of these policies:

FUND	POLICY AMOUNT	FUND TOTAL
Governmental Funds:		
General Fund - 25%	$ 9,268,413	$ 9,268,413
Hotel/Motel Tax Fund - 12.5%	34,661	472,948
Special Recreation Fund - 12.5%	51,076	(39,689)
Total Policy Reserves and Fund Balances	$ 9,354,150	$ 9,701,672

I. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases workers' compensation insurance coverage from Deep East Texas Self Insurance Fund (the Fund), a public entity risk pool, which is self-sustaining through member contributions. The Fund reinsures through commercial companies for claims in excess of $1,100,000 per occurrence. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves. The City pays an annual premium to the Fund for its workers' compensation insurance coverage. By participating in the Fund, the City is not responsible for its own paid claims; consequently, risks associated with workers' compensation are passed to the pool.

The members of the Fund have no known premium liabilities for workers' compensation coverage in excess of their contracted annual premiums. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and as of the most recent audit, the Fund has adequate assets to cover its liabilities.

The City maintains insurance coverage covering liability and property risks of loss with Texas Municipal League Intergovernmental Risk Pool (the Pool), a self-insurance pool created by its members to provide various coverages to participating members. Excess insurance is purchased to provide additional financial stability to the Pool. Catastrophic losses that exceed the Pool's self-insured retention are secured by excess insurance purchased from domestic A-rated companies. The Pool's retention is $25,000,000 per occurrence in excess of member deductibles for property and auto physical damage insurance and $10,000,000 for liability insurance. City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed the coverage during each of the past three fiscal years.

The City has entered into agreements with outside firms to administer its employee health benefit plan (the Plan) for twelve (12) month periods. Under the terms of the agreement, the administrator (1) reviews claims for benefits under the plan and determines whether they have been properly filed and determines the amount, if any, which is due and payable with respect thereto, (2) on behalf of the City, disburses claim payments that it determines to be due in accordance with the provisions of the plan to the eligible individual or assignee of such eligible individual entitled thereto, and (3) takes all reasonable steps to process claims and disburse claim payments expeditiously. The Plan provides coverage of up to $165,000 for each individual. The City has reinsurance agreements for the plan years. Such agreements generally provide for a stop loss per individual. Under the terms of the plan, eligible claims and related expenses are paid from premiums paid by covered employees and the various funds of the City in which they are employed. The City accounts for the transactions of the Plan in the Group Health Insurance fund, an internal service fund. At September 30, 2023, the City had recorded a liability of $762,810 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,
2021	$ 159,940	$ 4,582,769	$ 4,304,801	$ 437,908
2022	437,908	3,466,054	3,647,135	256,827
2023	256,827	4,132,787	3,627,434	762,180

J. Contingent Liabilities

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

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

K. Defined Benefit Pension Plans

1. Texas Municipal Retirement System

Plan Description

The City participates as one of 919 plans in the defined benefit cash balance plan administered by the TMRS. TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Subtitle G, Title 8, (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at tmrs.com. All eligible employees of the City are required to participate in TMRS.

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 member's benefit is calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest. Retiring members may select one of seven monthly benefit payments options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's contributions and interest.

The plan provisions that are adopted by the governing body of the City relate to retirement eligibility, vesting schedule, member contribution rates, and the matching percentage for the City. Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The contribution rate for the employees is 7%, and the City's matching percent is currently 2 to 1.

Employees Covered by Benefit Terms:

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	284
Inactive employees entitled to but not yet receiving benefits	226
Active employees	332
	842

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee total compensation, and the City matching percentages are either100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Lufkin were 16.27% and 16.00% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were $2,897,296 and were equal to the required contributions.

Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The TPL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Based on the size of the City, the rates are multiplied by an additional factor of 100%. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

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

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Global Public Equity	35%	7.7%
Core Fixed Income	6%	4.9%
Non-Core Fixed Income	20%	8.7%
Other Public and Private Markets	12%	8.1%
Real Estate	12%	5.8%
Hedge Funds	5%	6.9%
Private Equity	10%	11.8%
Total	100%	

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 member 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 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 (A)	INCREASE (DECREASE) PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A) - (B)
Balance at December 31, 2021	$ 115,085,357	$ 110,166,454	$ 4,918,903
Changes for the year:			
Service cost	2,610,107	-	2,610,107
Interest	7,654,351	-	7,654,351
Difference between expected and actual experience	673,838	-	673,838
Contributions - Employer	-	2,719,389	(2,719,389)
Contributions - Employee	-	1,169,987	(1,169,987)
Net investment income	-	(8,034,946)	8,034,946
Benefit payments, including refunds of employee contributions	(5,985,229)	(5,985,229)	-
Administrative expense	-	(69,589)	69,589
Other changes	-	83,040	(83,040)
Net changes	4,953,067	(10,117,348)	15,070,415
Balance at December 31, 2022	$ 120,038,424	$ 100,049,106	$ 19,989,318

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

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

	1% DECREASE IN DISCOUNT RATE (5.75%)	DISCOUNT RATE (6.75%)	1% INCREASE IN DISCOUNT RATE (7.75%)
Net pension liability	$ 35,972,249	$ 19,989,318	$ 6,846,691

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's FNP is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmrs.com.

Financial Statement Breakdown

The City's NPL at September 30, 2023 is included in the financial statements as follows:

Governmental activities	$ 15,889,509
Business-type activities	3,877,928
Component units	221,881
Total	$ 19,989,318

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

For the year ended September 30, 2023, the City recognized pension expense (benefit) of $1,644,116.

At September 30, 2023, 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	$ 469,024	$ 355,172
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	6,851,739	-
Contributions subsequent to the measurement date	2,140,783	-
Total	$ 9,461,546	$ 355,172

The City reported $2,140,783 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, 2024. 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,	
2023	$ 182,746
2024	1,790,388
2025	1,898,220
2026	3,094,237
Total	$ 6,965,591

At September 30, 2023, the City's payable for legally required contributions for the month of September was $328,983. That amount was paid in the subsequent month.

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

Plan Description

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

Benefits Provided

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

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

Members Covered by the Plan:

In the December 31, 2022 actuarial valuation, the Plan covered the following number of members:

Retirees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	1
Active employees	75
	134

Contribution Policy

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

The contribution policy of the Plan requires contributions equal to 14.2% of pay by the firefighters according to TLFFRA. The City currently contributes 23.0% of payroll. That rate is set annually as a part of the City’s budget. The December 31, 2022 actuarial valuation included the assumption that the City contribution rate will be 24.7% over the unfunded liability amortization period. The costs of administering the Plan are paid from the Plan’s assets.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Plan must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed City contribution rate provide an adequate contribution arrangement. Using the entry age actuarial cost method, the Plan’s normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the Plan’s unfunded actuarial accrued liability (UAAL). In order to reestablish an adequate contribution arrangement, the City increased its contribution rate to 24.7% effective October 1, 2023.

The City’s contributions for the year ended September 30, 2023 were $1,357,607 and were equal to the required contributions.

Net Pension Liability

The City's NPL was measured as of December 31, 2022, and the TPL used to calculate the NPL was determined by the actuarial valuation as of December 31, 2022.

Actuarial Assumptions:

The TPL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.67%) and by adding expected inflation (2.75%). This review led to the selection of the 7.25% assumption. In addition, the 7.25% assumption was selected by rounding down. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Equities		
Large cap domestic	21.0%	5.94%
Mid cap domestic	18.0%	6.39%
Small cap domestic	15.0%	6.17%
International developed	4.0%	6.73%
Emerging markets	5.0%	7.20%
Alternatives		
Alternative income	4.0%	1.43%
Total return	4.0%	3.93%
Fixed Income		
Domestic core plus	18.0%	1.79%
Domestic high yield	4.5%	2.48%
Global	4.5%	1.63%
Cash	2.0%	0.00%
Total	100.0%	
Weighted average		4.67%

Discount Rate

The discount rate used to measure the TPL was 7.25%. No projection of cash flows was used to determine the discount rate because the December 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the UAAL in 28 years. Because of the 28-year amortization period, the pension plan's FNP is expected to be available to make all projected future benefit payments of all current active and inactive 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 (A)	INCREASE (DECREASE) PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A) - (B)
Balance at December 31, 2021	$ 41,724,050	$ 23,558,320	$ 18,165,730
Changes for the year:			
Service cost	753,777	-	753,777
Interest	3,018,127	-	3,018,127
Difference between expected and actual experience	2,174,892	-	2,174,892
Contributions – Employer	-	1,379,052	(1,379,052)
Contributions - Employee	-	851,415	(851,415)
Net investment income	-	(3,525,909)	3,525,909
Benefit payments, including refunds of employee contributions	(1,696,978)	(1,696,978)	-
Administrative expense	-	(54,613)	54,613
Other changes	-	-	-
Net changes	4,249,818	(3,047,033)	7,296,851
Balance at December 31, 2022	$ 45,973,868	$ 20,511,287	$ 25,462,581

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

The following presents the NPL of the Plan, calculated using the discount rate of 7.25%, as well as what the NPL would be if it were calculated using a discount rate that is 1% less than or 1% greater than the current rate:

	1% DECREASE IN DISCOUNT RATE (6.25%)	DISCOUNT RATE (7.25%)	1% INCREASE IN DISCOUNT RATE (8.25%)
Net pension liability	$ 30,471,017	$ 25,462,581	$ 21,269,252

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's FNP is available in a separately-issued financial report. That report may be obtained on the Plan's website at www.lufkinfirepension.com.

Financial Statement Breakdown

The City's NPL at September 30, 2023 is included in just the governmental activities.

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

For the year ended September 30, 2023, the City recognized pension expense of $8,676,524.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	$ 2,003,630	$ 66,602
Changes in actuarial assumptions	533,638	-
Difference between projected and actual investment earnings	3,091,489	-
Contributions subsequent to the measurement date	992,757	-
Total	$ 6,621,514	$ 66,602

The City reported $992,757 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, 2024. 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,		
2023	$	976,028
2024		1,381,233
2025		1,555,910
2026		1,462,113
2026		186,871
Total	$	5,562,155

L. Other Postemployment Benefits (OPEB)

1. Retiree Health Insurance

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.

Benefits Provided

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

Employees covered by benefit terms

At the September 30, 2022 valuation, the following employees were covered by the benefit terms:

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

Total OPEB Liability

The City's total OPEB liability was measured as of September 30, 2023 and determined by an actuarial valuation as of September 30, 2022 rolled forward to September 30, 2023.

Actuarial assumptions and other inputs

The total OPEB liability in the September 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary scale	3.50%
Discount rate	4.77%
Healthcare cost trends	4.50% level
Retiree contributions	Retiree paying balance of premium after City subsidy
Mortality	RPH-2014 Total Table with Projection MP-2021
Turnover	Rates vary based on gender, age, and select and ultimate at 9 years.

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

Changes in the Total OPEB liability

	TOTAL OPEB LIABILITY
Balance October 1, 2022	$ 2,856,920
Changes for the year:	
Service cost	46,617
Interest	134,563
Difference between expected and actual experience	-
Changes in assumptions and other inputs	-
Benefit payments	(165,000)
Rounding	-
Net changes	16,180
Balance at September 30, 2023	$ 2,873,100

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

The following presents the total OPEB liability using a discount rate of 4.77% as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% less than or 1% greater than the current rate:

	1% DECREASE IN DISCOUNT RATE (3.77%)	DISCOUNT RATE (4.77%)	1% INCREASE IN DISCOUNT RATE (5.77%)
Total OPEB liability	$ 3,034,100	$ 2,873,100	$ 2,719,262

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

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

	1% DECREASE IN HEALTHCARE COST TREND RATE (3.50%)	CURRENT HEALTHCARE COST TREND RATE (4.50%)	1% INCREASE IN HEALTHCARE COST TREND RATE (5.50%)
Total OPEB liability	$ 2,832,113	$ 2,873,100	$ 2,918,831

Financial Statement Breakdown

The City's total OPEB liability at September 30, 2023 is included in the financial statements as follows:

Governmental activities	$	2,447,458
Business-type activities		425,642
Total	$	2,873,100

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

For the year ended September 30, 2023, the City recognized OPEB expense (benefit) of $16,180. At September 30, 2023, 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	$	-	$	458,044
Changes in assumptions and other inputs		-		223,496
Total	$	-	$	681,540

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,		
2024	$	(331,778)
2025		(315,098)
2026		(34,664)
Total	$	(681,540)

2. Supplemental Death Benefits Fund

Plan Description

The City also participates in the defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating cities may elect to provide supplemental death benefits for active employees with optional coverage for their retirees. The City has elected, by ordinance, to provide supplemental death benefits to both active employees and retirees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. Since the SDBF does not meet the definition of a trust under GASB Statement No. 75, it is considered to be a single-employer defined benefit OPEB plan.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The retiree benefit is a fixed amount of $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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	215
Inactive employees entitled to but not yet receiving benefits	59
Active employees	332
	606

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Projected salary increases	3.50% to 11.50% including inflation
Discount rate	4.05%
Retirees' share of benefit-related costs	$0

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

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 through December 31, 2018.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2022.

Changes in the Total OPEB liability

	TOTAL OPEB LIABILITY
Balance December 31, 2021	$ 1,687,657
Changes for the year:	
Service cost	73,524
Interest	31,437
Difference between expected and actual experience	(27,620)
Changes in assumptions or other inputs	(577,312)
Benefit payments	(31,749)
Net changes	(531,720)
Balance at December 31, 2022	$ 1,155,937

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

The following represent the total OPEB liability calculated using the discount rate of 4.05% as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% less than or 1% greater than the current rate:

	1% DECREASE IN DISCOUNT RATE (3.05%)	DISCOUNT RATE (4.05%)	1% INCREASE IN DISCOUNT RATE (5.05%)
Total OPEB liability	$ 1,376,313	$ 1,155,937	$ 984,234

Financial Statement Breakdown

The City's total OPEB liability at September 30, 2023 is included in the financial statements as follows:

Governmental activities	$ 918,854
Business-type activities	224,252
Component units	12,831
Total	$ 1,155,937

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

For the year ended September 30, 2023, the City recognized OPEB expense of $123,342. At September 30, 2023 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	$ 7,539	$ 91,996
Changes in assumptions and other inputs	161,483	455,105
Contributions made subsequent to the measurement date	65,561	-
Total	$ 234,583	$ 547,101

The City reported $65,561 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024.

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

PLAN YEAR ENDED DECEMBER 31,		
2023	$	(87,379)
2024		(90,600)
2025		(126,976)
2027		(73,124)
Total	$	(378,079)

At September 30, 2023, the City's payable for legally required contributions for the month of September was $7,009. That amount was paid in the subsequent month.

