

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**

**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, 2003.

**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, 2003, 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, 2003 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, 2003, 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 80% of outstanding taxes at September 30, 2003.

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, 2003, was .5385 per \$100 of assessed valuation. The total tax levy for fiscal year 2003 was \$7,380,711 and \$7,160,782 was collected for a current collection rate of 97.02%.

**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 \$563,016. Of this amount \$46,229 was included as part

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of 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. Restatement of prior period**

Net assets of governmental activities at the beginning of FY 2003 has been adjusted to correct an error in the prior period. The noncurrent liability for long-term debt was reported net of deferred charges. These deferred charges were also reported as an asset. Had the error not been made, net change in net assets would have decreased by \$ 467,221.

Balance as reported	\$	51,397,414
Adjustment		(467,221)
Beginning balance as restated	\$	<u>50,930,193</u>

**B. 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 \$39,358,158 distinction are as follows:

Bonds payable	\$	37,035,000
Accrued interest payable		199,566
Capital leases payable		483,156
Compensated absences		1,640,436
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$	<u>39,358,158</u>

**C. 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 \$5,246,243 difference are as follows:

Capital outlay	\$	6,834,258
Depreciation expense		<u>(1,588,015)</u>
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>	\$	<u>5,246,243</u>

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 \$ 139,354 difference is as follows:

In the statement of activities, only the gain or loss on the disposal of assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources and a loss has no effect on financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the assets sold or retired.	\$	<u>(139,354)</u>
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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 \$3,990,966 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (542,888)
Issuance of general obligation bonds	(5,450,000)
Less deferred charges for issuance costs and on refunding	44,080
Principal repayments:	
General obligation debt	1,295,000
Notes	100,000
Leases	434,516
Change in accrued interest	183,173
Change in accrued compensated absences	(54,847)
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>\$ (3,990,966)</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 (\$174,304), the Civic Center Fund for \$18,792, Ellen Trout Zoo Fund for \$41,999, and the Special Recreation Fund for (\$5,641). 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	
Information Technology	(3,401)
Animal Control	(16,680)
Zoo	(21,391)
Public Works Administration	(1,023)
Engineering	(14,022)
Fleet Maintenance	(7,273)
Debt Service Fund	(2,508)

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

**C. Deficit fund equity**

Special Revenue Funds:

The Police Grants Fund had a deficit in fund balance of \$618. This deficit resulted from questioned costs by the grantor that we believe will be accepted and will be reimbursed during the next year.

The Home Grant had a deficit in fund balance of \$652. This deficit resulted from questioned costs by the grantor that we believe will be accepted and will be reimbursed during the next year.

The Animal Control Kurth Grant Fund had a deficit in fund balance of \$1,524. The deficit resulted from insufficient income to cover the current year retirement of debt. The General Fund advanced sufficient cash to make the final loan payment due in September 2003 and will be repaid from income during FY 2004.

**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, 2003 and had designated debt service funds of \$1,882,470 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 \$1,450,976 (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 1/60<sup>th</sup> of the difference between the required reserve and the initial deposit.

The assets available at September 30, 2003 compared to the balances required by the ordinances are as follows:

	<u>Balance Required</u>
Debt service required	\$ 941,943
Reserve account	1,450,976
Total balance required	<u>2,392,919</u>
Assets available	<u>2,575,580</u>
Excess	<u><u>\$ 182,661</u></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, 2003.

Type of Deposits	Total Bank Balance	Category			Carrying Amount	Fair Value
		1	2	3		
Deposits	\$ 850,421	\$ 669,355	\$ -	\$ 181,066	\$ 86,656	\$ 86,656

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.

On October 1, 2003, additional securities were pledged in an amount to fully collateralize the City's deposits.

