

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

I. 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, health and social services, 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. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component unit. The City did not have any blended components units for the year ended September 30, 2004.

Discretely presented component units. Lufkin Industrial Development Authority, Lufkin Housing Finance Corporation and Lufkin Health Facilities Development Corporation have been included in the reporting entity. These three entities have been established to promote the sale of tax-exempt bonds within the City.

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. As of September 30, 2004, there were no assets, liabilities, fund equities, revenues or expenditures of the Authority.

The Texas Housing Finance Corporation Act and the approval of the City Council created Lufkin Housing Finance Corporation. The Corporation was created to encourage safe, decent housing in the City. As of September 30, 2004 there were no assets, liabilities, fund equity, revenues or expenditures of Lufkin Housing Finance Corporation.

The Texas Health Facilities Development Act and the approval of the City Council created Lufkin Health Facilities Development Corporation. The Corporation's purpose is to encourage health care, research, and education and to assist with the maintenance of public health. As of September 30, 2004, there were no assets, liabilities, fund equity, revenues or expenditures of Lufkin Health Facilities Development Corporation.

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 of Lufkin, Texas.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary 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

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segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

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

The *1999 CIP bond program fund* accounts for improvements financed by the 1999 tax and waterworks bonds.

The *2001 CIP street bond program fund* accounts for improvements financed by the 2001 bond referendum.

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund type:

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The *internal service fund* accounts for the activities of the employee health benefit plan. The activities include the accounting for premiums provided for and the payment of eligible claims and related costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utility enterprise fund, of the solid waste disposal enterprise fund, and of the government's internal service fund 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 fund 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Cash equivalents are stated at fair value.

The City is authorized to invest in U.S. Treasury securities maturing in less than two (2) years, short-term obligations of U.S. Government Agencies, fully insured or collateralized certificates of deposit at commercial banks, repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities in accordance with a master repurchase agreement, obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment firm and having received a rating of not less than "A" or its equivalent, common trusts administered by Texas banks with assets consisting of all of the above and public funds and investment pools administered by banks domiciled in the State of Texas whose assets consist of all or a combination of the obligations stated.

Investments for the government are reported at fair value. TexPool and TexStar operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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2. Receivables and payables

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 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. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 98% of outstanding taxes at September 30, 2004.

Property taxes are levied by October 1, and are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed. The City has entered into a contract with Angelina County Tax Assessor-Collector for the billing and collection of City property taxes.

The City is permitted by the City Charter (Article VI, Section 1) to levy taxes up to \$1.75 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services and the payment of principal and interest on long-term debt for the year ended September 30, 2004, was .5585 per \$100 of assessed valuation. The total tax levy for fiscal year 2004 was \$7,782,741 and \$7,583,504 was collected for a current collection rate of 97.44%.

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 investments or the proprietary funds that are legally restricted as to their use. The primary restricted assets are related to debt retirement, renewal and replacement, and construction activity of the Water and Sewer enterprise fund.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, drainage systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred during the current fiscal year was \$497,459. None of this amount was included as part of

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the cost of capital assets under construction in connection with water and sewer facilities construction projects.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings, improvements and fixed equipment	15-20
Vehicles and equipment	5-20
Infrastructure	30-40

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 elected to implement all provisions of GASBS No. 34 including the infrastructure provisions (under the modified approach) in the fiscal year ending September 30, 2002.

6. 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 is liquidated by the General Fund or the Civic Center Special Revenue Fund.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$36,854,135 distinction are as follows:

Bonds payable	\$	34,900,000
Accrued interest payable		200,297
Capital leases payable		230,538
Compensated absences		1,523,300
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>		\$ 36,854,135

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund 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 assets 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. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$3,510,847 difference are as follows:

Capital outlay	\$	5,257,120
Depreciation expense		(1,746,273)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>		\$ 3,510,847

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.” The details of this \$432,807 difference is as follows:

In the statement of activities, only the gain on sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the capital assets sold or retired.	\$	(432,807)
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Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) 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. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$2,443,945 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (120,300)
Issuance of general obligation bonds	
Less deferred charges for issuance costs	(60,078)
Principal repayments:	
General obligation debt	2,135,000
Leases	372,918
Change in accrued interest	(731)
Change in accrued compensated absences	117,136
	<hr/>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>2,443,945</u>

III. 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 (Ellen Trout Zoo, Civic Center and Special Recreation) 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 General Fund budget totaling \$293,558, the Civic Center Fund for \$119,634, and the Ellen Trout Zoo Fund for \$99,953. Other budgetary transfers were made by the City Manager during the year.

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B. Excess expenditures over appropriations in individual funds

Fund	Amount
General Fund	
Administration	(1,798)
Legal	(6,723)
Purchasing	(413)
Police	(20,563)
Fleet Maintenance	(28,942)

These over expenditures were covered by the available fund balance of the respective fund.

C. Deficit fund equity

Governmental Funds:

The 1999 CIP Bond Program Fund had a deficit in fund balance of \$679,208. This deficit resulted from incurring construction costs prior to the issuance of additional Certificates of Obligation in December 2004. Cash flow requirements were covered by internal loans from funds with idle cash.

The Homeland Security Grant Fund had a deficit in fund balance of \$113. This deficit resulted from ineligible costs that will be reimbursed in the subsequent period.

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, 2004 and had designated debt service funds of \$2,089,399 at year end.

The ordinances governing the issuance of the revenue bonds specify that the City shall make monthly deposits into the debt service accounts in the amount of one-sixth of the next maturing interest and one-twelfth of the next maturing principal. The ordinances also require that the City maintain a reserve account in the amount of \$1,525,346 (required reserve). Such amount shall be accumulated by an initial deposit of \$675,000 plus a monthly deposit of an amount equal to at least 1/60th of the difference between the required reserve and the initial deposit.

The assets available at September 30, 2004 compared to the balances required by the ordinances are as follows:

	<u>Balance Required</u>
Debt service required	\$ 593,161
Reserve account	1,525,346
Total balance required	<u>2,118,507</u>
Assets available	<u>2,575,580</u>
Excess	<u>\$ 457,073</u>

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IV. DETAIL NOTES ON ALL FUNDS

A. Deposits

The table presented below is designed to disclose the level of custody risk assumed by the City based on how its deposits were insured or secured with collateral at September 30, 2004.

Type of Deposits	Total Bank Balance	Category			Carrying Amount	Fair Value
		1	2	3		
Deposits	190,954	\$ 190,954	\$ -	\$ -	\$ 190,954	\$ 190,954

Cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 Deposits that are insured or collateralized with securities held by the City or by its agent in the entity's name.
- Category 2 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 Deposits which are not collateralized.

B. Investments

Similar to deposits, investments are categorized into three categories of credit risk:

- (1) Insured, registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counter party's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent, but not in the government's name.

The City's investments at September 30, 2004 are as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
FHLB Government Agency	\$ 9,973,694	\$ -	\$ -	\$ 9,973,696	\$ 9,973,696
FHLMC Government Agency	3,005,343	-	-	3,005,344	3,005,344
FMCDN Government Agency	2,978,503	-	-	2,978,504	2,978,504
FNDN Governmnet Agency	1,973,650	-	-	1,973,650	1,973,650
FAMCA Government Agency	1,040,146	-	-	1,040,146	1,040,146
FNMA Government Agency	1,979,814	-	-	1,979,815	1,979,815
	<u>\$ 20,951,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>20,951,155</u>	<u>20,951,155</u>
Bank investment contracts				613,820	613,820
TexPool				8,133,910	8,133,910
TexStar				4,182,790	4,182,790
Total investments				<u>\$ 33,881,675</u>	<u>\$ 33,881,675</u>

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Investments (including restricted assets), which mature within three months or less of the date of purchase are included as cash equivalents.

TexPool is a government investment pool. The State Comptroller of Public Accounts exercises oversight responsibility. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the fair value of the position in TexPool is the same as the fair value of TexPool shares.

TexStar is a government investment pool created under the Interlocal Cooperation Act. The pool is administered by J. P. Morgan, Chase and First Southwest Asset Management, Inc. TexStar seeks to maintain a constant dollar objective and fulfills all of the requirements of the Texas Public Funds Investment Act for local government pools.