M. Tax Abatements

The City participated in multiple agreements during fiscal year 2023 which resulted in the abatement of tax revenue. The City has concluded that the dollar amounts of these tax abatements are immaterial to the financial statements; therefore, the City has elected not to present a full disclosure as required by GASB Statement No. 77, *Tax Abatements* since it states that the provisions of the statement need not be applied to immaterial items.

N. Risks and Uncertainties

The COVID-19 pandemic was ongoing during the fiscal year ended September 30, 2023. Measures taken by various governments to contain the virus have affected economic activity. Various safety and health measures have been implemented by the City to monitor and mitigate the effects of the virus on its citizens and employees. As of the date that these financial statements were available to be issued, the COVID-19 public health emergency declaration has ended; however, COVID-19 is still occurring in the United States as well as around the world. As the spread of COVID-19 continues, the potential impact is difficult to assess.

O. Adoption of New Standard

The City adopted GASB Statement No. 96 as described in the Summary of Significant Accounting Policies. Prior to the implementation of this standard, the costs associated with SBITAs were expensed. After the implementation of this standard, SBITA liabilities and intangible right-to-use subscription assets are recorded for SBITAs with terms that exceed twelve months. All the subscription arrangements in effect on the date of implementation were evaluated in accordance with GASB 96. Upon evaluation, those arrangements were determined to not be subject to GASB 87 because they were cancellable; therefore, there was no adjustment to the financial statements as a result of implementation.

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Revenues:				
Taxes:				
Property	$ 10,635,155	$ 10,635,155	$ 10,567,050	$ (68,105)
Sales	16,882,528	17,678,198	18,175,842	497,644
Franchise	2,302,361	2,360,732	2,380,834	20,102
Other	121,400	121,400	148,543	27,143
Total Taxes	29,941,444	30,795,485	31,272,269	476,784
Licenses and Permits:				
Building permits and inspections	350,000	275,000	260,785	(14,215)
Plumbing permits and inspections	7,500	7,500	5,950	(1,550)
Electric permits and inspections	7,500	9,000	12,885	3,885
Heat and vent permits	6,000	6,000	6,610	610
Other permits	87,060	144,170	162,371	18,201
Licenses	3,220	2,250	3,638	1,388
Total Licenses and Permits	461,280	443,920	452,239	8,319
Fines and Forfeitures:				
Municipal court fines and forfeitures	347,075	378,549	351,280	(27,269)
Parking fines	50	50	-	(50)
Total Fines and Forfeitures	347,125	378,599	351,280	(27,319)
Charges for Services:				
Emergency medical services	1,380,000	1,503,500	1,484,510	(18,990)
Other	154,100	94,100	141,275	47,175
Total Charges for Services	1,534,100	1,597,600	1,625,785	28,185
Investment earnings	100,000	375,000	649,289	274,289
Intergovernmental:				
Grant revenues	-	114,499	438,950	324,451
General and administrative services	5,428,338	5,428,338	5,428,338	-
Total Intergovernmental	5,428,338	5,542,837	5,867,288	324,451
Other Revenues:				
Parks	26,000	32,000	44,149	12,149
Library	8,500	3,500	4,495	995
Animal shelter fees	57,300	57,300	58,627	1,327
Zone change fees	3,000	3,000	3,450	450
Zoo admission fees	103,000	103,000	103,000	-

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Rent on city property	30,660	45,134	74,926	29,792
Salvage and auction	-	-	41,990	41,990
Miscellaneous	183,252	1,578,919	559,965	(1,018,954)
Salary reimbursements	6,000	8,000	11,728	3,728
Total Other Revenue	417,712	1,830,853	902,330	(928,523)
Total Revenues	38,229,999	40,964,294	41,120,480	156,186
Expenditures:				
Current:				
General Government:				
City Council/City Secretary:				
Payroll costs	152,077	162,354	162,844	(490)
Supplies	22,700	21,480	18,368	3,112
Miscellaneous services	91,200	90,420	88,747	1,673
Sundry charges	7,000	8,500	8,722	(222)
Total City Council/City Secretary	272,977	282,754	278,681	4,073
City Administration:				
Payroll costs	874,986	836,487	795,589	40,898
Supplies	16,070	16,620	13,051	3,569
Maintenance	2,949	3,210	2,403	807
Miscellaneous services	55,400	52,389	31,803	20,586
Sundry charges	29,400	32,740	31,009	1,731
Total City Administration	978,805	941,446	873,855	67,591
Finance:				
Payroll costs	564,187	630,659	630,470	189
Supplies	26,819	27,719	23,165	4,554
Maintenance	22,000	22,000	21,288	712
Miscellaneous services	156,870	157,170	147,294	9,876
Sundry charges	100	100	75	25
Total Finance	769,976	837,648	822,292	15,356
Legal:				
Payroll costs	193,833	205,462	205,374	88
Supplies	3,900	3,900	3,580	320
Miscellaneous services	29,335	29,535	15,110	14,425
Total Legal	227,068	238,897	224,064	14,833

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Tax:				
Miscellaneous services	230,000	270,000	266,878	3,122
Total Tax	230,000	270,000	266,878	3,122
Human Resources:				
Payroll costs	326,651	365,937	352,781	13,156
Supplies	26,560	25,690	18,627	7,063
Maintenance	180	180	171	9
Miscellaneous services	103,920	53,320	35,880	17,440
Sundry charges	32,125	32,125	24,751	7,374
Total Human Resources	489,436	477,252	432,210	45,042
Building Services:				
Payroll costs	153,222	131,365	126,553	4,812
Supplies	22,550	30,550	25,673	4,877
Maintenance	75,940	131,740	96,277	35,463
Miscellaneous services	165,040	156,540	135,756	20,784
Total Building Services	416,752	450,195	384,259	65,936
Information Technology:				
Payroll costs	585,553	605,491	606,093	(602)
Supplies	139,415	277,245	132,371	144,874
Maintenance	134,450	167,315	155,963	11,352
Miscellaneous services	161,870	151,900	101,319	50,581
Sundry charges	200	100	-	100
Total Information Technology	1,021,488	1,202,051	995,746	206,305
Non-departmental:				
Payroll costs	1,779,800	10,000	-	10,000
Supplies	104,000	4,000	-	4,000
Maintenance	88,000	88,000	87,408	592
Miscellaneous services	416,947	2,511,947	302,473	2,209,474
Sundry charges	90,945	90,945	84,018	6,927
Capital outlay	-	451,732	459,857	(8,125)
Total Non-departmental	2,479,692	3,156,624	933,756	2,222,868
Total General Government	6,886,194	7,856,867	5,211,741	2,645,126
Public Safety:				
Municipal Court:				
Payroll costs	149,857	178,118	178,710	(592)

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Supplies	8,205	9,094	9,298	(204)
Miscellaneous services	138,855	139,113	99,630	39,483
Total Municipal Court	296,917	326,325	287,638	38,687
Police:				
Payroll costs	9,116,967	9,279,371	9,449,721	(170,350)
Supplies	430,750	408,502	333,156	75,346
Maintenance	187,930	177,666	143,796	33,870
Miscellaneous services	663,270	666,301	642,777	23,524
Sundry charges	500	500	191	309
Total Police	10,399,417	10,532,340	10,569,641	(37,301)
Fire:				
Payroll costs	7,788,616	8,510,137	8,326,250	183,887
Supplies	480,025	510,210	414,173	96,037
Maintenance	190,775	229,920	211,121	18,799
Miscellaneous services	606,958	624,531	604,769	19,762
Sundry charges	-	1,155	1,145	10
Capital outlay	-	59,964	-	59,964
Total Fire	9,066,374	9,935,917	9,557,458	378,459
Emergency Management:				
Supplies	1,500	25,166	23,582	1,584
Miscellaneous services	44,932	20,964	19,576	1,388
Total Emergency Management	46,432	46,130	43,158	2,972
Animal Control:				
Payroll costs	580,916	683,532	658,271	25,261
Supplies	113,841	153,051	95,527	57,524
Maintenance	21,220	29,676	29,782	(106)
Miscellaneous services	116,428	139,553	122,842	16,711
Total Animal Control	832,405	1,005,812	906,422	99,390
Total Public Safety	20,641,545	21,846,524	21,364,317	482,207
Cultural and Recreation:				
Parks:				
Payroll costs	1,379,807	1,379,453	1,427,365	(47,912)
Supplies	119,150	120,574	94,821	25,753
Maintenance	92,550	82,283	62,432	19,851
Miscellaneous services	400,341	388,889	355,858	33,031

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Sundry charges	80	80	70	10
Total Parks	1,991,928	1,971,279	1,940,546	30,733
Zoo:				
Payroll costs	1,435,020	1,447,393	1,490,212	(42,819)
Supplies	276,945	275,795	269,985	5,810
Maintenance	5,785	8,420	7,643	777
Miscellaneous services	221,320	216,030	202,365	13,665
Total Zoo	1,939,070	1,947,638	1,970,205	(22,567)
Library:				
Payroll costs	457,554	496,924	487,359	9,565
Supplies	15,600	12,850	9,446	3,404
Maintenance	33,335	59,398	46,992	12,406
Miscellaneous services	74,160	73,000	63,378	9,622
Total Library	580,649	642,172	607,175	34,997
Total Cultural and Recreation	4,511,647	4,561,089	4,517,926	43,163
Public Works:				
Engineering:				
Payroll costs	1,194,679	1,262,182	1,238,438	23,744
Supplies	35,082	54,816	40,440	14,376
Maintenance	24,425	25,828	23,062	2,766
Miscellaneous services	131,301	119,571	82,278	37,293
Sundry charges	500	600	410	190
Total Engineering	1,385,987	1,462,997	1,384,628	78,369
Street:				
Payroll costs	1,628,051	1,562,991	1,704,756	(141,765)
Supplies	279,135	282,595	229,284	53,311
Maintenance	1,317,650	1,299,190	1,199,203	99,987
Miscellaneous services	976,389	1,006,079	970,773	35,306
Capital outlay	-	35,000	26,216	8,784
Total Street	4,201,225	4,185,855	4,130,232	55,623
Fleet Management:				
Payroll costs	409,327	444,672	433,400	11,272
Supplies	27,880	28,880	22,884	5,996
Maintenance	11,800	10,400	8,582	1,818
Miscellaneous services	20,859	22,509	19,097	3,412

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Sundry charges	-	-	(19,157)	19,157
Total Fleet Management	469,866	506,461	464,806	41,655
Total Public Works	6,057,078	6,155,313	5,979,666	175,647
Total Expenditures	38,096,464	40,419,793	37,073,650	3,346,143
Excess (Deficiency) of Revenues Over (Under) Expenditures	133,535	544,501	4,046,830	3,502,329
Other Financing Sources (Uses):				
Transfers in	608,663	608,663	608,663	-
Transfers out	(695,000)	(6,820,000)	(6,820,000)	-
Total Other Financing Sources (Uses)	(86,337)	(6,211,337)	(6,211,337)	-
Net Change in Fund Balance	47,198	(5,666,836)	(2,164,507)	3,502,329
Fund Balance - Beginning	17,863,501	17,863,501	17,863,501	-
Fund Balance - Ending	$ 17,910,699	$ 12,196,665	$ 15,698,994	$ 3,502,329

CITY OF LUFKIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISION SCHEDULE
SEPTEMBER 30, 2023

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

CITY OF LUFKIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
CONDITION RATING OF THE CITY'S STREET SYSTEM
SEPTEMBER 30, 2023

The City performed a complete inventory and condition assessment during the fiscal year 2022. This condition assessment will be performed every two years. Each street was assigned a physical condition based on nineteen potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The following conditions were defined:

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

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

	PERCENTAGE OF STREETS		
CONDITION	2022	2020	2018
Excellent to Good	38%	36%	30%
Fair to Good	38%	36%	42%
Substandard	24%	28%	28%

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

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

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

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

CITY OF LUFKIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
COMPARISON OF NEEDED-TO-ACTUAL MAINTENANCE/PRESERVATION
SEPTEMBER 30, 2023

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):

FISCAL YEAR	BUDGET	ACTUAL
2023	$ 4,186	$ 4,130
2022	3,666	3,653
2021	3,663	3,640
2020	3,815	3,469
2019	3,787	3,697

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

	2023	2022	2021	2020
Total Pension Liability				
Service cost	$ 2,610,107	$ 2,496,157	$ 2,736,434	$ 2,639,764
Interest (on the total pension liability)	7,654,351	7,440,772	7,211,963	6,953,019
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	673,838	(613,968)	(440,211)	(596,481)
Change in assumptions	-	-	-	183,393
Benefit payments, including refunds of employee contributions	(5,985,229)	(6,446,374)	(5,550,196)	(5,233,433)
Net change in total pension liability	4,953,067	2,876,587	3,957,990	3,946,262
Total pension liability - beginning	115,085,357	112,208,770	108,250,780	104,304,518
Total pension liability - ending (a)	$ 120,038,424	$ 115,085,357	$ 112,208,770	$ 108,250,780
Plan Fiduciary Net Position				
Contributions - employer	$ 2,719,389	$ 2,617,451	$ 2,823,749	$ 2,790,024
Contributions - employee	1,169,987	1,117,206	1,222,402	1,195,236
Net investment income	(8,034,946)	13,021,438	7,156,704	12,804,596
Benefit payments, including refunds of employee contributions	(5,985,229)	(6,446,374)	(5,550,196)	(5,233,433)
Administrative expense	(69,589)	(60,269)	(46,323)	(72,356)
Other	83,040	413	(1,807)	(2,174)
Net change in plan fiduciary net position	(10,117,348)	10,249,865	5,604,529	11,481,893
Plan fiduciary net position - beginning	110,166,454	99,916,589	94,312,060	82,830,167
Plan fiduciary net position - ending (b)	$ 100,049,106	$ 110,166,454	$ 99,916,589	$ 94,312,060
Net pension liability - ending (a) - (b)	$ 19,989,318	$ 4,918,903	$ 12,292,181	$ 13,938,720
Plan fiduciary net position as a percentage of total pension liability	83.35%	95.73%	89.05%	87.12%
Covered payroll	$ 16,710,033	$ 15,960,082	$ 17,462,884	$ 17,074,796
Net pension liability as a percentage of covered payroll	119.62%	30.82%	70.39%	81.63%

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

Note: Only nine 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."

2019	2018	2017	2016	2015
$ 2,586,703	$ 2,582,456	$ 2,515,515	$ 2,299,919	$ 2,123,077
6,711,583	6,388,272	6,052,902	5,894,713	5,650,445
-	-	-	-	-
(979,881)	(48,701)	83,312	(192,026)	(776,242)
-	-	-	948,593	-
(4,302,780)	(3,965,957)	(3,467,542)	(3,725,580)	(3,466,727)
4,015,625	4,956,070	5,184,187	5,225,619	3,530,553
100,288,893	95,332,823	90,148,636	84,923,017	81,392,464
$ 104,304,518	$ 100,288,893	$ 95,332,823	$ 90,148,636	$ 84,923,017
$ 2,776,942	$ 2,732,648	$ 2,520,598	$ 2,509,431	$ 2,486,016
1,168,189	1,152,313	1,122,282	1,086,453	1,034,606
(2,570,224)	10,461,909	4,771,526	104,308	3,824,460
(4,302,780)	(3,965,957)	(3,467,542)	(3,725,580)	(3,466,727)
(49,678)	(54,219)	(53,883)	(63,532)	(39,929)
(2,595)	(2,748)	(2,903)	(3,138)	(3,283)
(2,980,146)	10,323,946	4,890,078	(92,058)	3,835,143
85,810,313	75,486,367	70,596,289	70,688,347	66,853,204
$ 82,830,167	$ 85,810,313	$ 75,486,367	$ 70,596,289	$ 70,688,347
$ 21,474,351	$ 14,478,580	$ 19,846,456	$ 19,552,347	$ 14,234,670
79.41%	85.56%	79.18%	78.31%	83.24%
$ 16,688,409	$ 16,448,764	$ 16,032,603	$ 15,446,063	$ 14,772,880
128.68%	88.02%	123.79%	126.58%	96.36%

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

	2023	2022	2021	2020
Actuarially determined contribution	$ 2,897,296	$ 2,673,596	$ 2,624,529	$ 2,766,399
Contributions in relation to the actuarially determined contribution	(2,897,296)	(2,673,596)	(2,624,529)	(2,766,399)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 18,029,635	$ 16,398,015	$ 16,067,598	$ 17,061,271
Contributions as a percentage of covered payroll	16.07%	16.30%	16.33%	16.21%

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, 2022 - December 31, 2022.

Note: Only nine 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."

2019	2018	2017	2016	2015
$ 2,783,374	$ 2,779,508	$ 2,668,749	$ 2,606,843	$ 2,507,504
(2,783,374)	(2,779,508)	(2,668,749)	(2,606,843)	(2,507,504)
$ -	$ -	$ -	$ -	$ -
$ 16,964,478	$ 16,708,530	$ 16,261,675	$ 16,454,792	$ 15,328,570
16.41%	16.64%	16.41%	15.84%	16.36%

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CITY OF LUFKIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2023

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	23 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

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

Other Information

There were no benefit changes during the year.

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

	2023	2022	2021	2020
Total Pension Liability				
Service cost	$ 753,777	$ 733,603	$ 749,266	$ 727,443
Interest (on the total pension liability)	3,018,127	2,894,854	2,777,817	2,656,220
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	2,174,892	-	448,243	-
Change in assumptions	-	-	991,887	-
Administrative expense	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,696,978)	(2,199,661)	(1,920,513)	(1,647,873)
Net change in total pension liability	4,249,818	1,428,796	3,046,700	1,735,790
Total pension liability - beginning	41,724,050	40,295,254	37,248,554	35,512,764
Total pension liability - ending (a)	$ 45,973,868	$ 41,724,050	$ 40,295,254	$ 37,248,554
Plan Fiduciary Net Position				
Contributions - employer	$ 1,379,052	$ 1,337,646	$ 1,329,748	$ 1,226,324
Contributions - employee	851,415	825,851	820,975	757,122
Net investment income	(3,525,909)	2,200,328	2,303,589	3,041,687
Benefit payments, including refunds of employee contributions	(1,696,978)	(2,199,661)	(1,920,513)	(1,647,873)
Administrative expense	(54,613)	(72,398)	(42,995)	(60,545)
Other	-	-	-	-
Net change in plan fiduciary net position	(3,047,033)	2,091,766	2,490,804	3,316,715
Plan fiduciary net position - beginning	23,558,320	21,466,554	18,975,750	15,659,035
Plan fiduciary net position - ending (b)	$ 20,511,287	$ 23,558,320	$ 21,466,554	$ 18,975,750
Net pension liability - ending (a) - (b)	$ 25,462,581	$ 18,165,730	$ 18,828,700	$ 18,272,804
Plan fiduciary net position as a percentage of total pension liability	44.60%	56.50%	53.30%	50.90%
Covered payroll	$ 5,995,880	$ 5,815,582	$ 5,781,514	$ 5,331,845
Net pension liability as a percentage of covered payroll	424.70%	312.40%	325.70%	342.70%

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

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

Notes to Schedule:

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

The ending total pension liability for 2022, 2020, 2018 and 2016 was determined from the beginning of year total pension liability, using the roll forward procedures allowed by GASB 68.

2019	2018	2017	2016	2015
$ 766,457	$ 744,133	$ 717,504	$ 696,606	$ 648,006
2,547,901	2,429,092	2,502,453	2,373,987	2,282,146
-	-	-	-	-
(424,667)	-	(1,480,396)	-	227,196
209,041	-	(836,604)	-	-
-	-	-	-	421,584
(1,583,037)	(1,639,827)	(2,175,654)	(1,974,776)	(1,437,981)
1,515,695	1,533,398	(1,272,697)	1,095,817	2,140,951
33,997,069	32,463,671	33,736,368	32,640,551	30,499,600
$ 35,512,764	$ 33,997,069	$ 32,463,671	$ 33,736,368	$ 32,640,551
$ 1,181,244	$ 1,178,934	$ 1,112,799	$ 1,146,462	$ 1,094,156
729,289	727,352	718,762	666,247	627,405
(1,079,360)	1,877,559	982,695	(336,255)	714,645
(1,583,037)	(1,639,827)	(2,175,654)	(1,974,776)	(1,437,981)
(33,643)	(35,273)	(25,850)	(43,114)	(28,082)
-	-	-	-	-
(785,507)	2,108,745	612,752	(541,436)	970,143
16,444,542	14,335,797	13,723,045	14,264,481	13,294,338
$ 15,659,035	$ 16,444,542	$ 14,335,797	$ 13,723,045	$ 14,264,481
$ 19,853,729	$ 17,552,527	$ 18,127,874	$ 20,013,323	$ 18,376,070
44.10%	48.40%	44.20%	40.70%	43.70%
$ 5,135,838	$ 5,122,197	$ 5,061,704	$ 5,047,326	$ 4,753,068
386.60%	342.70%	358.10%	396.50%	386.60%

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

	2023	2022	2021
Total OPEB Liability			
Service cost	$ 73,524	$ 65,436	$ 57,628
Interest (on the total OPEB liability)	31,437	32,224	37,015
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(27,620)	(25,689)	(25,043)
Change in assumptions	(577,312)	51,587	211,296
Benefit payments	(31,749)	(28,728)	(10,478)
Net change in total OPEB liability	(531,720)	94,830	270,418
Total OPEB liability - beginning	1,687,657	1,592,827	1,322,409
Total OPEB liability - ending	$ 1,155,937	$ 1,687,657	$ 1,592,827
Covered-employee payroll	$ 16,710,033	$ 15,960,082	$ 17,462,884
Total OPEB liability as a percentage of covered-employee payroll	6.92%	10.57%	9.12%

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

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

2020	2019	2018
$ 40,980	$ 46,728	$ 41,122
46,683	37,682	36,976
-	-	-
(206,789)	125,364	-
208,856	(77,750)	87,631
(10,245)	(8,344)	(8,224)
79,485	123,680	157,505
1,242,924	1,119,244	961,739
$ 1,322,409	$ 1,242,924	$ 1,119,244
$ 17,074,796	$ 16,688,409	$ 16,448,764
7.74%	7.45%	6.80%

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

	2023	2022	2021
Total OPEB Liability			
Service cost	$ 46,617	$ 97,732	$ 97,732
Interest (on the total OPEB liability)	134,563	93,179	92,609
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	(883,628)	-
Change in assumptions	-	(411,428)	-
Benefit payments	(165,000)	(165,000)	(165,000)
Rounding	2	-	(6)
Net change in total OPEB liability	16,182	(1,269,145)	25,335
Total OPEB liability - beginning	2,856,918	4,126,063	4,100,728
Total OPEB liability - ending	$ 2,873,100	$ 2,856,918	$ 4,126,063
Covered-employee payroll	$ 5,792,571	$ 6,074,739	$ 6,301,241
Total OPEB liability as a percentage of covered-employee payroll	49.60%	47.03%	65.48%

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

Note: Only six 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.

2020	2019	2018
$ 86,944	$ 86,944	$ 83,552
126,109	178,935	174,999
-	-	-
(180,646)	-	-
(503,186)	232,796	-
(165,000)	(165,000)	(165,000)
3	-	-
(635,776)	333,675	93,551
4,736,504	4,402,829	4,309,278
$ 4,100,728	$ 4,736,504	$ 4,402,829
$ 7,379,883	$ 7,719,774	$ 6,824,675
55.57%	61.36%	64.51%

SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FEMA Grant Fund - To account for FEMA Grant.

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	$ 3,422,359	$ 2,196,499	$ 5,618,858
Investments	1,675,000	9,300,000	10,975,000
Receivables:			
Accounts	212,903	-	212,903
Other	399,709	207,949	607,658
Allowance for uncollectibles	(203,900)	-	(203,900)
Total assets	$ 5,506,071	$ 11,704,448	$ 17,210,519
LIABILITIES			
Accounts/claims payable	$ 454,356	$ 183,585	$ 637,941
Accrued liabilities	23,061	-	23,061
Due to other funds	26,720	2,931	29,651
Customer deposits	18,291	-	18,291
Total Liabilities	522,428	186,516	708,944
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	100,638	207,949	308,587
Total Deferred Inflows of Resources	100,638	207,949	308,587
FUND BALANCES			
Restricted	274,857	11,309,983	11,584,840
Committed	1,699,915	-	1,699,915
Assigned	2,908,233	-	2,908,233
Total Fund Balances	4,883,005	11,309,983	16,192,988
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,506,071	$ 11,704,448	$ 17,210,519

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:			
Other taxes	$ 1,406,709	$ -	$ 1,406,709
Charges for services	1,061,991	-	1,061,991
Investment earnings (loss)	112,976	20,344	133,320
Intergovernmental	110,368	-	110,368
Other revenues	554,378	-	554,378
Total Revenues	3,246,422	20,344	3,266,766
Expenditures:			
Current:			
General government	182,869	-	182,869
Public safety	160,174	-	160,174
Cultural and recreation	2,379,959	-	2,379,959
Capital outlay:			
General government	-	266,121	266,121
Public safety	-	79,194	79,194
Cultural and recreation	-	176,990	176,990
Public works	-	246,819	246,819
Total Expenditures	2,723,002	769,124	3,492,126
Excess (Deficiency) of Revenues Over (Under) Expenditures	523,420	(748,780)	(225,360)
Other Financing Sources (Uses):			
Transfers in	1,029,000	6,155,000	7,184,000
Transfers out	(1,137,663)	-	(1,137,663)
Total Other Financing Sources (Uses)	(108,663)	6,155,000	6,046,337
Net Change in Fund Balances	414,757	5,406,220	5,820,977
Fund Balances - Beginning	4,468,248	5,903,763	10,372,011
Fund Balances - Ending	$ 4,883,005	$ 11,309,983	$ 16,192,988

CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2023

	HOTEL/ MOTEL TAX FUND	ZOO BUILDING FUND	MAIN STREET/ DOWNTOWN DEVELOPMENT FUND	POLICE SEIZED FUND
ASSETS				
Cash and cash equivalents	$ 204,486	$ 1,057,042	$ 23	$ 285,524
Investments	-	1,675,000	-	-
Receivables:				
Accounts	-	-	-	-
Other	311,058	49,269	-	5,148
Allowance for uncollectibles	-	-	-	-
Total Assets	$ 515,544	$ 2,781,311	$ 23	$ 290,672
LIABILITIES				
Accounts/claims payable	$ 40,453	$ 558	$ 113	$ 237,696
Accrued liabilities	-	1,506	-	-
Due to other funds	-	-	-	-
Customer deposits	(1,530)	-	-	-
Total Liabilities	38,923	2,064	113	237,696
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	3,673	49,269	-	5,148
Total Deferred Inflows of Resources	3,673	49,269	-	5,148
FUND BALANCES				
Restricted	-	-	-	47,828
Committed	472,948	-	-	-
Assigned	-	2,729,978	(90)	-
Total Fund Balances	472,948	2,729,978	(90)	47,828
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 515,544	$ 2,781,311	$ 23	$ 290,672

HOME INVESTMENT PROGRAM FUND	COURT SECURITY/ TECHNOLOGY FUND	POLICE GRANTS FUND	PINES THEATER SPECIAL EVENTS FUND	SPECIAL RECREATION FUND	INSURANCE LOSS FUND
$ 5	$ 92,878	$ 17,949	$ 67,698	$ 1,000	$ 14,210
-	-	-	-	-	-
-	212,903	-	-	-	-
-	1,674	325	1,910	-	-
-	(203,900)	-	-	-	-
$ 5	$ 103,555	$ 18,274	$ 69,608	$ 1,000	$ 14,210
$ -	$ 529	$ -	$ 8,512	$ 10,947	$ 12,150
-	-	-	-	3,022	-
-	-	-	-	26,720	-
-	-	-	3,905	-	-
-	529	-	12,417	40,689	12,150
-	10,677	325	1,221	-	-
-	10,677	325	1,221	-	-
5	92,349	17,949	-	-	-
-	-	-	-	(39,689)	2,060
-	-	-	55,970	-	-
5	92,349	17,949	55,970	(39,689)	2,060
$ 5	$ 103,555	$ 18,274	$ 69,608	$ 1,000	$ 14,210

CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET - CONTINUED
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2023

	ANIMAL CONTROL - KURTH GRANT FUND	POLICE DARE CONTRIBUTION GRANT FUND	ANIMAL'S ATTIC GIFT SHOP FUND	FIRE GRANTS FUND
ASSETS				
Cash and cash equivalents	$ 87,668	$ 109	$ 122,266	$ 2,764
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Other	1,580	-	2,204	50
Allowance for uncollectibles	-	-	-	-
Total Assets	$ 89,248	$ 109	$ 124,470	$ 2,814
LIABILITIES				
Accounts/claims payable	$ -	$ -	$ -	$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Customer deposits	-	-	-	-
Total Liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	1,580	-	2,204	50
Total Deferred Inflows of Resources	1,580	-	2,204	50
FUND BALANCES				
Restricted	87,668	-	-	2,764
Committed	-	-	-	-
Assigned	-	109	122,266	-
Total Fund Balances	87,668	109	122,266	2,764
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 89,248	$ 109	$ 124,470	$ 2,814