C. Receivables

Receivables as of year end for the government's individual major funds and nonmajor, and internal service funds in the aggregate, including the related allowances for uncollectible accounts are as follows:

	General Fund	Debt Service Fund	1999 CIP Bond Program Fund	Water and Sewer Fund	Solid Waste Disposal Fund	Nonmajor and other Funds	Total
Receivables:							
Taxes	\$ 508,490	\$ 241,764	\$ -	\$ -	\$ -	\$ -	\$ 750,254
Accounts	4,811,593	-	-	1,883,400	788,492	60,259	7,543,744
Other	73,922	10,090	-	5,445	22,109	521,170	632,736
Intergovernmental	954,647	-	217,133	-	-	11,148	1,182,928
Less allowance for uncollectibles	<u>(3,881,227)</u>	<u>(236,324)</u>	-	<u>(167,706)</u>	<u>(89,004)</u>	<u>(7,386)</u>	<u>(4,381,647)</u>
	<u>\$2,467,425</u>	<u>\$ 15,530</u>	<u>\$ 217,133</u>	<u>\$ 1,721,139</u>	<u>\$ 721,597</u>	<u>\$ 585,191</u>	<u>\$ 5,728,015</u>

Governmental funds report *deferred* revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred* revenue and *unearned* revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	11,441	-
Delinquent property taxes receivable (debt service fund)	5,440	-
Municipal Court receivables (general fund)	1,150,038	-
Municipal Court receivables (special revenue fund)	50,457	-
Miscellaneous receivables (general fund)	67,675	-
Ambulance receivables (general fund)	212,201	-
Grant receipts prior to meeting all eligibility requirements	-	1,221
Total	<u>1,497,252</u>	<u>1,221</u>

D. Interfund receivables, payables and transfers

1. Due to/from other funds

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any amounts owed between

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governmental and business-type activities are defined as internal balances on the Statement of Net Assets. Interfund receivables and payables at September 30, 2004 were as follows:

Fund	Interfund Receivables	Interfund Payables	Purpose
Governmental activities			
General Fund	\$ 113	\$ -	Short term advance
Special Revenue Funds:			
Homeland Security Grant	-	113	Short term advance
Total	<u>\$ 113</u>	<u>\$ 113</u>	

2. Interfund transfers

Transfer out:	Debt Service Fund	Transfer in:		Purpose
		Nonmajor Governmental	Total	
General Fund	\$ -	\$ 76,000	\$ 76,000	Civic Center contribution
General Fund	-	105,000	105,000	Construction
General Fund	-	25,000	25,000	Insurance loss contribution
General Fund	-	66,692	66,692	Grant matching funds
Water & Sewer Utility Fund	-	50,000	50,000	Insurance loss contribution
Water & Sewer Utility Fund	1,041,115	-	1,041,115	Debt service
Solid Waste Disposal Fund	69,686	-	69,686	Debt service
Solid Waste Disposal Fund	-	25,000	25,000	Insurance loss contribution
Total	<u>\$ 1,110,801</u>	<u>\$ 347,692</u>	<u>\$ 1,458,493</u>	

E. Restricted assets

Restricted assets consist of cash, investments and due from other funds and are limited to the payment of principal and interest on bonds, construction, and renewal and replacement of property, plant and equipment as follows:

	Bond Reserve	Construction	Renewal and Replacement	Total
Cash and cash equivalents	\$ 1,621,549	48,501	\$ 998,002	\$ 2,668,052
Investments	987,917	-	5,094,376	6,082,293
Other receivables	9,386	-	37,456	46,842
Due from other funds	-	-	704,305	704,305
Intergovernmental receivables	-	-	-	-
Total restricted assets	<u>\$ 2,618,852</u>	<u>48,501</u>	<u>\$ 6,834,139</u>	<u>\$ 9,501,492</u>

F. Capital assets

1. Storage space 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

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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, 2004. The City of Lufkin paid the Authority \$157,882 in December 2003 to complete this contract.

In order to provide water storage space 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 storage space in the Sam Rayburn Reservoir are as follows:

Capitalized payments for water supply	\$	578,047
Capitalized contract for storage space		
50 year contract		220,000
40 year contract		305,600
		305,600
Storage space in Sam Rayburn Reservoir	\$	1,103,647

2. 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:

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- 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.

The City performed a complete inventory and condition assessment during the spring of 2004. 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	71-100
Fair to Good	41-70
Substandard	0-40

The City's policy is to achieve an average rating of 56 for all streets, which is a good rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. At year end, the City's street system was rated at a PCI index of 82 on the average with the detail conditions as follows:

Condition	% of streets	
	2004	2003
Excellent to Good	83.0%	80.3%
Fair to Good	14.7%	16.7%
Substandard	2.3%	3.0%

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 has determined that the amount of annual expenditures required to maintain the City's streets at the average PCI rating of 56 through the year 2006 is a minimum of \$10,928,000. A schedule of estimated annual amounts and actual expenditures for street maintenance for the past year is as follows (in thousands):

Fiscal year	Budget	Actual
2004	\$ 2,767	\$ 2,400
2003	2,769	2,482
2002	3,103	2,732
2001	2,969	2,721

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Capital asset activity for the year ended September 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,508,649	\$ 532,742	\$ -	\$ 3,041,391
Infrastructure	44,759,992	4,228,298	393,245	48,595,045
Works of art	376,450	-	-	376,450
Construction in progress	7,056,441	5,132,878	5,875,858	6,313,461
Total capital assets not being depreciated	54,701,532	9,361,176	6,269,103	58,326,347
Capital assets being depreciated:				
Buildings	12,195,942	188,066	29,852	12,354,156
Improvements other than buildings	2,699,700	246,440	-	2,946,140
Machinery and equipment	7,883,644	497,826	92,633	8,288,837
Vehicles	4,854,173	308,073	501,576	4,660,670
Total capital assets being depreciated	27,633,459	1,240,405	92,633	28,249,803
Less accumulated depreciation for:				
Buildings	(3,431,730)	(250,156)	29,853	(3,652,033)
Improvements other than buildings	(1,008,421)	(185,710)	-	(1,194,131)
Machinery and equipment	(4,423,637)	(852,242)	91,288	(5,184,591)
Vehicles	(3,115,359)	(458,165)	462,014	(3,111,510)
Total accumulated depreciation	(11,979,147)	(1,746,273)	583,155	(13,142,265)
Total capital assets, being depreciated, net	15,654,312	(505,868)	1,136,457	15,107,538
Governmental activities capital assets, net	\$ 70,355,844	\$ (505,868)	\$ 1,136,457	\$ 73,433,885
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 342,759	\$ 70,326	\$ -	\$ 413,085
Storage space	1,089,670	13,978	-	1,103,648
Construction in progress	5,613,045	4,203,653	3,918,059	5,898,639
Total capital assets not being depreciated	7,045,474	4,287,957	3,918,059	7,415,372
Capital assets being depreciated:				
Buildings	4,084,687	-	-	4,084,687
Improvements other than buildings	45,338,831	4,025,369	520,626	48,843,574
Machinery and equipment	13,462,926	385,940	113,622	13,735,244
Vehicles	4,351,291	536,392	205,007	4,682,676
Total capital assets being depreciated	67,237,735	4,947,701	839,255	71,346,181
Less accumulated depreciation for:				
Buildings	(1,337,151)	(82,051)	-	(1,419,202)
Improvements other than buildings	(15,628,356)	(1,113,835)	171,129	(16,571,062)
Machinery and equipment	(9,866,924)	(720,358)	109,470	(10,477,812)
Vehicles	(2,734,069)	(610,377)	202,330	(3,142,116)
Total accumulated depreciation	(29,566,500)	(2,526,621)	482,929	(31,610,192)
Total capital assets, being depreciated, net	37,671,235	2,421,080	1,322,184	39,735,989
Business-type activities capital assets, net	\$ 44,716,709	\$ 6,709,037	\$ 6,079,498	\$ 47,151,361

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

Governmental activities:	
General government	\$ 345,670
Public safety	649,488
Culture and recreation	491,360
Planning and community development	438
Public works	<u>259,317</u>
Total governmental activities	<u><u>\$ 1,746,273</u></u>
Business-type activities:	
Water and Sewer	\$ 1,848,595
Solid Waste Disposal	<u>678,026</u>
Total business-type activities	<u><u>\$ 2,526,621</u></u>

3. Construction commitments

The government has active construction projects as of September 30, 2004. The projects include utility construction in areas with newly developed housing, widening and construction of existing streets, the replacement of asbestos water lines, construction of a water well, sewer line replacement, construction of a detention pond, and various culture and recreation improvements. At year end the government's commitments with contractors are as follows:

Project	Expended to date	Remaining Commitment	Funding Source
Street & drainage improvements	\$ 14,032	\$ -	General Revenues
Sidewalk improvements	48,298	-	State Grant
Waterline replacement	2,058,570	867,593	Drinking Water State Revolving Fund
Water well	920,065	1,944	1999 Water/Wastewater Capital Improvements Projects
Downtown Utilities	611,464	296,573	1999 Water/Wastewater Capital Improvements Projects
Waterline replacement	968,282	15,678	1999 Water/Wastewater Capital Improvements Projects
Sam Rayburn water project	186,337	-	Water and Sewer Renewal and Replacement Fund
Whitehouse utility relocation	256,531	2,450	Water and Sewer Renewal and Replacement Fund
Sybil Street sewer line replacement	186,067	2,532	Water and Sewer Renewal and Replacement Fund
Park - Kit McConnico	2,388,627	1,177,187	1999 Capital Improvements Project Bond Program Fund
Street improvements	3,080,660	1,406,078	1999 Capital Improvements Project Bond Program Fund
Street improvements	<u>595,456</u>	<u>1,036,492</u>	2001 Street Bond Program Fund
Total	<u><u>\$ 11,314,389</u></u>	<u><u>\$ 4,806,527</u></u>	

G. Current liabilities

1. Payables

Payables in the governmental activities are composed of amounts due vendors \$326,786, retainage of \$173,246, accrued salaries and benefits of \$1,583,439 and other accrued liabilities of \$203,050. The business-type activities payables are composed of amounts due vendors, \$535,909, accrued salaries and benefits of \$338,670, sales tax payable \$47,828, customer deposits of \$273,127 and other accrued liabilities of \$36,793.