FEMA GRANT FUND	LUFKIN CONVENTION AND VISITORS BUREAU FUND	CONVENTION SERVICES FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
$ 26,294	$ 761,979	$ 680,464	$ 3,422,359
-	-	-	1,675,000
-	-	-	212,903
476	13,735	12,280	399,709
-	-	-	(203,900)
$ 26,770	$ 775,714	$ 692,744	$ 5,506,071
$ -	$ 25,343	$ 118,055	$ 454,356
-	7,472	11,061	23,061
-	-	-	26,720
-	-	15,916	18,291
-	32,815	145,032	522,428
476	13,735	12,280	100,638
476	13,735	12,280	100,638
26,294	-	-	274,857
-	729,164	535,432	1,699,915
-	-	-	2,908,233
26,294	729,164	535,432	4,883,005
$ 26,770	$ 775,714	$ 692,744	$ 5,506,071

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	HOTEL/ MOTEL TAX FUND	ZOO BUILDING FUND	MAIN STREET/ DOWNTOWN DEVELOPMENT FUND	POLICE SEIZED FUND
Revenues:				
Other taxes	$ 1,406,709	$ -	$ -	$ -
Charges for services	-	452,819	-	-
Investment earnings	7,479	58,719	-	6,765
Intergovernmental	-	-	-	-
Other revenues	-	54,309	-	6,000
Total Revenues	1,414,188	565,847	-	12,765
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	53,867
Cultural and recreation	277,290	252,205	-	-
Total Expenditures	277,290	252,205	-	53,867
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,136,898	313,642	-	(41,102)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(1,029,000)	(28,599)	-	-
Total Other Financing Sources (Uses)	(1,029,000)	(28,599)	-	-
Net Change in Fund Balances	107,898	285,043	-	(41,102)
Fund Balances - Beginning	365,050	2,444,935	(90)	88,930
Fund Balances - Ending	$ 472,948	$ 2,729,978	$ (90)	$ 47,828

HOME INVESTMENT PROGRAM FUND	COURT SECURITY/ TECHNOLOGY FUND	POLICE GRANTS FUND	PINES THEATER SPECIAL EVENTS FUND	SPECIAL RECREATION FUND	INSURANCE LOSS FUND
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	8,005	400,304	-
-	2,333	110	1,313	46	537
-	-	43,196	-	28,560	-
-	21,474	-	-	-	234,088
-	23,807	43,306	9,318	428,910	234,625
-	-	-	-	-	182,869
-	39,146	43,196	-	-	-
-	-	-	30,242	408,605	-
-	39,146	43,196	30,242	408,605	182,869
-	(15,339)	110	(20,924)	20,305	51,756
-	-	-	30,500	-	-
-	-	-	-	(29,564)	-
-	-	-	30,500	(29,564)	-
-	(15,339)	110	9,576	(9,259)	51,756
5	107,688	17,839	46,394	(30,430)	(49,696)
$ 5	$ 92,349	$ 17,949	$ 55,970	$ (39,689)	$ 2,060

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

	ANIMAL CONTROL - KURTH GRANT FUND	POLICE DARE CONTRIBUTION GRANT FUND	ANIMAL'S ATTIC GIFT SHOP FUND	FIRE GRANTS FUND
Revenues:				
Other taxes	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-
Investment earnings	2,381	-	2,913	-
Intergovernmental	38,612	-	-	-
Other revenues	-	-	41,904	-
Total Revenues	40,993	-	44,817	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	23,965	-	-	-
Cultural and recreation	-	-	29,508	-
Total Expenditures	23,965	-	29,508	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,028	-	15,309	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(50,500)	-	-	-
Total Other Financing Sources (Uses)	(50,500)	-	-	-
Net Change in Fund Balances	(33,472)	-	15,309	-
Fund Balances - Beginning	121,140	109	106,957	2,764
Fund Balances - Ending	$ 87,668	$ 109	$ 122,266	$ 2,764

FEMA GRANT FUND	LUFKIN CONVENTION AND VISITORS BUREAU FUND	CONVENTION SERVICES FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
$ -	$ -	$ -	$ 1,406,709
-	-	200,863	1,061,991
157	18,962	11,261	112,976
-	-	-	110,368
-	196,603	-	554,378
157	215,565	212,124	3,246,422
-	-	-	182,869
-	-	-	160,174
-	656,774	725,335	2,379,959
-	656,774	725,335	2,723,002
157	(441,209)	(513,211)	523,420
-	352,500	646,000	1,029,000
-	-	-	(1,137,663)
-	352,500	646,000	(108,663)
157	(88,709)	132,789	414,757
26,137	817,873	402,643	4,468,248
$ 26,294	$ 729,164	$ 535,432	$ 4,883,005

CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2023

	GENERAL FUND CONSTRUCTION FUND	DRAINAGE MITIGATION FUND	TEXAS CAPITAL GRANT FUND
ASSETS			
Cash and cash equivalents	$ 1,063,294	$ 37,101	$ 53
Investments	6,775,000	-	-
Receivables:			
Other	141,780	671	-
Total Assets	$ 7,980,074	$ 37,772	$ 53
LIABILITIES			
Accounts payable	$ 155,090	$ -	$ -
Due to other funds	-	-	-
Total Liabilities	155,090	-	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	141,780	671	-
Total Deferred Inflows of Resources	141,780	671	-
FUND BALANCES			
Restricted	7,683,204	37,101	53
Total Fund Balances	7,683,204	37,101	53
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 7,980,074	$ 37,772	$ 53

CONVENTION CENTER FUND	2010 CAPITAL IMPROVEMENT FUND	2012 CAPITAL IMPROVEMENT FUND	2020 CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
$ 30,128	$ 2,157	$ -	$ 1,063,766	$ 2,196,499
-	-	-	2,525,000	9,300,000
545	39	-	64,914	207,949
$ 30,673	$ 2,196	$ -	$ 3,653,680	$ 11,704,448
$ -	$ -	$ -	$ 28,495	$ 183,585
-	-	2,931	-	2,931
-	-	2,931	28,495	186,516
545	39	-	64,914	207,949
545	39	-	64,914	207,949
30,128	2,157	(2,931)	3,560,271	11,309,983
30,128	2,157	(2,931)	3,560,271	11,309,983
$ 30,673	$ 2,196	$ -	$ 3,653,680	$ 11,704,448

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	GENERAL FUND CONSTRUCTION FUND	DRAINAGE MITIGATION FUND	TEXAS CAPITAL GRANT FUND
Revenues:			
Investment earnings	$ 19,673	$ 331	$ -
Total Revenues	19,673	331	-
Expenditures:			
Capital outlay:			
General government	159,513	-	-
Public safety	79,194	-	-
Cultural and recreation	54,491	-	-
Public works	172,319	-	-
Total Expenditures	465,517	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(445,844)	331	-
Other Financing Sources (Uses):			
Transfers in	6,155,000	-	-
Total Other Financing Sources (Uses)	6,155,000	-	-
Net Change in Fund Balances	5,709,156	331	-
Fund Balances - Beginning	1,974,048	36,770	53
Fund Balances - Ending	$ 7,683,204	$ 37,101	$ 53

CONVENTION CENTER FUND	2010 CAPITAL IMPROVEMENT FUND	2012 CAPITAL IMPROVEMENT FUND	2020 CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
$ 313	$ 27	$ -	$ -	$ 20,344
313	27	-	-	20,344
-	-	-	106,608	266,121
-	-	-	-	79,194
-	-	-	122,499	176,990
-	-	-	74,500	246,819
-	-	-	303,607	769,124
313	27	-	(303,607)	(748,780)
-	-	-	-	6,155,000
-	-	-	-	6,155,000
313	27	-	(303,607)	5,406,220
29,815	2,130	(2,931)	3,863,878	5,903,763
$ 30,128	$ 2,157	$ (2,931)	$ 3,560,271	$ 11,309,983

INTERNAL SERVICE FUNDS

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

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

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

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2023

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TECHNOLOGY AMORTIZATION	TOTAL
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 1,110,784	$ 1,056,464	$ 999,100	$ 3,166,348
Investments	975,000	3,225,000	-	4,200,000
Accounts receivable (net of allowance for uncollectibles)	13,664	-	-	13,664
Other receivables	-	262,009	-	262,009
Interest receivable	37,621	96,414	18,072	152,107
Total Current Assets	2,137,069	4,639,887	1,017,172	7,794,128
Noncurrent Assets:				
Capital Assets:				
Machinery and equipment	-	4,654,222	26,103	4,680,325
Vehicles	-	15,425,889	-	15,425,889
Right-to-use lease assets	-	-	258,154	258,154
Less accumulated depreciation and amortization	-	(13,350,598)	(200,941)	(13,551,539)
Total Capital Assets, Net	-	6,729,513	83,316	6,812,829
Total Assets	2,137,069	11,369,400	1,100,488	14,606,957
LIABILITIES				
Current Liabilities:				
Accounts/claims payable	809,569	66,362	3,508	879,439
Due to other funds	241,998	-	-	241,998
Total Current Liabilities	1,051,567	66,362	3,508	1,121,437
Total Liabilities	1,051,567	66,362	3,508	1,121,437
NET POSITION				
Net investment in capital assets	-	6,729,513	83,316	6,812,829
Unrestricted	1,085,502	4,573,525	1,013,664	6,672,691
Total Net Position	$ 1,085,502	$ 11,303,038	$ 1,096,980	$ 13,485,520

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TECHNOLOGY AMORTIZATION	TOTAL
Operating Revenues:				
Employee premiums	$ 1,109,581	$ -	$ -	$ 1,109,581
Employer premiums	3,413,882	-	-	3,413,882
Equipment rental	-	2,422,162	74,655	2,496,817
Miscellaneous	(16,368)	-	-	(16,368)
Total Operating Revenues	4,507,095	2,422,162	74,655	7,003,912
Operating Expenses:				
Insurance claims and related expenses	5,618,475	-	-	5,618,475
Equipment acquisition and related expenses	-	17,273	111,373	128,646
Depreciation and amortization	-	1,816,498	72,355	1,888,853
Total Operating Expenses	5,618,475	1,833,771	183,728	7,635,974
Operating Income (Loss)	(1,111,380)	588,391	(109,073)	(632,062)
Nonoperating Revenues (Expenses):				
Investment earnings	75,202	170,992	14,835	261,029
Gain on sale of assets	-	680,351	-	680,351
Interest and fiscal charges	-	-	(5,262)	(5,262)
Total Nonoperating Revenues (Expenses)	75,202	851,343	9,573	936,118
Income (Loss) Before Transfers	(1,036,178)	1,439,734	(99,500)	304,056
Transfers:				
Transfers in	695,000	-	-	695,000
Total Transfers	695,000	-	-	695,000
Change in Net Position	(341,178)	1,439,734	(99,500)	999,056
Net Position - Beginning	1,426,680	9,863,304	1,196,480	12,486,464
Net Position - Ending	$ 1,085,502	$ 11,303,038	$ 1,096,980	$ 13,485,520

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2023

	GROUP HEALTH INSURANCE	EQUIPMENT ACQUISITION AND REPLACEMENT	TECHNOLOGY AMORTIZATION	TOTAL
Cash Flows From Operating Activities:				
Receipts from customers and users	$ 1,096,794	$ -	$ -	$ 1,096,794
Receipts from interfund services provided	3,413,882	2,422,162	74,655	5,910,699
Payments to suppliers	(5,167,540)	(17,273)	(107,865)	(5,292,678)
Net Cash Provided (Used) by Operating Activities	(656,864)	2,404,889	(33,210)	1,714,815
Cash Flows From Noncapital Financing Activities:				
Transfer from other funds	695,000	-	-	695,000
Net Cash Provided by Noncapital Financing Activities	695,000	-	-	695,000
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(2,347,781)	-	(2,347,781)
Proceeds from sale of capital assets	-	430,981	-	430,981
Interest and fiscal charges	-	-	(5,262)	(5,262)
Principal payments on leases payable	-	-	(116,749)	(116,749)
Net Cash Used by Capital and Related Financing Activities	-	(1,916,800)	(122,011)	(2,038,811)
Cash Flows From Investing Activities:				
Purchase of investments	(850,397)	(2,749,398)	-	(3,599,795)
Investment maturities	479,288	1,837,269	-	2,316,557
Investment earnings received	39,312	75,187	-	114,499
Net Cash Used by Investing Activities	(331,797)	(836,942)	-	(1,168,739)
Net Decrease in Cash and Cash Equivalents	(293,661)	(348,853)	(155,221)	(797,735)
Cash and Cash Equivalents - Beginning	1,404,445	1,405,317	1,154,321	3,964,083
Cash and Cash Equivalents - Ending	$ 1,110,784	$ 1,056,464	$ 999,100	$ 3,166,348
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	$ (1,111,380)	$ 588,391	$ (109,073)	$ (632,062)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	-	1,816,498	72,355	1,888,853
(Increase) in accounts receivable	(12,787)	-	-	(12,787)
Increase in accounts/claims payable	467,303	-	3,508	470,811
Total Adjustments	454,516	1,816,498	75,863	2,346,877
Net Cash Provided (Used) by Operating Activities	$ (656,864)	$ 2,404,889	$ (33,210)	$ 1,714,815
Noncash Financing and Investing Activities:				
Increase in fair value of investments	$ 3,891	$ 12,871	$ -	$ 16,762

CITY OF LUFKIN, TEXAS
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
WATER AND SEWER UTILITY ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Utility Collections:		
Payroll costs	$	486,904
Supplies		104,530
Maintenance of equipment		31,601
Miscellaneous services		41,846
Total Utility Collections		664,881
Water/Sewer Utilities		
Payroll costs		1,882,493
Supplies		286,833
Maintenance of equipment		888,177
Miscellaneous services		501,776
Total Water/Sewer Utilities		3,559,279
Wastewater Treatment Plant:		
Payroll costs		939,573
Supplies		554,852
Maintenance of equipment		236,214
Miscellaneous services		678,094
Total Wastewater Treatment Plant		2,408,733
Water Production:		
Payroll costs		136,457
Supplies		383,616
Maintenance of equipment		231,794
Miscellaneous services		1,291,531
Total Water Production		2,043,398
Depreciation and amortization		2,405,783
General and administrative		3,088,424
Non-departmental		428,843
Total Operating Expenses	$	14,599,341

CITY OF LUFKIN, TEXAS
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
SOLID WASTE DISPOSAL ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Sanitation:		
Payroll costs	$	1,520,951
Supplies		540,148
Maintenance of equipment		262,002
Miscellaneous services		2,179,441
Total Sanitation		4,502,542
Recycling:		
Payroll costs		142,524
Supplies		16,412
Maintenance of equipment		37,942
Miscellaneous services		55,556
Total Recycling		252,434
Depreciation and amortization		95,806
General and administrative		2,433,456
Non-departmental		59,457
Total Operating Expenses	$	7,343,695

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, 2023

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Revenues:				
Property taxes	$ 2,549,878	$ 2,549,878	$ 2,498,335	(51,543)
Investment earnings	25,000	30,000	100,273	70,273
Total Revenues	2,574,878	2,579,878	2,598,608	18,730
Expenditures:				
Debt service:				
Principal:				
2011 general obligation refunding bonds	325,000	325,000	325,000	-
2012 certificates of obligation	350,000	350,000	350,000	-
2013 certificates of obligation	240,000	240,000	240,000	-
2014 general obligation refunding bonds	545,000	545,000	545,000	-
2015 general obligation refunding bonds	405,000	405,000	405,000	-
2016 general obligation refunding bonds	45,000	45,000	45,000	-
2017 general obligation refunding bonds	825,000	825,000	825,000	-
2020 certificates of obligation	200,000	200,000	200,000	-
2020 general obligation refunding bonds	430,000	430,000	430,000	-
Total Principal	3,365,000	3,365,000	3,365,000	-
Interest:				
2011 general obligation refunding bonds	15,594	15,594	15,594	-
2012 certificates of obligation	89,188	89,188	89,188	-
2013 certificates of obligation	103,783	103,783	103,782	1
2014 general obligation refunding bonds	50,700	50,700	50,700	-
2015 general obligation refunding bonds	77,800	77,800	77,800	-
2016 general obligation refunding bonds	214,275	214,275	214,275	-
2017 general obligation refunding bonds	181,075	181,075	181,075	-
2020 certificates of obligation	170,950	170,950	170,950	-
2020 general obligation refunding bonds	70,850	70,850	70,850	-
Paying agent fees	6,750	6,750	4,000	2,750
Total Interest and Fiscal Charges	980,965	980,965	978,214	2,751
Total Expenditures	4,345,965	4,345,965	4,343,214	2,751
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,771,087)	(1,766,087)	(1,744,606)	21,481
Other Financing Sources (Uses):				
Transfers in	1,870,695	1,870,695	1,870,695	-
Total Other Financing Sources (Uses)	1,870,695	1,870,695	1,870,695	-
Net Change in Fund Balances	99,608	104,608	126,089	21,481
Fund Balances - Beginning	2,598,002	2,598,002	2,598,002	-
Fund Balances - Ending	$ 2,697,610	$ 2,702,610	$ 2,724,091	$ 21,481

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Revenues:				
Other taxes	$ 1,150,000	$ 1,300,000	$ 1,406,709	$ 106,709
Investment earnings	1,070	4,200	7,479	3,279
Total Revenues	1,151,070	1,304,200	1,414,188	109,988
Expenditures:				
Current:				
Cultural and recreation	1,150,000	1,289,000	277,290	1,011,710
Total Expenditures	1,150,000	1,289,000	277,290	1,011,710
Excess of Revenues Over Expenditures	1,070	15,200	1,136,898	1,121,698
Other Financing Sources (Uses):				
Transfers out	-	-	(1,029,000)	(1,029,000)
Total Other Financing Sources (Uses)	-	-	(1,029,000)	(1,029,000)
Net Change in Fund Balances	1,070	15,200	107,898	92,698
Fund Balances - Beginning	365,050	365,050	365,050	-
Fund Balances - Ending	$ 366,120	$ 380,250	$ 472,948	$ 92,698

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Revenues:				
Charges for services	$ 351,250	$ 351,250	$ 452,819	$ 101,569
Investment earnings	14,000	35,000	58,719	23,719
Other revenues	35,240	53,825	54,309	484
Total Revenues	400,490	440,075	565,847	125,772
Expenditures:				
Current:				
Cultural and recreation	341,119	293,550	252,205	41,345
Capital outlay	28,000	80,000	-	80,000
Total Expenditures	369,119	373,550	252,205	121,345
Excess of Revenues Over Expenditures	31,371	66,525	313,642	247,117
Other Financing Sources (Uses):				
Transfers out	(28,599)	(28,599)	(28,599)	-
Total Other Financing Sources (Uses)	(28,599)	(28,599)	(28,599)	-
Net Change in Fund Balances	2,772	37,926	285,043	247,117
Fund Balances - Beginning	2,444,935	2,444,935	2,444,935	-
Fund Balances - Ending	$ 2,447,707	$ 2,482,861	$ 2,729,978	$ 247,117

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Revenues:				
Investment earnings	$ 400	$ -	$ 2,333	$ 2,333
Other revenues	20,000	20,000	21,474	1,474
Total Revenues	20,400	20,000	23,807	3,807
Expenditures:				
Current:				
Public safety	47,170	40,776	39,146	1,630
Total Expenditures	47,170	40,776	39,146	1,630
Net Change in Fund Balances	(26,770)	(20,776)	(15,339)	5,437
Fund Balances - Beginning	107,688	107,688	107,688	-
Fund Balances - Ending	$ 80,918	$ 86,912	$ 92,349	$ 5,437

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Revenues:				
Charges for services	$ 465,568	$ 425,158	$ 400,304	$ (24,854)
Investment earnings	1,000	-	46	46
Intergovernmental	-	26,060	28,560	2,500
Total Revenues	466,568	451,218	428,910	(22,308)
Expenditures:				
Current:				
Cultural and recreation	440,981	506,507	408,605	97,902
Capital outlay	-	7,560	-	7,560
Total Expenditures	440,981	514,067	408,605	105,462
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,587	(62,849)	20,305	83,154
Other Financing Sources (Uses):				
Transfers out	(29,564)	(29,564)	(29,564)	-
Total Other Financing Sources (Uses)	(29,564)	(29,564)	(29,564)	-
Net Change in Fund Balances	(3,977)	(92,413)	(9,259)	83,154
Fund Balances - Beginning (deficit)	(30,430)	(30,430)	(30,430)	-
Fund Balances - Ending (deficit)	$ (34,407)	$ (122,843)	$ (39,689)	$ 83,154

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Revenues:				
Investment earnings (loss)	$ 500	$ 500	$ 2,381	$ 1,881
Intergovernmental revenue	55,000	55,000	38,612	(16,388)
Total Revenues	55,500	55,500	40,993	(14,507)
Expenditures:				
Current:				
Public safety	-	26,304	23,965	2,339
Total Expenditures	-	26,304	23,965	2,339
Excess of Revenues Over Expenditures	55,500	29,196	17,028	(12,168)
Other Financing Sources (Uses):				
Transfers out	(50,500)	(50,500)	(50,500)	-
Total Other Financing Sources (Uses)	(50,500)	(50,500)	(50,500)	-
Net Change in Fund Balances	5,000	(21,304)	(33,472)	(12,168)
Fund Balances - Beginning	121,140	121,140	121,140	-
Fund Balances - Ending	$ 126,140	$ 99,836	$ 87,668	$ (12,168)

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Revenues:				
Investment earnings	$ 400	$ 900	$ 2,913	$ 2,013
Other revenues	-	37,080	41,904	4,824
Total Revenues	400	37,980	44,817	6,837
Expenditures:				
Current:				
Cultural and recreation	-	31,631	29,508	2,123
Total Expenditures	-	31,631	29,508	2,123
Net Change in Fund Balances	400	6,349	15,309	8,960
Fund Balances - Beginning	106,957	106,957	106,957	-
Fund Balances - Ending	$ 107,357	$ 113,306	$ 122,266	$ 8,960

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Revenues:				
Charges for services	$ 6,000	$ 5,000	$ 8,005	$ 3,005
Investment earnings	256	-	1,313	1,313
Total Revenues	6,256	5,000	9,318	4,318
Expenditures:				
Current:				
Cultural and recreation	30,485	25,031	30,242	(5,211)
Capital outlay	-	5,495	-	5,495
Total Expenditures	30,485	30,526	30,242	284
Deficiency of Revenues Under Expenditures	(24,229)	(25,526)	(20,924)	4,602
Other Financing Sources (Uses):				
Transfers in	30,500	30,500	30,500	-
Total Other Financing Sources (Uses)	30,500	30,500	30,500	-
Net Change in Fund Balances	6,271	4,974	9,576	4,602
Fund Balances - Beginning (deficit)	46,394	46,394	46,394	-
Fund Balances - Ending	$ 52,665	$ 51,368	$ 55,970	$ 4,602

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Revenues:				
Investment earnings	$ -	$ 300	$ -	$ (300)
Total Revenues	-	300	-	(300)
Expenditures:				
Current:				
Cultural and recreation	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balances	-	300	-	(300)
Fund Balances - Beginning	(90)	(90)	(90)	-
Fund Balances - Ending (deficit)	$ (90)	$ 210	$ (90)	$ (300)

CITY OF LUFKIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
LUFKIN CONVENTION & VISITOR BUREAU - SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Revenues:				
Investment earnings	$ 2,250	$ 8,000	$ 18,962	$ 10,962
Other revenues	248,750	187,879	196,603	8,724
Total Revenues	251,000	195,879	215,565	19,686
Expenditures:				
Current:				
Culture and recreation	583,181	646,845	656,774	(9,929)
Total Expenditures	583,181	646,845	656,774	(9,929)
Deficiency of Revenues Under Expenditures	(332,181)	(450,966)	(441,209)	9,757
Other Financing Sources (Uses):				
Transfers in	352,500	502,500	352,500	150,000
Total Other Financing Sources (Uses)	352,500	502,500	352,500	150,000
Net Change in Fund Balances	20,319	51,534	(88,709)	(140,243)
Fund Balances - Beginning	817,873	817,873	817,873	-
Fund Balances - Ending	$ 838,192	$ 869,407	$ 729,164	$ (140,243)

CITY OF LUFKIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
CONVENTION SERVICES - SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
Revenues:				
Charges for services	$ -	$ 30	$ 200,863	$ 200,833
Investment earnings	1,530	3,000	11,261	8,261
Other revenues	181,030	175,800	-	(175,800)
Total Revenues	182,560	178,830	212,124	33,294
Expenditures:				
Current:				
Cultural and recreation	689,300	835,786	725,335	110,451
Total Expenditures	689,300	835,786	725,335	110,451
Deficiency of Revenues Under Expenditures	(506,740)	(656,956)	(513,211)	143,745
Other Financing Sources (Uses):				
Transfers in	507,000	646,000	646,000	-
Total Other Financing Sources (Uses)	507,000	646,000	646,000	-
Net Change in Fund Balances	260	(10,956)	132,789	143,745
Fund Balances - Beginning	402,643	402,643	402,643	-
Fund Balances - Ending	$ 402,903	$ 391,687	$ 535,432	$ 143,745

STATISTICAL SECTION

CITY OF

Lufkin

TEXAS

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

	FISCAL YEAR									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental Activities										
Net investment in capital assets	$ 81,912	$ 77,648	$ 74,172	$ 70,995	$ 70,132	$ 65,211	$ 60,323	$ 56,575	$ 51,434	$ 38,764
Restricted	14,309	8,867	8,458	6,762	2,710	2,424	2,488	2,263	5,016	6,604
Unrestricted	(7,474)	(5,462)	(10,481)	(16,985)	(20,771)	(19,005)	(14,959)	(14,553)	(11,680)	15,691
Total Governmental Activities	$ 88,747	$ 81,053	$ 72,149	$ 60,772	$ 52,071	$ 48,630	$ 47,852	$ 44,285	$ 44,770	$ 61,059
Business-type activities										
Net investment in capital assets	$ 61,621	$ 62,315	$ 64,676	$ 65,903	$ 64,980	$ 65,020	$ 66,302	$ 67,655	$ 67,005	$ 67,260
Restricted	17,066	26,458	10,505	8,801	9,456	10,675	9,582	8,583	1,294	1,308
Unrestricted	13,004	(3,323)	6,886	5,840	5,715	6,016	5,543	6,946	14,873	16,603
Total Business-Type Activities	$ 91,691	$ 85,450	$ 82,067	$ 80,544	$ 80,151	$ 81,711	$ 81,427	$ 83,184	$ 83,172	$ 85,171
Primary government										
Net investment in capital assets	$ 143,533	$ 139,963	$ 138,848	$ 136,898	$ 135,112	$ 130,231	$ 126,625	$ 124,230	$ 118,439	$ 106,024
Restricted	31,375	35,325	18,963	15,563	12,166	13,099	12,070	11,629	6,310	7,912
Unrestricted	5,530	(8,785)	(3,595)	(11,145)	(15,056)	(12,989)	(9,416)	(8,390)	3,193	32,294
Total Primary Government	$ 180,438	$ 166,503	$ 154,216	$ 141,316	$ 132,222	$ 130,341	$ 129,279	$ 127,469	$ 127,942	$ 146,230

Source: City of Lufkin accounting records.

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

	FISCAL YEAR				
	2023	2022	2021	2020	2019
Expenses:					
Governmental Activities:					
General government	$ 5,424	$ 4,625	$ 4,637	$ 5,185	$ 4,899
Public safety	23,759	20,228	19,518	20,611	21,592
Cultural and recreation	7,568	5,536	5,391	6,050	7,062
Planning and community development	-	-	-	-	-
Public works	7,276	5,256	5,551	5,557	6,209
Interest and fiscal charges	876	986	1,137	1,355	1,300
Total Governmental Activities	44,903	36,631	36,234	38,758	41,062
Business-Type Activities:					
Water and sewer	15,081	14,600	13,529	13,978	13,966
Solid waste disposal	7,344	6,617	6,653	6,613	6,907
Total Business-Type Activities	22,425	21,217	20,182	20,591	20,873
Total Primary Government	$ 67,328	$ 57,848	$ 56,416	$ 59,349	$ 61,935
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	$ 2,734	$ 2,460	$ 2,321	$ 2,346	$ 2,263
Public safety	2,165	1,929	4,056	4,285	3,596
Cultural and recreation	1,062	947	814	564	1,049
Planning and community development	-	-	-	-	-
Public works	2,671	2,385	2,550	2,716	2,591
Operating grants and contributions	549	1,692	942	2,359	320
Capital grants and contributions	2,063	-	235	37	-
Total Governmental Activities	11,244	9,413	10,918	12,307	9,819
Business-type activities:					
Charges for services:					
Water and sewer	20,921	18,889	17,622	17,766	16,983
Solid waste disposal	8,340	7,730	7,365	7,023	6,724
Capital grants and contributions	-		-	-	-
Total Business-Type Activities	29,261	26,619	24,987	24,789	23,707
Total Primary Government	$ 40,505	$ 36,032	$ 35,905	$ 37,096	$ 33,526
Net (expense)/revenue:					
Governmental Activities	$ (33,659)	$ (27,218)	$ (25,316)	$ (26,451)	$ (31,243)
Business-Type Activities	6,836	5,402	4,805	4,198	2,834
Total Primary Government	$ (26,823)	$ (21,816)	$ (20,511)	$ (22,253)	$ (28,409)
General Revenues and Transfers:					
Governmental Activities:					
Taxes:					
Property taxes	$ 13,152	$ 12,472	$ 11,793	$ 11,339	$ 10,953
Sales taxes	18,176	17,249	15,970	14,021	14,009
Franchise taxes	2,381	2,178	2,221	2,333	2,536
Hotel tax	1,407	1,242	1,072	901	1,155
Other	148	139	114	84	106
Unrestricted investment earnings	1,715	32	216	493	571
Gain on retirement of capital assets	711	50	203	544	19
Miscellaneous revenues	1,262	604	812	1,407	418
Transfers	2,401	2,156	3,519	4,030	4,917
Total Governmental Activities	41,353	36,122	35,920	35,152	34,684
Business-Type Activities:					
Unrestricted investment earnings	1,129	135	219	226	462
Gain on retirement of capital assets	677	2	18	(1)	61
Miscellaneous revenues	-	-	-	-	-
Transfers	(2,401)	(2,156)	(3,519)	(4,030)	(4,917)
Total Business-Type Activities	(595)	(2,019)	(3,282)	(3,805)	(4,394)
Total Primary Government	$ 40,758	$ 34,103	$ 32,638	$ 31,347	$ 30,290
Change in Net Position:					
Governmental Activities	$ 7,694	$ 8,904	$ 10,604	$ 8,701	$ 3,441
Business-type activities	6,241	3,383	1,523	393	(1,560)
Total Primary Government	$ 13,935	$ 12,287	$ 12,127	$ 9,094	$ 1,881

Source: City of Lufkin accounting records.