CITY OF LUFKIN, TEXAS
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2. Compensated absences

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

The City's obligations are attributable to employees' services already rendered, compensated absence rights vest or are accumulated, payment of the compensated absences compensation is probable, and the compensated absences can be reasonably estimated.

At September 30, 2004, the City's liability for compensated absences consisted of the following:

		<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
Vacation	\$	748,972	\$	107,897	\$	856,869
Sick leave		<u>1,523,299</u>		<u>66,208</u>		<u>1,589,507</u>
		<u>\$ 2,272,271</u>		<u>\$ 174,105</u>		<u>\$ 2,446,376</u>

H. Capital leases

The City has entered into lease agreements as lessee for financing the acquisition of machinery and equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

		<u>Governmental Activities</u>
Asset:		
Machinery and equipment	\$	89,361
Vehicles		475,641
Less accumulated depreciation		<u>(232,146)</u>
Total	\$	<u>332,856</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004, were as follows:

<u>Year ending September 30,</u>		<u>Governmental Activities</u>
2005	\$	199,631
2006		<u>39,187</u>
Total minimum lease payments		238,818
Less amount representing interest		<u>(8,280)</u>
Present value of minimum lease payments	\$	<u>230,538</u>

The City made \$352,281 in principal payments and \$13,452 in interest payments on capital leases for the year ended September 30, 2004.

**CITY OF LUFKIN, TEXAS
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I. Long-term debt

1. General obligation bonds payable

General obligation bonds payable at September 30, 2004 are comprised of the following individual issues:

\$3,650,000 Series 1996 General Obligation Bonds due in annual installments of \$50,000 to \$475,000 from August 15, 1997 through August 15, 2010; interest at 4.50% to 6.50%.	2,375,000
\$4,650,000 Series 1998 Tax and Waterworks and Sewer System Revenue Certificates of Obligation due in annual installments of \$25,000 to \$350,000 from September 30, 1999 through September 30, 2020; interest at 4.00% to 6.00%.	4,050,000
\$4,400,000 Series 1999 Tax and Waterworks Revenue Certificates of Obligation due in annual installments of \$125,000 to \$350,000 from August 15, 2001 through August 15, 2020; interest at 5.00% to 6.00%.	3,875,000
\$8,705,000 Series 2002 General Obligation Refunding Bonds due in annual installments of \$45,000 to \$730,000 from February 15, 2003 through August 15, 2012; interest at 3.00% to 4.00 %.	8,050,000
\$2,200,000 Series 2002 General Obligation Bonds due in annual installments of \$25,000 to \$175,000 from August 15, 2003 through August 15, 2022; interest at 4.40% to 5.125%.	2,100,000
\$9,450,000 Series 2002 Tax and Waterworks and Sewer System Certificates of Obligations due in annual installments of \$150,000 to \$725,000 from August 15, 2003 to August 15, 2022; interest at 4.50% to 5.00%.	9,000,000
\$1,700,000 Series 2003 Tax and Waterworks and Sewer System Certificates of Obligations due in annual installments of \$50,000 to \$125,000 from August 15, 2005 to August 15, 2024; interest at 4.65% to 5.00%.	1,700,000
\$3,750,000 Series 2003 General Obligation Bonds due in annual installments of \$125,000 to \$275,000 from August 15, 2005 through August 15, 2024; interest at 4.75% to 5.25%.	<u>3,750,000</u>
Total general obligation bonds	<u>\$ 34,900,000</u>

The City expended \$1,631,987 for interest on general obligation bonds for the year ended September 30, 2004.

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

CITY OF LUFKIN, TEXAS
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Year ending September 30,	Governmental Activities		
	Principal	Interest	Total
2005	\$ 2,350,000	\$ 1,560,475	\$ 3,910,475
2006	2,425,000	1,463,701	3,888,701
2007	2,510,000	1,362,010	3,872,010
2008	2,615,000	1,255,823	3,870,823
2009	2,795,000	1,145,682	3,940,682
2010-2014	9,055,000	4,283,538	13,338,538
2015-2019	8,000,000	2,463,208	10,463,208
2020-2024	5,150,000	568,398	5,718,398
Total	\$ 34,900,000	\$ 14,102,835	\$ 49,002,835

2. Revenue bonds payable

Revenue bonds payable at September 30, 2004 are comprised of the following individual issues:

\$2,650,000 Series 1995 Waterworks and Sewer System Revenue Bonds due in annual installments of \$75,000 to \$275,000 from May 1, 1998 to May 1, 2015; interest at 5.25% to 6.40%.	\$ 1,975,000
\$3,025,000 Series 1997 Waterworks and Sewer System Revenue Bonds due in annual installments of \$25,000 to \$225,000 from May 1, 1998 to May 1, 2017; interest at 4.50% to 6.50%.	2,350,000
\$16,000,000 Series 2000 Waterworks and Sewer System Revenue Bonds due in annual installments of \$570,000 to \$1,115,000 from November 1, 2000 to November 1, 2012; interest at 2.95% to 4.10%.	6,160,000
\$1,500,000 Series 2003 Waterworks and Sewer System Revenue Bonds due in annual installments of \$45,000 to \$115,000 from November 1, 2005 to November 1, 2024; interest at 4.70% to 5.00%	<u>1,500,000</u>
Total revenue bonds	\$ <u>11,985,000</u>

The City expended \$459,791 for interest on revenue bonds for the year ended September 30, 2004.

The principal and interest requirements for revenue bonds payable are as follows:

Year ending September 30,	Business-type Activities		
	Principal	Interest	Total
2005	\$ 880,000	\$ 504,604	\$ 1,384,604
2006	945,000	466,380	1,411,380
2007	965,000	427,158	1,392,158
2008	1,015,000	386,858	1,401,858
2009	1,065,000	346,005	1,411,005
2010-2014	5,160,000	1,045,586	6,205,586
2015-2019	1,340,000	261,778	1,601,778
2020-2024	500,000	86,966	586,966
2025	115,000	2,703	117,703
Total	\$ 11,985,000	\$ 3,528,038	\$ 15,513,038

CITY OF LUFKIN, TEXAS
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3. Notes payable

The City has acquired storage space in Sam Rayburn Reservoir by issuing notes payable. The space purchased is pledged as collateral for the notes payable.

The City expended \$5,771 for interest on notes payable for the year ended September 30, 2004.

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

Year ending September 30,	Business-type Activities		
	Principal	Interest	Total
2005	\$ 14,340	\$ 5,408	\$ 19,748
2006	14,712	5,037	19,749
2007	15,092	4,656	19,748
2008	15,483	4,265	19,748
2009	15,885	3,863	19,748
2010-2014	85,813	12,927	98,740
2015-2019	47,419	3,124	50,543
	<u>\$ 208,744</u>	<u>\$ 39,280</u>	<u>\$ 248,024</u>

4. Change in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 37,035,000	-	\$ 2,135,000	\$ 34,900,000	\$ 2,350,000
Less deferred charges					
For issuance costs	511,301	-	60,078	\$ 451,223	-
Total bonds payable	36,523,699	-	2,074,922	34,448,777	2,350,000
Capital leases	483,156	120,300	372,918	230,538	192,381
Compensated absences	1,640,436	62,859	179,995	1,523,300	120,650
Total governmental activities long-term liabilities	<u>\$ 38,647,291</u>	<u>\$ 183,159</u>	<u>\$ 2,627,835</u>	<u>\$ 36,202,615</u>	<u>\$ 2,663,031</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 11,615,000	\$ 1,210,000	\$ 840,000	\$ 11,985,000	\$ 880,000
Less deferred charges					
For issuance costs	564,290	-	34,836	529,454	-
Total bonds payable	11,050,710	1,210,000	805,164	11,455,546	880,000
Notes payable	222,721	-	13,977	208,744	14,340
Total business-type long-term liabilities	<u>\$ 11,273,431</u>	<u>\$ 1,210,000</u>	<u>\$ 819,141</u>	<u>\$ 11,664,290</u>	<u>\$ 894,340</u>

5. Bond issuance costs

In general government type activities, bond issuance costs are recognized in the current period. Bond issuance costs for governmental activities and business-type activities are deferred and amortized over the term of the bonds, using the straight-line method. Bond issuance costs are recorded as deferred charges.