FISCAL YEAR				
2018	2017	2016	2015	2014
$ 5,086	$ 5,086	$ 4,509	$ 2,786	$ 1,789
21,558	20,990	21,465	19,892	20,712
6,110	6,424	6,475	6,381	6,259
444	455	528	97	487
5,496	5,717	5,447	1,678	3,368
1,463	1,839	2,094	2,323	2,654
40,157	40,511	40,518	33,157	35,269
13,645	14,211	13,450	12,277	13,635
6,556	6,484	6,247	5,751	5,882
20,201	20,695	19,697	18,028	19,517
$ 60,358	$ 61,206	$ 60,215	$ 51,185	$ 54,786
$ 2,642	$ 2,452	$ 2,386	$ 2,940	$ 3,065
4,326	4,809	3,627	3,748	3,607
1,013	1,109	1,091	1,311	1,285
-	40	39	-	-
1,866	1,479	1,461	-	-
423	274	248	410	-
268	(31)	965	702	-
10,538	10,132	9,817	9,111	7,957
17,991	16,774	16,880	16,172	15,493
6,864	6,646	6,236	6,374	6,221
-	3	104	102	-
24,855	23,423	23,220	22,648	21,714
$ 35,393	$ 33,555	$ 33,037	$ 31,759	$ 29,671
$ (29,619)	$ (30,379)	$ (30,701)	$ (24,046)	$ (27,312)
4,654	2,728	3,523	4,620	2,197
$ (24,965)	$ (27,651)	$ (27,178)	$ (19,426)	$ (25,115)
$ 10,749	$ 10,713	$ 10,685	$ 10,802	$ 10,768
13,643	13,130	13,270	12,909	12,054
2,366	2,359	2,383	2,480	2,513
1,087	972	1,151	926	877
99	97	117	93	95
354	240	252	108	143
96	25	75	98	94
740	1,758	1,014	461	752
4,145	4,652	3,723	4,023	253
33,279	33,946	32,670	31,900	27,549
270	167	168	55	81
-	-	43	35	57
-	-	-	-	131
(4,145)	(4,652)	(3,723)	(4,023)	(253)
(3,875)	(4,485)	(3,512)	(3,933)	16
$ 29,404	$ 29,461	$ 29,158	$ 27,967	$ 27,565
$ 3,660	$ 3,567	$ 1,969	$ 7,854	$ 237
779	(1,757)	11	687	2,213
$ 4,439	$ 1,810	$ 1,980	$ 8,541	$ 2,450

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
2023	$ 13,152	$ 18,176	$ 2,381	$ 148	$ 1,407	$ 35,264
2022	12,472	17,249	2,178	139	1,242	33,280
2021	11,793	15,970	2,221	114	1,072	31,170
2020	11,339	14,021	2,333	84	901	28,678
2019	10,953	14,009	2,536	106	1,155	28,759
2018	10,749	13,643	2,366	99	1,087	27,944
2017	10,713	13,130	2,359	97	972	27,271
2016	10,685	13,270	2,383	117	1,151	27,606
2015	10,802	12,909	2,480	93	926	27,210
2014	10,768	12,055	2,513	94	877	26,307

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Fund:										
Nonspendable	$ 290	$ 299	$ 292	$ 278	$ 313	$ 295	$ 251	$ 214	$ 253	$ 249
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	9,269	8,539	8,314	8,397	8,324	8,332	8,330	8,148	7,733	7,645
Assigned	584	-	-	-	656	690	704	428	-	-
Unassigned	5,556	9,026	7,345	4,080	1,725	1,305	1,158	1,690	3,183	2,411
Total General Fund	$ 15,699	$ 17,864	$ 15,951	$ 12,755	$ 11,018	$ 10,622	$ 10,443	$ 10,480	$ 11,169	$ 10,305
All Other Governmental Funds:										
Nonspendable:										
Special Revenue Funds	$ -	$ -	$ -	$ -	$ 9	$ -	$ -	$ -	$ -	$ -
Restricted:										
Debt Service Fund	2,724	2,598	2,385	2,299	2,164	1,829	1,828	1,407	1,811	1,991
Special Revenue Funds	275	365	303	188	312	300	368	217	309	484
Capital Project Funds	11,310	5,904	5,769	4,274	234	296	292	639	1,501	2,165
Committed:										
Special Revenue Funds	1,700	1,505	1,232	138	252	184	212	49	1,786	92
Capital Project Funds	-	-	-	-	-	-	136	980		
Assigned:										
Special Revenue Funds	2,908	2,598	2,216	1,908	1,836	1,750	1,675	1,455	(52)	1,871
Unassigned:										
Special Revenue Funds	-	-	-	-	-	(112)	-	-	-	-
Capital Project Funds	-	-	-	-	(189)	-	-	-	-	-
Total All Other Governmental Funds	$ 18,917	$ 12,970	$ 11,905	$ 8,807	$ 4,609	$ 4,247	$ 4,511	$ 4,747	$ 5,355	$ 6,603

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			
	2023	2022	2021	2020
Revenues:				
Taxes	$ 35,177	$ 33,230	$ 31,183	$ 28,713
Licenses and permits	452	583	475	721
Fines and forfeitures	351	307	382	425
Charges for services	2,688	2,722	3,797	3,399
Investment earnings (loss)	883	(37)	392	484
Intergovernmental	8,041	6,566	7,705	5,866
Other revenues	1,457	780	965	1,074
Total Revenues	49,049	44,151	44,899	40,682
Expenditures:				
General government	5,450	5,099	4,425	5,022
Public safety	21,525	20,944	20,287	20,382
Cultural and recreation	6,898	5,393	5,052	5,508
Planning and community development	-	-	-	-
Public works	7,987	5,635	5,244	5,187
Debt service:				
Principal	3,365	3,940	4,846	5,445
Interest and fiscal charges	978	1,089	1,288	1,152
Bond issuance costs	-	-	-	216
Capital outlay	769	1,065	937	917
Total Expenditures	46,972	43,165	42,079	43,829
Excess of Revenues Over (Under) Expenditures	2,077	986	2,820	(3,147)
Other Financing Sources (Uses):				
Bond proceeds	-	-	-	-
Refunding bonds proceeds	-	-	-	5,085
Premiums	-	-	-	820
Bonds/Certificates of Obligations issued	-	-	-	4,630
Payment to refunded bond escrow agent	-	-	-	(5,318)
Transfers in	9,663	4,511	5,913	5,124
Transfers out	(7,958)	(2,520)	(3,309)	(1,259)
Total Other Financing Sources (Uses)	1,705	1,991	2,604	9,082
Net Change In Fund Balances	$ 3,782	$ 2,977	$ 5,424	$ 5,935
Debt service as a percentage of noncapital expenditures	9.40%	11.95%	14.91%	15.88%

Source: City of Lufkin accounting records

FISCAL YEAR						
2019	2018	2017	2016	2015	2014
$ 28,727	$ 27,929	$ 27,328	$ 27,557	$ 26,816	$ 25,961
440	388	330	322	298	319
735	992	1,107	1,064	1,048	1,192
3,468	3,589	3,875	3,905	3,606	3,386
302	225	146	110	90	127
5,200	5,473	4,473	5,353	5,126	6,577
683	1,090	1,560	1,039	875	1,063
39,555	39,686	38,819	39,350	37,859	38,625
4,532	4,773	4,430	4,195	4,071	3,843
19,673	20,337	19,711	19,543	18,726	18,177
5,983	5,823	5,812	6,445	5,721	5,597
-	224	429	421	390	431
5,475	4,989	5,221	4,788	4,345	4,570
5,265	5,205	4,685	4,535	5,054	5,010
1,358	1,476	1,815	1,926	2,193	2,455
-	-	122	233	131	104
1,263	864	1,483	2,153	1,568	4,569
43,549	43,691	43,708	44,239	42,199	44,756
(3,994)	(4,005)	(4,889)	(4,889)	(4,340)	(6,131)
-	-	-	-	151	5,259
-	-	9,355	9,080	-	-
-	-	464	898	-	-
-	-	-	-	-	-
-	-	(9,690)	(9,893)	-	-
5,325	4,460	4,941	4,956	4,191	4,717
(573)	(540)	(454)	(1,450)	(725)	(5,681)
4,752	3,920	4,616	3,591	3,617	4,295
$ 758	$ (85)	$ (273)	$ (1,298)	$ (723)	$ (1,836)
15.66%	15.60%	15.68%	15.91%	18.11%	23.21%

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

FISCAL YEAR	PROPERTY TAXES	SALES TAXES	FRANCHISE TAXES	MIXED BEVERAGE TAXES	HOTEL TAXES	TOTAL
2023	$ 13,065	$ 18,176	$ 2,381	$ 148	$ 1,407	$ 35,177
2022	12,422	17,249	2,178	139	1,242	33,230
2021	11,806	15,970	2,221	114	1,072	31,183
2020	11,374	14,021	2,333	84	901	28,713
2019	10,921	14,009	2,536	106	1,155	28,727
2018	10,734	13,643	2,366	99	1,087	27,929
2017	10,770	13,160	2,359	97	972	27,358
2016	10,637	13,270	2,383	117	1,151	27,558
2015	10,408	12,909	2,480	93	926	26,816
2014	10,422	12,055	2,513	94	877	25,961

Source: City of Lufkin accounting records

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

	TAX RATE				# OF OUTLETS		SALES INFORMATION			
FISCAL YEAR	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
2023	1.000%	0.375%	0.125%	1.500%	1,746	2.65%	$ 3,645,866	$ 1,097,988	4.50%	30.12%
2022	1.000%	0.375%	0.125%	1.500%	1,701	4.74%	4,079,826	1,050,743	7.30%	25.75%
2021	1.000%	0.375%	0.125%	1.500%	1,624	2.59%	2,844,779	979,258	8.91%	34.42%
2020	1.000%	0.375%	0.125%	1.500%	1,583	0.89%	3,279,202	899,117	(0.90)%	27.42%
2019	1.000%	0.375%	0.125%	1.500%	1,569	(0.51)%	3,280,397	907,285	1.90%	27.66%
2018	1.000%	0.375%	0.125%	1.500%	1,577	(3.87)%	3,267,495	890,349	5.47%	27.25%
2017	1.000%	0.375%	0.125%	1.500%	1,641	0.29%	3,006,669	844,194	(2.88)%	28.08%
2016	1.000%	0.375%	0.125%	1.500%	1,636	2.47%	3,298,349	869,218	0.62%	26.35%
2015	1.000%	0.375%	0.125%	1.500%	1,596	5.80%	3,200,576	863,900	(0.41)%	26.99%
2014	1.000%	0.375%	0.125%	1.500%	1,509	-	3,299,928	867,456	-	26.29%

TAXABLE SALES BY INDUSTRY
LAST TEN FISCAL YEARS

	TAXABLE SALES BY INDUSTRY					
FISCAL YEAR	MANUFACTURING (000's)	RETAIL TRADE (000's)	ACCOMMODATION FOOD SERVICE (000's)	WHOLESALE TRADE (000's)	INFORMATION (000's)	MISC [1] (000's)
2023	$ 29,915	$ 625,119	$ 187,502	$ 68,420	$ 42,948	$ 144,084
2022	26,565	619,556	172,412	59,988	50,243	121,979
2021	22,120	592,356	154,049	51,056	55,818	103,858
2020	21,100	539,113	136,499	50,599	60,167	91,639
2019	35,763	511,999	143,245	50,753	63,889	101,636
2018	28,416	507,145	138,222	51,051	63,181	102,334
2017	20,768	495,452	132,118	41,734	63,598	90,524
2016	25,236	506,108	130,113	51,875	67,801	88,087
2015	38,485	495,129	127,784	47,615	67,931	86,955
2014	73,552	483,795	117,845	40,916	66,761	84,587

(1) Miscellaneous includes construction, transportation/warehousing, education, finance/insurance, and other industries
Source: Texas Comptroller Public Accounts website

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

FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		LESS: TAX EXEMPT REAL PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE	ESTIMATED ACTUAL TAXABLE VALUE	ASSESSED VALUE AS A PERCENTAGE OF ACTUAL VALUE
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	PERSONAL PROPERTY	MINERALS					
2023	$ 1,206,550	$ 1,423,886	$ 541,153	$ -	$ 548,541	$ 2,623,048	0.524671	$ 3,171,589	82.70%
2022	1,059,830	1,212,868	466,168	-	377,370	2,361,496	0.531135	2,738,866	86.22%
2021	904,798	1,055,086	497,458	-	228,575	2,228,767	0.531135	2,457,342	90.70%
2020	886,464	992,735	528,589	-	219,720	2,188,068	0.531135	$ 2,407,788	90.87%
2019	839,971	996,903	482,050	-	209,819	2,109,105	0.531135	$ 2,318,924	90.95%
2018	777,456	960,502	502,659	-	195,258	2,045,359	0.531135	$ 2,240,617	91.29%
2017	740,765	974,620	533,422	-	197,027	2,051,780	0.529942	2,248,907	91.23%
2016	768,569	936,793	568,133	-	224,415	2,049,080	0.523800	2,273,494	90.13%
2015	758,004	935,930	533,785	-	214,697	2,013,023	0.523800	2,227,720	90.36%
2014	764,341	927,495	550,627	-	227,004	2,015,459	0.050380	2,242,462	89.88%

Source: Angelina County Appraisal District

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

	CITY OF LUFKIN			LUFKIN INDEPENDENT SCHOOL DISTRICT		
FISCAL YEAR	OPERATING MILLAGE	DEBT SERVICE MILLAGE	TOTAL CITY MILLAGE	OPERATING MILLAGE	DEBT SERVICE MILLAGE	TOTAL SCHOOL MILLAGE
2023	0.42467	0.10000	0.52467	0.94850	0.21500	1.16350
2022	0.39114	0.14000	0.53114	0.99130	0.26200	1.25330
2021	0.39114	0.14000	0.53114	1.03810	0.28600	1.32410
2020	0.39114	0.14000	0.53114	1.06830	0.25000	1.31830
2019	0.38114	0.15000	0.53114	1.17000	0.28000	1.45000
2018	0.38114	0.15000	0.53114	1.17000	0.04300	1.21300
2017	0.37994	0.15000	0.52994	1.17000	0.04300	1.21300
2016	0.37380	0.15000	0.52380	1.17000	0.04300	1.21300
2015	0.36380	0.16000	0.52380	1.04000	0.17300	1.21300
2014	0.33380	0.17000	0.50380	1.04000	0.16700	1.20700

	ANGELINA COUNTY			ANGELINA COLLEGE			
FISCAL YEAR	OPERATING MILLAGE	DEBT SERVICE MILLAGE	TOTAL COUNTY MILLAGE	OPERATING MILLAGE	DEBT SERVICE MILLAGE	TOTAL COLLEGE MILLAGE	TOTAL ESTIMATED MILLAGE
2023	0.41034	0.01678	0.42712	0.14627	0.01611	0.16238	2.27767
2022	0.41891	0.01821	0.43712	0.14611	0.01792	0.16403	2.38559
2021	0.41777	0.01935	0.43712	0.14588	0.02508	0.17096	2.46332
2020	0.41954	0.01758	0.43712	0.14276	0.02819	0.17096	2.45751
2019	0.41716	0.01996	0.43712	0.14156	0.03943	0.18099	2.59925
2018	0.43832	0.02048	0.45880	0.13971	0.04128	0.18099	2.38393
2017	0.44081	0.02104	0.46185	0.13496	0.04420	0.17916	2.38395
2016	0.41400	0.04229	0.45629	0.12744	0.04446	0.17190	2.36499
2015	0.42160	0.04380	0.46540	0.12610	0.04580	0.17190	2.37410
2014	0.42300	0.04390	0.46690	0.12240	0.04828	0.17068	2.34838

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)

	2023			2014		
TAXPAYER	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Pilgrim Industries Inc.	$ 40,935	1	1.56%	$ 20,205	6	1.00%
Brookshire Bros Inc	31,663	2	1.21%	26,714	3	1.33%
Lufkin Gears, LLC	30,543	3	1.16%	20,051	7	0.99%
Oncor Electric Delivery Co.LLC	30,524	4	1.16%	22,159	5	1.10%
Banc of America Leasing and Capital, LLC	22,054	5	0.84%	-	-	-
Lufkin Mall Realty Holding LLC	19,950	6	0.76%	-	-	-
Twin Disc	19,717	7	0.75%	-	-	-
Lockheed Martin	16,418	8	0.63%	-	-	-
ARC LMLuftex001 LLC	15,810	9	0.60%	-	-	-
Georgia Pacific Chemicals LLC	14,016	10	0.53%	20,118	4	1.00%
Lufkin Industries	-	-	-	71,877	1	3.57%
Consolidated Comm of Texas	-	-	-	29,514	2	1.46%
Piney Woods Healthcare Systems LP	-	-	-	5,137	10	0.25%
Aspen Power LLC	-	-	-	12,508	8	0.62%
Lufkin GKD Partners LP	-	-	-	5,347	9	0.27%

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
2023	$ 13,129	$ 12,795	97.46%	$ 91	$ 12,886	98.15%
2022	12,218	11,980	98.05%	90	12,070	98.79%
2021	11,551	11,364	98.38%	193	11,557	100.05%
2020	11,325	11,027	97.37%	233	11,260	99.43%
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%

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)

	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES				
FISCAL YEAR	GENERAL OBLIGATION BONDS	CERTIFICATES OF OBLIGATION	LEASES	NOTES PAYABLE	FINANCED PURCHASES	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME [1]	PER CAPITA [1]
2023	$ 13,463	$ 11,215	$ -	$ -	$ 19,481	$ 44,159	4.81%	1,293.01
2022	19,820	12,005	117	-	19,481	51,423	6.31%	1,505.71
2021	23,175	12,590	-	-	-	35,765	4.47%	1,049.63
2020	27,450	13,145	-	-	-	40,595	5.06%	1,188.97
2019	30,155	11,420	-	-	-	41,575	5.06%	1,170.80
2018	32,915	13,925	-	8	-	46,848	5.61%	1,318.96
2017	36,830	15,215	-	15	-	52,060	6.35%	1,439.75
2016	30,560	26,040	-	22	-	56,622	6.72%	1,558.42
2015	26,460	34,985	-	29	-	61,474	8.03%	1,700.95
2014	21,670	44,425	-	48	-	66,143	8.65%	1,832.98

[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)

FISCAL YEAR	GENERAL OBLIGATION BONDS	LESS: AMOUNTS AVAILABLE IN DEBT SERVICE FUND	TOTAL	PERCENTAGE OF ESTIMATED ACTUAL TAXABLE VALUE [1] OF PROPERTY	PER CAPITA [2]
2023	$ 13,463	$ 2,724	$ 10,739	0.34%	314.45
2022	19,820	2,598	17,222	0.63%	504.28
2021	23,175	2,385	20,790	0.85%	610.14
2020	27,450	2,299	25,151	1.04%	736.64
2019	30,155	2,164	27,991	1.21%	788.26
2018	32,915	1,829	31,086	1.39%	875.19
2017	36,830	1,828	35,002	1.56%	968.00
2016	30,560	1,407	29,153	1.28%	802.38
2015	26,480	1,811	24,669	1.11%	682.58
2014	21,670	1,991	19,679	0.88%	545.35

[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, 2023
(amounts expressed in thousands)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE [1]	ESTIMATED SHARE OF OVERLAPPING DEBT
Direct:			
City of Lufkin	$ 28,460	100.00%	$ 28,460
Overlapping:			
Angelina County	-	50.77%	-
Angelina College	9,625	50.14%	4,826
Hudson Independent School District	8,500	14.17%	1,204
Lufkin Independent School District	93,740	80.07%	75,058
Total Overlapping	111,865		81,088
Total Direct and Overlapping Debt	$ 140,325		$ 109,548

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

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

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

CITY OF LUFKIN, TEXAS
LEGAL DEBT MARGIN INFORMATION
SEPTEMBER 30, 2023

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

The City's Charter (Section 6) states:

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

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

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

The tax rate at September 30, 2023 is $ 0.524671 per $100 of assessed valuation with assessed valuation being 100% of appraised value.

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

FISCAL YEAR	WATER AND SEWER CHARGES AND OTHER	LESS: OPERATING EXPENSES [1]	NET AVAILABLE REVENUE	PRINCIPAL	INTEREST	COVERAGE
2023	$ 20,921	$ 12,193	$ 8,728	$ -	$ 482	18.11
2022	18,889	11,742	7,147	-	343	20.84
2021	17,622	10,973	6,649	-	-	-
2020	17,766	11,473	6,293	-	-	-
2019	17,368	11,461	5,907	-	-	-
2018	18,142	11,151	6,991	-	-	-
2017	16,879	11,813	5,066	-	-	-
2016	17,025	11,075	5,950	-	-	-
2015	15,865	12,006	3,859	-	-	-
2014	15,616	11,165	4,451	-	-	-

Source: City of Lufkin accounting records.

[1] Excludes depreciation

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

FISCAL YEAR	POPULATION [1]	PERSONAL INCOME [1] (AMOUNTS EXPRESSED IN THOUSANDS)	PER CAPITA PERSONAL INCOME	MEDIAN AGE	EDUCATION LEVEL IN YEARS OF FORMAL SCHOOLING	SCHOOL ENROLLMENT [2]	UNEMPLOYMENT RATE [1]
2023	34,152	918,825	26.90	34.0	13.1	7,164	4.3
2022	34,152	814,901	23.86	34.0	13.1	7,360	4.3
2021	34,074	799,853	23.47	34.0	13.1	7,432	6.0
2020	34,143	801,985	23.49	34.0	13.1	7,963	8.3
2019	35,510	821,488	23.13	34.0	13.1	8,171	3.7
2018	35,519	834,981	23.51	34.0	13.1	7,953	4.3
2017	36,159	820,484	22.69	34.0	13.1	8,176	4.6
2016	36,333	842,054	23.18	34.0	13.1	8,348	6.4
2015	36,141	765,611	21.18	34.0	13.1	8,271	3.8
2014	36,085	764,425	21.18	34.0	13.1	8,271	3.8

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

	2023			2018		
EMPLOYER	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Lufkin ISD	1000+	1	3.95%	1000+	1	4.33%
Pilgrim's Pride	1000+	2	3.67%	1000+	2	3.66%
Lufkin State Supported Living Center	1000+	3	3.48%	1000+	4	3.10%
Brookshire Brothers/Polk Oil	500-999	4	2.63%	1000+	3	3.10%
CHI St. Lukes Health	500-999	5	2.28%	1000+	5	3.03%
Angelina County	500-999	6	1.83%	-	-	-
Woodland Heights Medical Systems	500-999	7	1.78%	500-999	6	1.63%
Walmart	400-500	8	1.32%	400-500	9	1.27%
Lockheed Martin	400-500	9	1.24%	-	-	-
City of Lufkin	400-500	10	1.21%	400-500	8	1.29%
Geogia Pacific	-	-	-	500-999	7	1.53%
Angelina County	-	-	-	400-500	10	1.13%

Source: Lufkin Economic Development

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

	FULL-TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30,									
FUNCTION	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General government	34	31	30	32	30	32	32	31	31	27
Public Safety:										
Police:										
Officers	78	76	76	77	77	77	77	79	78	76
Civilians	43	40	37	43	42	49	49	39	37	39
Fire:										
Officers	75	75	84	83	79	79	79	79	79	79
Civilians	2	2	2	2	1	1	1	2	2	2
Cultural and recreation	72	64	64	70	69	70	69	69	69	67
Community development	5	4	2	4	4	7	10	10	10	11
Public works	57	55	54	59	57	48	50	58	58	58
Water	31	31	31	32	32	32	33	33	33	33
Sewer	34	34	33	38	40	40	38	37	38	38
Solid waste	29	29	28	30	34	34	33	33	33	34
Total	460	441	441	470	465	469	471	470	468	464

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

	FISCAL YEAR									
Function	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Physical arrests	1,393	1,403	1,389	1,438	1,484	1,809	1,678	1,534	1,589	1,779
Parking violations	11	6	5	5	9	47	199	37	25	178
Traffic violations	3,559	2,604	1,654	2,991	4,317	5,614	6,892	5,905	6,708	9,481
Fire										
Number of calls answered [1]	10,256	9,783	15,170	13,431	12,932	13,722	11,972	12,975	13,181	12,465
Inspections	939	180	210	301	850	727	276	517	337	375
Highways and streets										
Street resurfacing (miles)	5.31	3.86	5.50	3.63	3.50	3.95	5.02	3.75	3	3
Potholes repaired	911	1,018	91	612	855	566	625	525	661	568
Sanitation										
Refuse collected (cu yd/day)	333	333	418	980	511	511	511	510	417	511
Recyclables collected (tons/day)	8	6	6	48	12	12	12	12	12	12
Cultural and recreation										
Community center rentals	1,966	242	242	242	242	242	242	242	242	283
Water										
New connections	238	231	224	218	111	113	118	59	125	27
Water mains breaks	446	249	329	387	408	585	599	475	460	414
Average daily consumption (thousands of gallons)	6,139	7,899	7,782	7,578	7,163	7,726	11,460	11,910	10,571	7,354
Wastewater										
Average daily sewage treatment (thousands of gallons)	5,785	5,707	5,623	5,829	5,974	5,330	5,474	5,667	4,964	5,175

Source: Various city departments

(1) Starting January 2022 calls answered and inspection are only accounted for within City limits.

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

	FISCAL YEAR									
FUNCTION	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	22	22	22	22	22	22	22	22	22
Fire:										
Fire stations	4	4	4	4	4	4	4	4	4	5
Sanitation:										
Collection trucks	19	19	19	19	19	19	19	19	19	19
Highways and Streets:										
Streets (miles)	209.1	209.1	209.1	208.9	208.9	211.4	211.4	211.4	211.4	211.4
Streetlights	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649
Traffic signals	3	3	3	3	3	3	3	3	3	3
Cultural and Recreation:										
Parks acreage	650.0	650.0	650.0	650.0	650.0	650.0	650.0	650.0	650.0	653.0
Parks	16	16	16	16	16	16	16	16	16	16
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	11	11	11	11	11	11	11	11	13	13
Community centers	3	3	3	2	2	2	2	2	2	2
Water:										
Water mains (miles)	708	707	705	704	702	698	697	694	685	685
Fire hydrants	1,981	1,983	1,973	1,965	1,958	1,948	1,931	1,770	1,770	1,770
Maximum daily capacity in thousands of gallons	19,000	19,000	19,000	19,000	19,000	19,000	17,000	17,000	17,000	17,000
Sewer:										
Sanitary sewers (miles)	279.0	276.4	276.4	275.1	274.6	274.2	276.0	273.5	272.7	272.7
Storm sewers (miles)	18.4	18.2	18.2	17.8	17.1	17.1	17.0	17.0	16.9	16.9
Maximum daily treatment capacity in thousands of gallons	11,300	11,300	11,300	11,300	11,300	13,000	11,300	11,300	11,300	11,300

Sources: Various city departments.