CITY OF LUFKIN, TEXAS
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J. Net assets

The remainder of the equity in cumulative earnings or losses of the business-type activities comprise restricted assets. Restricted assets reflect amounts that are restricted for retirement of debt as required by various revenue bond covenants, for construction and for the replacement of capital equipment. At September 30, 2004, restricted assets of the Enterprise Funds consisted of the following:

	Bond Reserve	Construction	Renewal and Replacement	Total
Restricted assets:				
Cash and cash equivalents	\$ 1,621,548	\$ 48,501	\$ 998,002	\$ 2,668,051
Investments	987,917	-	5,094,376	6,082,293
Other receivables	9,386	-	37,456	46,842
Due from other funds	-	-	704,305	704,305
Intergovernmental receivables	-	-	-	-
	<u>2,618,851</u>	<u>48,501</u>	<u>6,834,139</u>	<u>9,501,491</u>
Total restricted assets				
Current liabilities payable from restricted assets:				
Accounts payable - construction	-	181,424	8,808	190,232
Due to other funds		1,126,499	(1,126,499)	-
Accrued interest - revenue bonds	213,505	-	-	213,505
Revenue bonds payable-current	880,000	-	-	880,000
Total liabilities payable from restricted assets	<u>1,093,505</u>	<u>1,307,923</u>	<u>(1,117,691)</u>	<u>1,283,737</u>
Net assets - restricted September 30, 2004	<u>\$ 1,525,346</u>	<u>\$ (1,259,422)</u>	<u>\$ 7,951,830</u>	<u>\$ 8,217,754</u>

K. Other information

1. 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, a public entity risk pool, which is self-sustaining through member premiums. The Fund reinsures through commercial companies for claims in excess of \$500,000 per occurrence. The City pays an annual premium to the Fund for its workers' compensation insurance coverage. By participating in the pool, the City is not responsible for its own paid claims; consequently, risks associated with workers' compensation are passed to the pool. However, members would be contingently liable for their share of liabilities in the event the assets of the Fund were exhausted. The Fund was solvent as of the most recent audited financial statements.

The City maintains insurance coverage covering liability and property risks of loss with Texas Municipal League Intergovernmental Risk 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.

CITY OF LUFKIN, TEXAS
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The Pool's retention is \$1,000,000 per occurrence in excess of member deductibles for property insurance, \$3,000,000 per occurrence for boiler and machinery coverage, \$1,000,000 per occurrence for liability insurance, and \$1,000,000 per vehicle, \$1,000,000 per occurrence in excess of member deductibles for automobile physical damage coverage. City management believes such coverage is sufficient to preclude any significant losses to the City. Settled claims did not exceed the coverage during the last three fiscal years.

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

The Plan provides coverage of up to \$75,000 for each individual. The City has reinsurance agreements for the plan years. Such agreements generally provide for a stop loss per individual and an aggregate annual stop loss limit on medical and prescription claims made and paid within the twelve (12) month period. At September 30, 2004, the individual stop loss amount was \$75,000 and the aggregate stop loss amount was \$795.33 per individual per month for medical and prescription card service. The aggregate deductible was \$4,355,886. At September 30, 2004, the aggregate claims had not exceeded the stop loss coverage.

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, 2004, the City had recorded a liability of \$381,257 for claims incurred but not paid at that date. This liability was based on a review of claims paid subsequent to the end of the year.

For the Year Ended September 30,	Claims Payable October 1,	Claims Incurred	Claims Paid	Claims Payable September 30,
1998	\$ 89,632	\$ 1,160,822	\$ 1,141,993	108,461
1999	108,461	1,315,317	1,260,129	163,649
2000	163,649	2,359,582	2,419,212	104,019
2001	104,019	2,238,578	2,191,589	151,008
2002	151,008	2,483,652	2,515,088	119,572
2003	119,572	2,205,658	2,108,908	216,322
2004	216,322	3,256,626	3,091,483	381,465

2. Subsequent Events

During fiscal year 2004 the citizens of Lufkin voted to create a 4B economic development corporation (EDC) effective October 1, 2004. The EDC will be 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 FY 2005 budget estimates the initial year will generate approximately \$739,400 toward this additional effort to expand the economic base of the City.

On December 21, 2004, the City of Lufkin issued \$8,200,000 of certificate of obligation bonds to finance street, drainage, water and sewer lines as part of the City of Lufkin's 1999 Capital Improvement Program. The interest rate on the bonds range from 3.5 to 4.5 percent and the maturity date is December 21, 2024.

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3. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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.

The City of Lufkin entered into an agreement with The Board of Trustees of The Firemen's Relief and Retirement Fund (Fund) of Lufkin during FY 2004 stating that the City of Lufkin did not desire to opt out of the mandate stipulated by the Texas Legislature under Proposition XV requiring Cities to be responsible for insuring that the benefits payable under the fund are not reduced. The agreement allows the City of Lufkin to make provisions to the plan that will help to guarantee the financial soundness of it. Should the Fund become insolvent, the City of Lufkin will be responsible for the costs of the Fund.

4. Retirement plan

The City provides pension benefits for all of its full time employees (except fire fighters) through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 794 administered by TMRS, an agent multiple-employer public employee retirement system. The TMRS issues a publicly available financial report that includes financial statements and required supplementary information. TMRS uses the accrual basis of accounting. The report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153, by calling TMRS at 1-800-924-8677 or from the TMRS Internet Website www.tmr.org.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at age 60 and above with 5 years or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

a. Contributions

The contribution rate for the employees is 7% and the City matching percent is currently 2 to 1 both as adopted by the City Council. Under the state law governing TMRS, the actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percent, which are the obligation of the City as of the employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time the employee's retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial method is used for determining the City's contribution rate. The employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year lag between the actuarial valuation that is the basis of the rate and the calendar year when the rate goes into effect. The December 31, 2003 valuation is effective for rates beginning January 2005.

The City's total payroll in fiscal year 2004 was \$14,598,184 and the City's contributions were based on a payroll of \$10,982,485. Both the City and the covered employees made the required contributions, amounting to \$1,332,204 (12.21% of covered payroll for the months in calendar year 2003 and 12.09% for the months in calendar year 2004) for the City and \$768,773 (7.00%) for the employees. There were no related party transactions.

b. Actuarial valuation information

Actuarial valuation date	December 31, 2003
Actuarial cost method	Unit Credit
Amortization method	Level percentage of payroll
Remaining amortization period	25 years – open period
Asset valuation method	Amortized cost
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	None
Inflation	None
Cost-of-living adjustment	None

c. Trend information

Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1995	\$ 558,114	100%	-
1996	596,826	100%	-
1997	634,641	100%	-
1998	866,354	100%	-
1999	1,057,250	100%	-
2000	1,132,286	100%	-
2001	1,180,491	100%	-
2002	1,294,330	100%	-
2003	1,377,091	100%	-
2004	1,332,204	100%	-

**CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

d. Schedule of funding progress

Actuarial Valuation Payroll Date	(1) Actuarial Value of Assets	(2) Actuarially Accrued Liability	(3) Percentage Funded (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
12/31/94	\$ 8,603,498	\$ 11,483,933	74.9%	\$ 2,880,435	7,366,608	39.1%
12/31/95	9,492,823	12,510,002	75.9%	3,017,179	8,118,221	37.2%
12/31/96	10,721,566	14,162,725	75.7%	3,441,159	8,529,113	40.3%
12/31/97	11,954,690	17,397,100	68.7%	5,442,410	8,208,614	66.3%
12/31/98	13,192,610	17,097,580	77.2%	3,904,970	9,055,427	43.1%
12/31/99	15,079,785	21,211,912	71.1%	6,132,127	9,557,580	64.2%
12/31/00	15,854,922	22,415,858	70.7%	6,560,936	9,824,010	66.8%
12/31/01	17,975,956	25,643,395	70.1%	7,667,439	9,986,871	76.8%
12/31/02	20,581,935	29,004,545	71.0%	8,422,610	11,426,474	73.7%
12/31/03	21,357,580	31,030,915	68.8%	9,673,335	10,761,057	89.9%

5. Firemen's retirement fund

The Firemen's Relief and Retirement Fund (Fund) of Lufkin, Texas is a single-employer defined benefit pension plan administered by a board of trustees. The City of Lufkin, Texas is not financially accountable for the Fund nor does the Fund's exclusion from the City's financial statements render them misleading or incomplete. Therefore, the Firemen's Relief and Retirement Fund of Lufkin, Texas is not considered to be a component unit of any other reporting entity. The fund issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing the Fireman's Relief and Retirement Fund of Lufkin, Texas, P.O. Drawer 190, Lufkin, Texas 75902.

Fire fighters in the Lufkin Fire Department are covered by the Fund. As of the latest actuarial information dated December 31, 2002, the fund had the following membership information:

Retirees, vested terminated employees and beneficiaries	42
Current employees:	
Fully vested	27
Non-vested	<u>49</u>
Total	<u>118</u>

The Fund operates primarily under the "Texas Local Fire Fighters Retirement Act," Article 6243.e *Vernon's Texas Civil Statutes*, 45th Legislature as revised by the 73rd Legislature and administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of the employees of the fire department of City of Lufkin, Texas. The plan uses the accrual basis of accounting. The plan document was amended effective May 1, 2000.