CITY OF LUFKIN, TEXAS
WATER, SEWER AND SANITATION RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Approved Rates

The monthly billing rates for water, sewer, and sanitation services as approved by the City Council effective October 1, 2022 were as follows:

Water Rates

Residential per thousand gallons inside City Limits:		
First 2,000 gallons (minimum)	$ 14.64	
Next 8,000 gallons	3.75	per thousand
Above 10,000 gallons	4.34	per thousand
Commercial per thousand gallons inside City Limits:		
First 2,000 gallons (minimum)	14.64	
Next 48,000 gallons	3.75	per thousand
Above 50,000 gallons	4.34	per thousand
Irrigation per thousand gallons inside City Limits:		
First 2,000 gallons (minimum)	14.64	
Next 8,000 gallons	3.75	per thousand
Above 10,000 gallons	4.34	per thousand
Residential per thousand gallons outside City Limits:		
First 2,000 gallons (minimum)	21.95	
Next 8,000 gallons	5.63	per thousand
Above 10,000 gallons	6.51	per thousand
Commercial per thousand gallons outside City Limits:		
First 2,000 gallons (minimum)	21.95	
Next 48,000 gallons	5.63	per thousand
Above 50,000 gallons	6.51	per thousand
Irrigation per thousand gallons outside City Limits:		
First 2,000 gallons (minimum)	21.95	
Next 8,000 gallons	5.63	per thousand
Above 10,000 gallons	6.51	per thousand
Residential per thousand gallons Burke Water:		
First 2,000 gallons (minimum)	24.88	
Next 8,000 gallons	6.41	per thousand
Above 10,000 gallons	7.37	per thousand
Commercial per thousand gallons Burke Water:		
First 2,000 gallons (minimum)	24.88	
Next 48,000 gallons	6.41	per thousand
Above 50,000 gallons	7.37	per thousand
Irrigation per thousand gallons Burke Water:		
First 2,000 gallons (minimum)	24.88	
Next 8,000 gallons	6.41	per thousand
Above 10,000 gallons	7.37	per thousand
Industrial per thousand gallons inside City Limits:		
First 2,000 gallons (minimum)	346.29	
Above 2,000 gallons	2.45	per thousand
Industrial per thousand gallons outside City Limits:		
First 2,000 gallons (minimum)	519.42	
Above 2,000 gallons	3.75	per thousand
Wholesale per thousand gallons:		
First 2,000 gallons (minimum)	12.40	
Above 2,000 gallons	2.15	per thousand

CITY OF LUFKIN, TEXAS
WATER, SEWER AND SANITATION RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Untreated Wholesale per thousand gallons:		
First 2,000 gallons (minimum)	12.40	
Above 2,000 gallons	1.30	per thousand

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

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

Sewer Rates

General Sewer Rates for Residential:

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

User charge for water usage < 2,000 gallons = Cc
User charge for water usage >2,000 gallons = (V-2000 x Cv) + Cc
Where Cc = Customer charge, $ 13.23
V = metered water use above 2,000 gallons, in 1,000 gallons
Cv = user charge for volume per 1,000 gallons

Residential:	Consumption in 1000 X	4.28	+13.23	Stops at 20,000
Commercial:	Consumption in 1000 X	4.74	+13.23	Does not stop

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

User charge = (V x Cv) + Cc
Where Cc = Customer charge, $ 13.23
V = metered water use in 1,000 gallons
Cv = user charge for volume per 1,000 gallons

General:	Consumption in 1000 X	4.74	+13.23	Does not stop
Restaurant:	Consumption in 1000 X	9.34	+13.23	Does not stop

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

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

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

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

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

CITY OF LUFKIN, TEXAS
WATER, SEWER AND SANITATION RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Commercial and Industrial Users Rates:
The rates for commercial and industrial customers shall be determined by the following equation:

User charge = Cc + V (Cv + (Cb X BOD) + (Cs X TSS))
Where: Cc = Customer charge, $ 12.72
V = Metered water use or measured wastewater discharge, 1,000 gallons
Cv = User charge for volume per 1,000 gallons
Cb = User charge for BOD per mg/1 X 1,000 gallons
BOD = Biochemical oxygen demand, mg/1
Cs = User charge for TSS per mg/1 X 1,000 gallons
TSS = Total suspended solids, mg/1

Formula: 13.23 + V (2.51 + (.004233 x BOD) + (.00231642 x TSS))

Sanitation Rates:

Residential:	$	18.13	plus sales tax
Each additional container		5.50	plus sales tax
Commercial:		22.00	plus sales tax
		17.05	per non-compacted cubic yard
		17.33	per compacted cubic yard

System Connections

At September 30, 2023:	Water	Sewer
Number of metered customers	16,848	15,898
Gallons of water pumped	3,221,782,724	-
Gallons of water sold	2,326,316,860	-

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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	10-1-22 to	100,000
	Deductible	9-30-23	2,500
	Auto Liability	10-1-22 to	1,000,000
	Deductible	9-30-23	500
	Law Enforcement Liability	10-1-22 to	1,000,000
	Deductible	9-30-23	10,000
	Errors and Omissions Liability	10-1-22 to	1,000,000
	Deductible	9-30-23	10,000
	General Liability	10-1-22 to	1,000,000
	Deductible	9-30-23	10,000
	Real and Personal	10-1-22 to	
	Deductible	9-30-23	2,500
	City Hall/Police		10,464,319
	City Hall/Police contents		1,899,023
	Civic Center		14,452,213
	Civic Center contents		1,738,800
	Pines Theatre-Convention Center		2,181,005
	Industrial Building EDC 1007 Commerce Center Dr.		7,312,440
	Fine Arts		513,450
	Sewer Treatment Plant		1,148,871
	Recycling Building		924,747
	Recycling Building contents		621,000
	Recycling Warehouse -SW		231,623
	Wastewater Administration Building		537,691
	Administration Building contents-WW		62,100
	Solid Waste Building		767,714
	Solid Waste Building contents		844,560
	Fleet Office/Maint Shop/Extras		1,927,573
	Animal Control-Main Bldg		1,399,624
	Animal Control -shelter/kennels		217,227
	Animal Control Barn		47,836
	Kurth Memorial Library		9,628,412
	Kurth Memorial Library contents		5,400,000
	Police Monopole Antenna		190,511
	Community Center Building - Brandon Park		343,146
	Community Center Building - Brandon Park- contents		7,452
	Community Center Building - Chambers Park		368,300
	Fire Station 1		959,932
	Fire Station 1 contents		142,830
	Bus Stops-Atkinson, Paul, MLK, Ellis, Brentwood, Gaslight		43,680
	Fire Station 3		452,197
	Fire Station 3 contents		31,671
	Fire Station #3/Generator/Tower/FlagPole/Fence		2,414,664
	Fire Station 4		1,441,209

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Fire Station 4 contents		154,008
	Fire Station 5		1,779,270
	Fire Station 5 contents		124,200
	Fire Building -2815 S John Redditt Dr-Leased Bldg TDPS		436,783
	Fire Communication Tower -Trailwood Blvd		67,757
	Fire Administration Bldg/Extra		596,286
	Fire-Storage Bldg 111 E. Shepherd Ave		156,016
	Fire Station 2 - 2M gal Water Tower		7,582,919
	Ellis Ave Building Police		426,313
	Southbase Police Office- contents		99,360
	Small Animal Building - Zoo		439,111
	Small Animal Building - Zoo (Content)		62,100
	Entrance Gift/Food Concession Zoo		149,182
	Entrance Gift/Food Concession Content		93,150
	Hippo Pool Zoo		145,400
	Large Cat Exhibit Zoo		156,886
	Large Cat Exhibit Zoo Content		4,347
	Office/Residence Zoo		174,481
	Office/Residence Zoo Content		9,936
	Clinic/Isolation Zoo		157,177
	Clinic/Isolation Zoo Content		136,620
	Necropsy/Freezer Zoo		83,751
	Necropsy/Freezer Zoo Content		43,470
	Giraffe/Rhino Exhibit Zoo		232,348
	Giraffe/Rhino Exhibit Zoo Content		18,630
	Admissions/Restroom		192,946
	Admissions/Restroom Content		9,936
	Entrance Cover/Zoo Circle		5,089
	Hippoquarium Building		140,747
	Hippoquarium Building Content		24,840
	Zoo-African Area Restroom/Extra		132,751
	Zoo-African Area Restroom/Extra-Contents		3,726
	Zoo-Animal Exhibit/Holding w/Pool		47,545
	Zoo-Animal Exhibit/Holding w/Pool		4,968
	Zoo-Educational Bldg/Offices		1,671,523
	Zoo-Educational Bldg/Offices-contents		214,866
	Zoo-Komodo Dragon		66,883
	Zoo-Komodo Dragon contents		1,242
	Asia Building		135,223
	Asia Building-Contents		3,726
	Rotary Parrot Exhibits		42,893
	Vet Shed-Contents		11,178
	Zoo-entrance gates		52,344
	Hay Storage		70,956
	Maintenance Building-3306 Martin Luther King Jr. Blvd		237,876
	Memorial Shelter-Zoo		33,006
	Zoo Protective Awning		14,831
	Zoo Fiber Optic Cable		116,321
	Zoo-Sign Front Entrance		20,104
	Zoo Commissary/Generator		959,011
	Zoo Commissary/Generator contents		49,680
	Zoo Lakefront Restroom		156,800
	Louisiana Pine Snake Building		148,584
	Parks- Offices/3Bay Garage		606,900

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Offices/3Bay Garage Content		372,600
	Spray Play/Canopy/Sail		46,529
	Spray Play - Chambers		148,308
	Spray Play - Kiwanis		148,308
	Spray Play - Jones Park		148,308
	Basketball/Tennis Court Pavillion-Jones Park		786,326
	Restrooms-Jones Park		91,311
	Restroom/Pavilion #2-Jones Park		83,751
	Park Restroom-211-B Dale St.		78,400
	Pavilion #1-Jones Park		147,292
	Pavilion #3-Jones Park		47,836
	Floating Dock-Jones Park		56,734
	Concession/Restroom/MTC/Pavilion		478,949
	Concession/Restroom - contents		62,100
	(8 Fields) of Light Poles		1,163,203
	Concession- Windsor-Morris Frank Park		182,186
	Restroom-Girls Complex Morris Frank Park		178,260
	(5 Fields) of Lights Boys Complex (Morris Frank Park)		727,001
	(3) SB Fields w/(10) Light Poles-Girls Complex Morris F Pk		189,020
	Parking Lot Lights-Morris Frank Park		145,400
	Storage Building-111 S 3rd St ENG		146,710
	Storage Building-Contents		37,260
	Parks Restrooms- Boys complex @ Morris Frank Park		160,813
	Parks Equipment/Maint Old Moffett & Morris Frank Park		45,220
	Parks Restrooms/storage Old Moffet & Kit McConnico		172,154
	Umpire Changing Station @ Kit McConnico		33,878
	Parks Kurth Lake Lodge		241,656
	Kurth Lake Lodge contents		12,420
	Kurth Lake Caretaker's House/Engineering		169,537
	Kurth Lake Lodge Pier		58,835
	Kurth Lake Lodge Board Ramp		22,413
	Restroom -Chambers Park		70,811
	Pavillion 1 Chambers Park		151,071
	Pavillion 2 Chambers Park		59,760
	Bleacher covers (various sizes) Kit McConnico		75,171
	(6) Signs various locations		161,394
	Restrooms -Kiwanis Park		77,644
	Pavilion #1 Kiwanis Park		158,631
	Pavilion#2 Kiwanis Park		53,798
	Gazebo-Kiwanis Park		91,601
	Restroom-Grace Dunn Richardson Park		109,777
	Pavilion -Grace Dunn Richardson Park		107,452
	Amphitheatre with Mural		159,940
	Pavilion- Mantooth Park		116,789
	Recreation Center-516 Montrose		4,782,538
	Lift Station 701		363,502
	Lift Station 702		254,449
	Lift Station 704		36,350
	Lift Station 705		14,540
	Lift Station 706		72,700
	Lift Station 710		70,917
	Lift Station 711		72,700
	Lift Station 713		72,700
	Lift Station 714		36,350

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	Lift Station 716		36,350
	Lift Station 722		72,700
	Lift Station 724		72,700
	Lift Station 715S		36,350
	Lift Station 720S		7,270
	Lift Station 725		21,810
	Lift Station 727		14,540
	Water Well 3		72,700
	Water Well 5		72,700
	Water Well 6		72,700
	Water Well 7		72,700
	Water Well 9		72,700
	Water Well 10		72,700
	Water Well 12		290,799
	Water Well 13		290,799
	Water Well 14		290,799
	Water Well 15		290,799
	Water Well #24		72,700
	Water Well #25		72,700
	Water Well #28		72,700
	Water Well #29		72,700
	Water Well #30		72,700
	Water Well #31		72,700
	Water Well #32		72,700
	Water Well #33		72,700
	Water Well #34		72,700
	Water Plant #2-Generator 600kw-ID.233		143,605
	500k gal Elevated Water Tank-2020 Wood Ave. WWTP		1,778,101
	Paul Parker Municipal Court - 222 E. Shepherd		1,836,568
	Intake Structure(River)/Pump station#1(2)-2636 Kurth Dr.		2,908,006
	Booster Pumping Station -N. Davisville Rd		2,908,006
	Intake Structure/Pump Station (Rivercrest Red)		2,908,006
	Warehouse _Public works-305 Davis		459,465
	Office/Extras_Public works-305 Davis		1,147,499
	Vehicle storage-Public works		188,149
	Wash Bay_Public works-305 Davis		172,325
	Training Building_Police-111 Armory Dr		792,432
	1M gal Elev Water Tank/Extras WWTP- 321 Ellen St.		3,003,971
	Booster Pump Bldg/lab/office		194,111
	2M gal Ground Water Tank#2 MLK Jr. Blvd		1,858,507
	1Mgal Ground Water Tank#1 WWTP-MLK Jr. Blvd		1,094,138
	1Mgal Ground Water Tank#2 WWTP-MLK Jr. Blvd		1,094,138
	1Mgal Ground Water Tank#3 WWTP-MLK Jr. Blvd		1,094,138
	1Mgal Ground Water Tank#4 WWTP-MLK Jr. Blvd		1,094,138
	Warehouse Building@WWTP		226,928
	Hold Tank Pump House @ WWTP		291,969
	New Shop @WWTP		165,522
	New Digester Bldg #3 @WWTP		248,478
	Old Digester Bldgs #1&2		217,581
	Blower #6 Bldg @ WWTP		214,466
	Chlorine/SO2 Bldg		119,566
	Daft Bldg@ WWTP		164,485
	Digester #1 @WWTP		3,894,651
	Digester #2 @WWTP		3,894,651
	Digester #3 @WWTP		3,894,651

CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
	2M gal Ground Water Tank -467 Peoples St.@WWTP		1,659,381
	2M gal Ground Water Tank -467 Peoples St.@WWTP		1,659,381
	Pump House/3Pumps/SCADA		907,996
	Chlorine Bldg WP#3 Peoples St. @WWTP		269,707
	Coverage Extensions		
	Deductible		2,500
	Valuable Papers & Records		10,000
	Accounts Receivable		10,000
	Loss of Revenues		50,000
	Personal Property - Employees		5,000
	Leasehold Interest		5,000
	Outdoors Trees & Shrubs ($250.00 each)		10,000
	Mobile Equipment	10-1-22 to	5,525,940
	Deductible	9-30-23	2,500
	Auto Physical Damage	10-1-22 to	
	Deductible each vehicle	9-30-23	500
	Deductible per occurrence		10,000
Deep East Texas Self Insurance Fund	Workers' Compensation		Statutory

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Lufkin, Texas (City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 1, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
November 1, 2024