Service retirement eligibility is as follows:

Normal – age 50 with 10 years of service

Disability retirement eligibility is as follows:

An active fire fighter who has completed his probationary period will qualify for a disability benefit if he becomes disabled from any cause whatsoever for either physical or mental reasons, except for those causes specified in the plan document. A fire fighter

**CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

may apply for a disability benefit even if eligible for a service retirement benefit. Under certain circumstances, the Board of Trustees may deny disability benefits.

Vested termination eligibility is as follows:

If a fire fighter has completed at least 10 years of service but has not attained the age of 50 at the time of termination of service, a deferred retirement is available commencing on the end of the month age 50 is attained.

Death benefit eligibility is as follows:

Death benefits are payable to the participant’s spouse for life as long as the spouse does not remarry, or remarries and subsequently divorces. Benefits are payable to a participant’s children until age 18, age 22 if the child remains a full-time student, or life as long as the child is disabled by a physical or mental illness.

The actuarially accrued liability is the standardized disclosure measure of the present value of pension benefits estimated to be paid in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Firemen’s Relief and Retirement Fund of Lufkin, Texas funding status, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employees retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the fund.

The contribution rate of the fire fighters is determined by the fire fighters. The City’s contribution rate is determined by negotiations with the fire fighters. The actuary certifies that the contribution commitment by the fire fighters and the City provides an adequate financing arrangement.

Ten year historical trend information was not available as of December 31, 2002.

The City’s total salaries and wages for fiscal year 2004 for firemen was \$3,340,057 and the City’s contributions were based on a payroll of \$3,291,164. Both the City and the covered employees made the required contributions, amounting to \$362,028 (11%) by employees and \$362,028 (11%) by the City.

As permitted by GASB Statement No. 25, the following information is being presented only for as many years as available. Contributions during the periods shown have been made in accordance with actuarial requirements.

a. Actuarial valuation information

Valuation date	December 31, 2002
Actuarial cost method	Entry age method
Amortization method	Level percentage of payroll
Remaining amortization period	Infinite
Asset valuation method	Average of market and cost value
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.5%
Amortization increase	3.5%

CITY OF LUFKIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

b. Trend information

Fiscal Year Ended December 31,	Annual Required Contribution	Percentage Contribution
1995	\$ 413,818	100%
1996	447,132	100%
1997	472,474	100%
1998	517,194	100%
1999	584,880	100%
2000	597,675	100%
2001	655,394	100%
2002	701,778	100%
2003	355,800	100%

c. Schedule of funding progress

Actuarial Valuation Payroll Date	(1) Actuarial Value of Assets	(2) Actuarially Accrued Liability	(3) Percentage Funded (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
5/31/89	\$ 4,254,289	\$ 5,803,232	73.3%	\$ 1,548,943	\$ 1,448,153	107.0%
12/31/92	5,674,765	7,654,481	74.4%	1,959,716	1,708,570	114.7%
12/31/95	6,800,995	9,756,867	69.7%	2,955,872	1,999,097	147.9%
12/31/98	9,736,390	11,853,931	82.1%	2,117,541	2,397,350	88.3%
12/31/00	11,018,263	13,937,639	79.1%	2,919,376	2,685,849	108.7%
12/31/02	9,611,084	15,747,613	61.0%	6,136,529	3,226,247	190.2%

The schedule of funding progress information was obtained from the December 31, 2002, actuarial valuation reports. The actuarial valuation of assets for prior years has been restated from the original actuarial reports in accordance with GASB 25 and GASB 27.

**CITY OF LUFKIN, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 CONDITION RATING OF THE CITY'S STREET SYSTEM
 September 30, 2004**

	Percentage of Lane-miles in Excellent to Very Good	
	2004	2003
	Major thoroughfares	87.0%
Collector Streets	88.0%	87.7%
Residential Streets	80.0%	78.0%

	Percentage of Lane-miles in Substandard Condition	
	2004	2003
	Major thoroughfares	0.6%
Collector Streets	1.2%	1.6%
Residential Streets	1.0%	1.3%

**COMPARISON OF NEEDED-TO-ACTUAL MAINTENANCE/PRESERVATION
 (in thousands)**

	2004	2003
Major thoroughfares:		
Needed	\$ 620	\$ 620
Actual	480	566
Collector streets:		
Needed	932	932
Actual	720	849
Residential streets:		
Needed	1551	1551
Actual	1200	1415
Overall system		
Needed	3103	3103
Actual	2400	2830
Difference	703	273

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 (71-100) fair condition (41-70), and sub-standard condition (less than 41). It is the City of Lufkin policy to maintain at least a 56 condition index of its street system. No more than 10% should be in sub-standard condition. Condition assessments are determined bi-annually.



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Ellen Trout Zoo Fund – To account for admission fees and donations and their expenditures.

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

Home Grant Fund – To account for revenues and expenditures applicable to the Home Grants Program.

Police Seizure Fund – To account for seized drug funds and their disposition.

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

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

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

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

Homeland Security Grant Fund – To account for the purchase of equipment to enhance the City's ability to provide security to the Citizens of Lufkin.

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

DARE Fund – To account for support to the school anti-drug program.

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

Rural Affairs Community Grant Fund – To account for revenues and expenditures to the Pineywoods Home Team for construction of affordable housing.

Kurth Memorial Library Grant Fund – To account for donations made for the purchase of reading material and certain operating expenditures of the library.

Economic Development Fund – To account for the accumulation of funds for economic development projects.

DEBT SERVICE FUND – To account for the accumulation of monies for the payment of general obligation debt.

CAPITAL PROJECTS FUNDS

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

Wetland's Project fund – To account for revenues and expenditures for the construction of wetlands in the City.

Drainage Mitigation Fund – To account for developer fees.

Street 2001 Bond Program – To account for street improvements financed by the 2001 bond referendum.

**CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004**

	<u>SPECIAL REVENUE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ 720,527	\$ 369,538	\$ 1,090,065
Investments	1,088,053	-	1,088,053
Accounts receivable	57,843	-	57,843
Other receivables	144,697	-	144,697
Allowance for uncollectibles	(7,386)	-	(7,386)
Intergovernmental receivables	11,148	46,032	57,180
Total assets	<u>\$ 2,014,882</u>	<u>\$ 415,570</u>	<u>\$ 2,430,452</u>
LIABILITIES			
Accounts payable	\$ 30,981	\$ 1,130	\$ 32,111
Due to other funds	113	-	113
Accrued compensated absences	6,571	-	6,571
Accrued liabilities	58,362	-	58,362
Deferred revenues	51,678	-	51,678
Total liabilities	<u>147,705</u>	<u>1,130</u>	<u>148,835</u>
FUND BALANCES			
Unreserved, undesignated	<u>1,867,177</u>	<u>414,440</u>	<u>2,281,617</u>
Total fund balances	<u>1,867,177</u>	<u>414,440</u>	<u>2,281,617</u>
Total liabilities and fund balances	<u>\$ 2,014,882</u>	<u>\$ 415,570</u>	<u>\$ 2,430,452</u>

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

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2004

	<u>SPECIAL REVENUE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
Revenues			
Other taxes	\$ 536,565	\$ -	\$ 536,565
Charges for services	394,228	-	394,228
Interest income	16,059	48	16,107
Intergovernmental	256,752	46,032	302,784
Other revenue	435,277	8,002	443,279
Total revenues	<u>1,638,881</u>	<u>54,082</u>	<u>1,692,963</u>
Expenditures			
Current:			
Public safety	338,925	-	338,925
Cultural and recreation	1,007,555	-	1,007,555
Public works	189,737	-	189,737
Non-departmental	222,636	-	222,636
Capital outlay:			
Public works	-	4,878	4,878
Street	-	58,330	58,330
Total expenditures	<u>1,758,853</u>	<u>63,208</u>	<u>1,822,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(119,972)</u>	<u>(9,126)</u>	<u>(129,098)</u>
Other financing sources (uses)			
Transfers in	242,692	105,000	347,692
Total other financing sources (uses)	<u>242,692</u>	<u>105,000</u>	<u>347,692</u>
Net change in fund balances	122,720	95,874	218,594
Fund balances - beginning	<u>1,744,457</u>	<u>318,566</u>	<u>2,063,023</u>
Fund balances - ending	<u>\$ 1,867,177</u>	<u>\$ 414,440</u>	<u>\$ 2,281,617</u>

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

**CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2004**

	<u>ELLEN TROUT ZOO FUND</u>	<u>CIVIC CENTER FUND</u>	<u>HOME GRANT FUND</u>	<u>POLICE SEIZURE FUND</u>	<u>COURT SECURITY/ TECHNOLOGY FUND</u>
ASSETS					
Cash and cash equivalents	\$ 240,564	\$ 31,608	\$ 35,722	\$ 99,504	\$ 56,125
Investments	669,806	23,931	-	100,208	25,139
Receivables:					
Accounts	-	-	-	-	57,843
Other	3,592	138,926	-	332	-
Allowance for uncollectibles	-	-	-	-	(7,386)
Intergovernmental receivables	-	-	1,149	-	-
Total assets	<u>\$ 913,962</u>	<u>\$ 194,465</u>	<u>\$ 36,871</u>	<u>\$ 200,044</u>	<u>\$ 131,721</u>
LIABILITIES					
Accounts payable	\$ 337	\$ 7,270	\$ -	\$ 10,701	\$ 700
Due to other funds	-	-	-	-	-
Accrued compensated absences	-	6,571	-	-	-
Accrued liabilities	-	24,161	-	34,201	-
Deferred revenues	-	-	-	-	50,457
Total liabilities	<u>337</u>	<u>38,002</u>	<u>-</u>	<u>44,902</u>	<u>51,157</u>
FUND BALANCES					
Unreserved, undesignated	<u>913,625</u>	<u>156,463</u>	<u>36,871</u>	<u>155,142</u>	<u>80,564</u>
Total liabilities and fund balances	<u>\$ 913,962</u>	<u>\$ 194,465</u>	<u>\$ 36,871</u>	<u>\$ 200,044</u>	<u>\$ 131,721</u>

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

<u>POLICE GRANTS FUND</u>	<u>SPECIAL RECREATION FUND</u>	<u>INSURANCE LOSS FUND</u>	<u>HOMELAND SECURITY GRANT FUND</u>	<u>ANIMAL CONTROL KURTH GRANT FUND</u>	<u>RURAL AFFAIRS COMMUNITY GRANT FUND</u>
\$ 1,356	\$ 26,130	\$ 109,353	\$ -	\$ 66,872	\$ -
-	74,365	162,330	-	32,274	-
-	-	-	-	-	-
-	668	1,179	-	-	-
-	-	-	-	-	-
-	-	-	9,999	-	-
<u>\$ 1,356</u>	<u>\$ 101,163</u>	<u>\$ 272,862</u>	<u>\$ 9,999</u>	<u>\$ 99,146</u>	<u>\$ -</u>
\$ -	\$ 1,544	\$ 50	\$ 9,999	\$ 18	\$ -
-	-	-	113	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,221	-	-	-	-	-
<u>1,221</u>	<u>1,544</u>	<u>50</u>	<u>10,112</u>	<u>18</u>	<u>-</u>
<u>135</u>	<u>99,619</u>	<u>272,812</u>	<u>(113)</u>	<u>99,128</u>	<u>-</u>
<u>\$ 1,356</u>	<u>\$ 101,163</u>	<u>\$ 272,862</u>	<u>\$ 9,999</u>	<u>\$ 99,146</u>	<u>\$ -</u>

(Continued)

**CITY OF LUFKIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2004**

	<u>KURTH MEMORIAL LIBRARY GRANT FUND</u>	<u>ECONOMIC DEVELOPMENT FUND</u>	<u>OTHER FUNDS</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ 15,575	\$ -	\$ 37,718	\$ 720,527
Investments	-	-	-	1,088,053
Receivables:				
Accounts	-	-	-	57,843
Other	-	-	-	144,697
Allowance for uncollectibles	-	-	-	(7,386)
Intergovernmental receivables	-	-	-	11,148
Total assets	<u>\$ 15,575</u>	<u>\$ -</u>	<u>\$ 37,718</u>	<u>\$ 2,014,882</u>
LIABILITIES				
Accounts payable	\$ 355	\$ -	\$ 7	\$ 30,981
Due to other funds	-	-	-	113
Accrued compensated absences	-	-	-	6,571
Accrued liabilities	-	-	-	58,362
Deferred revenues	-	-	-	51,678
Total liabilities	<u>355</u>	<u>-</u>	<u>7</u>	<u>147,705</u>
FUND BALANCES				
Unreserved, undesignated	<u>15,220</u>	<u>-</u>	<u>37,711</u>	<u>1,867,177</u>
Total liabilities and fund balances	<u>\$ 15,575</u>	<u>\$ -</u>	<u>\$ 37,718</u>	<u>\$ 2,014,882</u>

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



CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2004

	ELLEN TROUT ZOO FUND	CIVIC CENTER FUND	HOME GRANT FUND	POLICE SEIZURE FUND	COURT SECURITY/ TECHNOLOGY FUND
Revenues					
Other taxes	\$ -	\$ 536,565	\$ -	\$ -	\$ -
Charges for services	175,968	110,538	-	-	-
Interest income	8,593	638	-	1,515	750
Intergovernmental	-	-	19,922	-	-
Other revenue	-	-	-	111,113	53,078
Total revenues	<u>184,561</u>	<u>647,741</u>	<u>19,922</u>	<u>112,628</u>	<u>53,828</u>
Expenditures					
Current:					
Public safety	-	-	44,899	20,766	44,671
Cultural and recreation	165,886	679,182	-	-	-
Public works	-	-	-	-	-
Non-departmental	-	-	-	-	-
Total expenditures	<u>165,886</u>	<u>679,182</u>	<u>44,899</u>	<u>20,766</u>	<u>44,671</u>
Excess (deficiency) of revenues over (under) expenditures	18,675	(31,441)	(24,977)	91,862	9,157
Other financing sources (uses)					
Transfers in	<u>-</u>	<u>76,000</u>	<u>62,500</u>	<u>-</u>	<u>-</u>
Net change in fund balances	18,675	44,559	37,523	91,862	9,157
Fund balances - beginning	<u>894,950</u>	<u>111,904</u>	<u>(652)</u>	<u>63,280</u>	<u>71,407</u>
Fund balances - ending	<u>\$ 913,625</u>	<u>\$ 156,463</u>	<u>\$ 36,871</u>	<u>\$ 155,142</u>	<u>\$ 80,564</u>

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

<u>POLICE GRANTS FUND</u>	<u>SPECIAL RECREATION FUND</u>	<u>INSURANCE LOSS FUND</u>	<u>HOMELAND SECURITY GRANT FUND</u>	<u>ANIMAL CONTROL KURTH GRANT FUND</u>	<u>RURAL AFFAIRS COMMUNITY GRANT</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	107,722	-	-	-	-
-	1,026	3,011	-	504	-
51,584	-	-	185,246	-	-
-	-	28,586	-	100,148	136,244
<u>51,584</u>	<u>108,748</u>	<u>31,597</u>	<u>185,246</u>	<u>100,652</u>	<u>136,244</u>
55,023	-	-	131,866	-	-
-	107,443	-	-	-	-
-	-	-	53,493	-	136,244
-	-	119,415	-	-	-
<u>55,023</u>	<u>107,443</u>	<u>119,415</u>	<u>185,359</u>	<u>-</u>	<u>136,244</u>
(3,439)	1,305	(87,818)	(113)	100,652	-
<u>4,192</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
753	1,305	12,182	(113)	100,652	-
<u>(618)</u>	<u>98,314</u>	<u>260,630</u>	<u>-</u>	<u>(1,524)</u>	<u>-</u>
<u>\$ 135</u>	<u>\$ 99,619</u>	<u>\$ 272,812</u>	<u>\$ (113)</u>	<u>\$ 99,128</u>	<u>\$ -</u>

(Continued)

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2004

	KURTH MEMORIAL LIBRARY GRANT FUND	ECONOMIC DEVELOPMENT FUND	OTHER FUNDS	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
Revenues				
Other taxes	\$ -	\$ -	\$ -	\$ 536,565
Charges for services	-	-	-	394,228
Interest income	22	-	-	16,059
Intergovernmental	-	-	-	256,752
Other revenue	-	-	6,108	435,277
Total revenues	<u>22</u>	<u>-</u>	<u>6,108</u>	<u>1,638,881</u>
Expenditures				
Current:				
Public safety	-	-	41,700	338,925
Cultural and recreation	55,044	-	-	1,007,555
Public works	-	-	-	189,737
Non-departmental	-	103,221	-	222,636
Total expenditures	<u>55,044</u>	<u>103,221</u>	<u>41,700</u>	<u>1,758,853</u>
Excess (deficiency) of revenues over (under) expenditures	(55,022)	(103,221)	(35,592)	(119,972)
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,692</u>
Net change in fund balances	(55,022)	(103,221)	(35,592)	122,720
Fund balances - beginning	<u>70,242</u>	<u>103,221</u>	<u>73,303</u>	<u>1,744,457</u>
Fund balances - ending	<u>\$ 15,220</u>	<u>\$ -</u>	<u>\$ 37,711</u>	<u>\$ 1,867,177</u>

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

**CITY OF LUFKIN, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 September 30, 2004**

	<u>STREET CONSTRUCTION FUND</u>	<u>WETLANDS PROJECT FUND</u>	<u>DRAINAGE MITIGATION FUND</u>	<u>TOTAL NONMAJOR CAPITAL PROJECT FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ 339,817	\$ 3,692	\$ 26,029	\$ 369,538
Intergovernmental receivables	46,032	-	-	46,032
Total assets	<u>\$ 385,849</u>	<u>\$ 3,692</u>	<u>\$ 26,029</u>	<u>\$ 415,570</u>
 LIABILITIES				
Accounts payable	<u>\$ 1,125</u>	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ 1,130</u>
Total liabilities	<u>1,125</u>	<u>1</u>	<u>4</u>	<u>1,130</u>
 FUND BALANCES				
Unreserved, undesignated	<u>384,724</u>	<u>3,691</u>	<u>26,025</u>	<u>414,440</u>
Total liabilities and fund balances	<u>\$ 385,849</u>	<u>\$ 3,692</u>	<u>\$ 26,029</u>	<u>\$ 415,570</u>

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

CITY OF LUFKIN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For The Year Ended September 30, 2004

	<u>STREET CONSTRUCTION FUND</u>	<u>WETLANDS PROJECT FUND</u>	<u>DRAINAGE MITIGATION FUND</u>	<u>TOTAL NONMAJOR CAPITAL PROJECT FUNDS</u>
Revenues				
Interest income	\$ -	\$ 48	\$ -	\$ 48
Intergovernmental	46,032	-	-	46,032
Other revenue	-	-	8,002	8,002
Total revenues	<u>46,032</u>	<u>48</u>	<u>8,002</u>	<u>54,082</u>
Expenditures				
Debt service:				
Capital outlay:				
Public works	-	4,878	-	4,878
Street	58,330	-	-	58,330
Total expenditures	<u>58,330</u>	<u>4,878</u>	<u>-</u>	<u>63,208</u>
Excess (deficiency) of revenues over (under) expenditures	(12,298)	(4,830)	8,002	(9,126)
Other Financing Sources				
Transfers in	<u>105,000</u>	<u>-</u>	<u>-</u>	<u>105,000</u>
Net change in fund balances	92,702	(4,830)	8,002	95,874
Fund balances - beginning	<u>292,022</u>	<u>8,521</u>	<u>18,023</u>	<u>318,566</u>
Fund balances - ending	<u>\$ 384,724</u>	<u>\$ 3,691</u>	<u>\$ 26,025</u>	<u>\$ 414,440</u>

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

CITY OF LUFKIN, TEXAS
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
WATER AND SEWER UTILITY ENTERPRISE FUND
For The Year Ended September 30, 2004

Utility collections:	
Payroll costs	\$ 465,247
Supplies	678,910
Maintenance of equipment	13,033
Miscellaneous services	14,688
Total utility collections	<u>1,171,878</u>
 Water utilities:	
Payroll costs	739,870
Supplies	56,564
Maintenance of equipment	309,786
Miscellaneous services	40,669
Total water utilities	<u>1,146,889</u>
 Sewer utilities:	
Payroll costs	711,350
Supplies	106,982
Maintenance of equipment	184,903
Miscellaneous services	235,469
Sundry charges	7,824
Total sewer utilities	<u>1,246,528</u>
 Wastewater treatment plant:	
Payroll costs	718,601
Supplies	140,447
Maintenance of equipment	91,088
Miscellaneous services	533,627
Sundry charges	54
Total wastewater treatment plant	<u>1,483,817</u>
 Water production:	
Payroll costs	108,100
Supplies	185,983
Maintenance of equipment	65,724
Miscellaneous services	1,046,275
Total water production	<u>1,406,082</u>
 Depreciation and amortization	1,848,595
General and administrative	1,515,049
Non-departmental	99,312
Total operating expenses	<u>\$ 9,918,150</u>

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

CITY OF LUFKIN, TEXAS
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
SOLID WASTE DISPOSAL ENTERPRISE FUND
For The Year Ended September 30, 2004

Sanitation:	
Payroll costs	\$ 830,859
Supplies	336,677
Maintenance of equipment	125,599
Miscellaneous services	1,318,093
Sundry charges	101
Total sanitation	<u>2,611,329</u>
Recycling:	
Payroll costs	310,897
Supplies	104,081
Maintenance of equipment	125,397
Miscellaneous services	51,566
Total recycling	<u>591,941</u>
Depreciation and amortization	677,993
General and administrative	818,769
Non-departmental	17,473
Total operating expenses	<u>\$ 4,717,505</u>

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

CITY OF LUFKIN, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended September 30, 2004

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues				
Ad valorem taxes	\$ 2,748,193	\$ 2,748,193	\$ 2,843,957	\$ 95,764
Interest income	45,000	45,000	29,958	(15,042)
Misc Income	-	-	700	700
Total revenues	<u>2,793,193</u>	<u>2,793,193</u>	<u>2,874,615</u>	<u>80,722</u>
Expenditures				
Debt service:				
Principal:				
1994 general obligation bonds	475,000	475,000	475,000	-
1996 general obligation bonds	325,000	325,000	325,000	-
1998 certificates of obligation	200,000	200,000	200,000	-
1999 certificates of obligation	150,000	150,000	150,000	-
2002 certificates of obligation	300,000	300,000	300,000	-
2002 general obligation bonds	75,000	75,000	75,000	-
2002 general obligation refunding bonds	610,000	610,000	610,000	-
Total principal	<u>2,135,000</u>	<u>2,135,000</u>	<u>2,135,000</u>	<u>-</u>
Interest:				
1994 general obligation bonds	12,350	12,350	12,350	-
1996 general obligation bonds	132,076	132,076	132,076	-
1998 certificates of obligation	205,150	205,150	205,150	-
1999 certificates of obligation	217,012	217,012	217,012	-
2002 certificates of obligation	452,896	452,896	452,313	584
2002 general obligation bonds	106,868	106,868	106,719	149
2002 general obligation refunding bonds	284,569	284,569	284,569	-
2003 general obligation bonds	150,895	150,895	150,895	-
2003 certificates of obligation	70,904	70,904	70,904	-
2004 certificates of obligation	232,468	232,468	-	232,468
Total interest	<u>1,865,188</u>	<u>1,865,188</u>	<u>1,631,987</u>	<u>233,201</u>
Bond issuance costs and paying agent fees	12,500	12,500	11,500	1,000
Total expenditures	<u>4,012,688</u>	<u>4,012,688</u>	<u>3,778,487</u>	<u>234,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,219,495)</u>	<u>(1,219,495)</u>	<u>(903,872)</u>	<u>314,923</u>
Other Financing Sources (Uses)				
Transfers in	<u>1,110,801</u>	<u>1,110,801</u>	<u>1,110,801</u>	<u>-</u>
Total other financing sources (uses)	<u>1,110,801</u>	<u>1,110,801</u>	<u>1,110,801</u>	<u>-</u>
Net change in fund balances	(108,694)	(108,694)	206,929	315,623
Fund balances - beginning	<u>1,882,470</u>	<u>1,882,470</u>	<u>1,882,470</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,773,776</u>	<u>\$ 1,773,776</u>	<u>\$ 2,089,399</u>	<u>\$ 315,623</u>

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

CITY OF LUFKIN, TEXAS
ELLEN TROUT ZOO SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended September 30, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues				
Charges for services	\$ 162,855	\$ 162,855	\$ 175,968	\$ 13,113
Interest income	<u>7,000</u>	<u>7,000</u>	<u>8,593</u>	<u>1,593</u>
Total revenues	<u>169,855</u>	<u>169,855</u>	<u>184,561</u>	<u>14,706</u>
Expenditures				
Current:				
Cultural and recreation	<u>95,650</u>	<u>195,603</u>	<u>165,886</u>	<u>29,717</u>
Total expenditures	<u>95,650</u>	<u>195,603</u>	<u>165,886</u>	<u>29,717</u>
Excess (deficiency) of revenues over (under) expenditures	74,205	(25,748)	18,675	44,423
Fund balances - beginning	<u>799,583</u>	<u>894,950</u>	<u>894,950</u>	<u>-</u>
Fund balances - ending	<u>\$ 873,788</u>	<u>\$ 869,202</u>	<u>\$ 913,625</u>	<u>\$ 44,423</u>

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

CITY OF LUFKIN, TEXAS
CIVIC CENTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended September 30, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET-</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues				
Other taxes	\$ 548,000	\$ 548,000	\$ 536,565	\$ (11,435)
Charges for services	111,300	111,650	110,538	(762)
Interest income	-	-	638	638
Other revenue	<u>350</u>	<u>350</u>	<u>-</u>	<u>-</u>
Total revenues	<u>659,650</u>	<u>660,000</u>	<u>647,741</u>	<u>(11,559)</u>
Expenditures				
Current:				
Cultural and recreation	<u>654,498</u>	<u>774,132</u>	<u>679,182</u>	<u>94,950</u>
Total expenditures	<u>654,498</u>	<u>774,132</u>	<u>679,182</u>	<u>94,950</u>
Excess (deficiency) of revenues over (under) expenditures	5,152	(114,132)	(31,441)	83,391
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>76,000</u>	<u>76,000</u>	<u>-</u>
Net change in fund balances	5,152	(38,132)	44,559	83,391
Fund balances - beginning	<u>63,042</u>	<u>111,904</u>	<u>111,904</u>	<u>-</u>
Fund balances - ending	<u>\$ 68,194</u>	<u>\$ 73,772</u>	<u>\$ 156,463</u>	<u>\$ 83,391</u>

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

CITY OF LUFKIN, TEXAS
SPECIAL RECREATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended September 30, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET-</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues				
Charges for services	\$ 147,600	\$ 147,600	\$ 107,722	\$ (39,878)
Interest income	<u>1,000</u>	<u>1,000</u>	<u>1,026</u>	<u>26</u>
Total revenues	<u>148,600</u>	<u>148,600</u>	<u>108,748</u>	<u>(39,852)</u>
Expenditures				
Current:				
Cultural and recreation	<u>136,627</u>	<u>136,627</u>	<u>107,443</u>	<u>(29,184)</u>
Total expenditures	<u>136,627</u>	<u>136,627</u>	<u>107,443</u>	<u>(29,184)</u>
Excess of revenues over expenditures	11,973	11,973	1,305	(10,668)
Fund balances - beginning	<u>110,582</u>	<u>98,314</u>	<u>98,314</u>	<u>-</u>
Fund balances - ending	<u>\$ 122,555</u>	<u>\$ 110,287</u>	<u>\$ 99,619</u>	<u>\$ (10,668)</u>

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

**CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF LUFKIN, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
September 30, 2004

Governmental funds capital assets:	
Land	\$ 3,041,391
Infrastructure	48,595,045
Works of Art	376,450
Buildings	12,354,156
Improvements other than buildings	2,946,140
Machinery and equipment	8,288,837
Vehicles	4,660,670
Construction in progress	<u>6,313,461</u>
 Total governmental funds capital assets	 \$ <u><u>86,576,150</u></u>
 Investment in governmental funds capital assets by source:	
General obligation bonds	\$ 30,585,778
General government revenues	14,950,804
Federal and state grants	1,707,367
Capital lease purchases	1,871,555
Contributions from public	<u>37,460,646</u>
 Total governmental funds capital assets	 \$ <u><u>86,576,150</u></u>

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

CITY OF LUFKIN, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
September 30, 2004

FUNCTION AND ACTIVITY	TOTAL	LAND	INFRA- STRUCTURE	WORKS OF ART	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	VEHICLES	CONSTRUCTION IN PROGRESS
General government:									
General	\$ 756,754	\$ 211,038	\$ -	\$ 284,950	\$ 137,400	\$ -	\$ 123,366	\$ -	\$ -
Administration	51,118	-	-	-	-	-	51,118	-	-
Accounting	46,912	-	-	-	-	-	46,912	-	-
Human Resources	6,599	-	-	-	-	-	6,599	-	-
Municipal Building	4,160,874	-	-	-	4,028,375	28,268	104,231	-	-
Information Technology	1,428,964	-	-	-	-	-	1,428,964	-	-
Purchasing	4,949	-	-	-	-	-	4,949	-	-
Total general government	<u>6,456,170</u>	<u>211,038</u>	<u>-</u>	<u>284,950</u>	<u>4,165,775</u>	<u>28,268</u>	<u>1,766,139</u>	<u>-</u>	<u>-</u>
Public safety:									
Municipal Court	65,833	-	-	-	-	-	65,833	-	-
Police	2,605,590	-	-	-	66,334	8,565	1,467,221	1,015,138	48,332
Fire	3,519,789	154,400	-	-	611,620	2,308	708,662	2,042,799	-
Inspection Services	117,313	-	-	-	-	-	29,426	87,887	-
Animal control	1,068,439	-	-	-	702,370	126,457	112,898	126,714	-
Total public safety	<u>7,376,964</u>	<u>154,400</u>	<u>-</u>	<u>-</u>	<u>1,380,324</u>	<u>137,330</u>	<u>2,384,040</u>	<u>3,272,538</u>	<u>48,332</u>
Cultural and recreation:									
Civic Center	2,890,245	337,500	-	65,000	1,223,881	181,809	1,082,055	-	-
Parks	6,649,408	940,243	-	26,500	896,835	1,423,842	775,855	197,506	2,388,627
Zoo	2,312,946	42,867	-	-	1,133,567	1,055,371	43,476	37,665	-
Library	3,759,663	258,000	-	-	3,488,400	-	13,263	-	-
Total cultural and recreation	<u>15,612,262</u>	<u>1,578,610</u>	<u>0</u>	<u>91,500</u>	<u>6,742,683</u>	<u>2,661,022</u>	<u>1,914,649</u>	<u>235,171</u>	<u>2,388,627</u>
Planning and community development:									
Community Development	3,148	-	-	-	-	-	3,148	-	-
Planning and Zoning	8,548	-	-	-	-	-	8,548	-	-
Total planning and community development	<u>11,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,696</u>	<u>-</u>	<u>-</u>
Public works:									
Administration	115,757	60,194	-	-	-	-	55,563	-	-
Engineering	478,481	192,042	-	-	-	-	90,119	58,264	138,056
Street	56,310,519	828,615	48,595,045	-	18,640	119,520	2,004,357	1,005,896	3,738,446
Fleet Management	214,301	16,492	-	-	46,734	-	62,274	88,801	-
Total public works	<u>57,119,058</u>	<u>1,097,343</u>	<u>48,595,045</u>	<u>-</u>	<u>65,374</u>	<u>119,520</u>	<u>2,212,313</u>	<u>1,152,961</u>	<u>3,876,502</u>
Total governmental funds capital assets	<u>\$ 86,576,150</u>	<u>\$ 3,041,391</u>	<u>\$ 48,595,045</u>	<u>\$ 376,450</u>	<u>\$ 12,354,156</u>	<u>\$ 2,946,140</u>	<u>\$ 8,288,837</u>	<u>\$ 4,660,670</u>	<u>\$ 6,313,461</u>

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

CITY OF LUFKIN, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For The Year Ended September 30, 2004

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS CAPITAL ASSETS				GOVERNMENTAL FUNDS CAPITAL ASSETS
	OCTOBER 1, 2003	ADDITIONS	DEDUCTIONS	ADJUSTMENTS ¹	SEPTEMBER 30, 2004
General government:					
General	\$ 759,184	\$ -	\$ -	\$ (2,430)	\$ 756,754
Administration	57,873	-	-	(6,755)	51,118
Accounting	47,978	-	-	(1,066)	46,912
Human Resources	6,599	-	-	-	6,599
Municipal Building	4,125,328	35,546	-	-	4,160,874
Information Technology	1,359,229	45,534	16,807	41,009	1,428,965
Purchasing	4,949	-	-	-	4,949
Total general government	<u>6,361,140</u>	<u>81,080</u>	<u>16,807</u>	<u>30,758</u>	<u>6,456,171</u>
Public safety:					
Municipal Court	87,718	-	19,885	(2,000)	65,833
Police	2,724,183	190,172	277,702	(79,394)	2,557,259
Fire	3,115,031	373,645	18,940	50,053	3,519,789
Inspection Services	189,704	-	70,641	(1,750)	117,313
Animal control	1,047,920	28,934	8,415	-	1,068,439
Total public safety	<u>7,164,556</u>	<u>592,751</u>	<u>395,583</u>	<u>(33,091)</u>	<u>7,328,633</u>
Cultural and recreation:					
Civic Center	2,826,607	96,610	29,852	(3,120)	2,890,245
Parks	3,956,562	298,422	10,393	16,188	4,260,779
Zoo	2,220,556	104,282	-	(11,892)	2,312,946
Library	3,759,663	-	-	-	3,759,663
Total cultural and recreation	<u>12,763,388</u>	<u>499,314</u>	<u>40,245</u>	<u>1,176</u>	<u>13,223,633</u>
Planning and community development:					
Community Development	3,148	-	-	-	3,148
Planning and Zoning	13,862	-	-	(5,314)	8,548
Total planning and community development	<u>17,010</u>	<u>-</u>	<u>-</u>	<u>(5,314)</u>	<u>11,696</u>
Public works:					
Administration	69,088	50,669	-	(4,000)	115,757
Engineering	336,621	-	-	3,804	340,425
Street	48,352,446	4,777,631	564,671	6,667	52,572,073
Fleet Management	214,301	-	-	-	214,301
Total public works	<u>48,972,456</u>	<u>4,828,300</u>	<u>564,671</u>	<u>6,471</u>	<u>53,242,556</u>
Construction in progress	<u>7,056,441</u>	<u>5,132,878</u>	<u>5,875,858</u>	<u>-</u>	<u>6,313,461</u>
Total governmental funds capital assets	<u>\$ 82,334,991</u>	<u>\$ 11,134,323</u>	<u>\$ 6,893,164</u>	<u>\$ -</u>	<u>\$ 86,576,150</u>

¹ Adjustments to realign beginning balances to reflect actual amounts.

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