**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, 2003 are as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
FAMCA Government Agency	\$ 1,097,391	-	\$ -	\$ 1,097,391	\$ 1,097,391
FNMA Government Agency	1,016,403	-	-	1,016,403	1,016,403
FHLMC Government Agency	3,065,094	-	-	3,065,094	3,065,094
FHLB Government Agency	7,112,871	-	-	7,112,871	7,112,871
FFCB Government Agency	1,037,401	-	-	1,037,401	1,037,401
	<u>\$ 13,329,160</u>	<u>-</u>	<u>\$ -</u>	13,329,160	13,329,160
Bank investment contracts				644,205	644,205
TexPool				22,391,958	22,391,958
TexStar				3,027,996	3,027,996
Total investments				<u>\$ 39,393,319</u>	<u>\$ 39,393,319</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	\$ 510,847	\$ 228,307	\$ -	\$ -	\$ -	\$ -	\$ 739,154
Accounts	1,764,779		-	1,706,831	728,660	37,928	4,238,198
Other	97,553	13,035	-	1,648	21,175	131,073	264,484
Intergovernmental	736,090		365,661	-	-	338,516	1,440,267
Less allowance for uncollectibles	(1,751,284)	(223,170)	-	(245,368)	(114,453)	(7,386)	(2,341,661)
	<u>\$ 1,357,985</u>	<u>\$ 18,172</u>	<u>\$ 365,661</u>	<u>\$ 1,463,111</u>	<u>\$ 635,382</u>	<u>\$ 500,131</u>	<u>\$ 4,340,442</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)	\$ 11,494	\$ -
Delinquent property taxes receivable (debt service fund)	5,138	-
Municipal Court receivables (general fund)	309,813	-
Municipal Court receivables (special revenue fund)	30,542	-
Miscellaneous receivables (general fund)	53,842	-
Ambulance receivables (general fund)	151,607	-
Grant receipts prior to meeting all eligibility requirements	-	61,336
Total	<u>\$ 562,436</u>	<u>\$ 61,336</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, 2003 were as follows:

Fund	Interfund Receivables	Interfund Payables	Purpose
Governmental activities			
General Fund	\$ 101,690	\$ -	Short term advance
Special Revenue Funds:			
Home Program Grants	-	100,166	Short term advance
Animal Control Kurth Grant	-	1,524	Short term advance
Total	<u>\$ 101,690</u>	<u>\$ 101,690</u>	

**2. Interfund transfers**

Transfer out:	Debt Service Fund	Transfer in:		Purpose
		Nonmajor Governmental	Total	
General Fund	\$ -	\$ 212,000	\$ 212,000	Construction
General Fund	-	50,000	50,000	Insurance loss contribution
General Fund	-	11,918	11,918	Grant matching funds
Water & Sewer Utility Fund	-	50,000	50,000	Insurance loss contribution
Water & Sewer Utility Fund	366,296	-	366,296	Debt service
Solid Waste Disposal Fund	71,768	-	71,768	Debt service
Solid Waste Disposal Fund	-	25,000	25,000	Insurance loss contribution
Total	<u>\$ 438,064</u>	<u>\$ 348,918</u>	<u>\$ 786,982</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	\$ 1,226,575	\$ 1,480,162	\$ 5,492,958	\$ 8,199,695
Investments	498,471	-	3,304,867	3,803,338
Other receivables	10,534	-	52,511	63,045
Due from other funds	-	(171,629)	171,629	-
Intergovernmental receivables	-	-	95,016	95,016
Total restricted assets	<u>\$ 1,735,580</u>	<u>\$ 1,308,533</u>	<u>\$ 9,116,981</u>	<u>\$ 12,161,094</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 the Lower Neches Valley Authority. Under the terms of the contract, the City agreed to

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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, 2003 and the annual payment has been charged to Storage Space in Sam Rayburn Reservoir. It is the City's accounting policy to capitalize annual payments until actual water usage occurs, at which time amortization will be recognized over the remaining life of the 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	\$	564,070
Capitalized contract for storage space		
50 year contract		220,000
40 year contract		<u>305,600</u>
Storage space in Sam Rayburn Reservoir	\$	<u><u>1,089,670</u></u>

**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 2002. This condition assessment will be performed every two years. Each street was assigned a physical condition based on nineteen potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Excellent to Good	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:

<u>Condition</u>	<u>% of streets</u>	
	<u>2003</u>	<u>2002</u>
Excellent to Good	80.3%	77.7%
Fair to Good	16.7%	18.5%
Substandard	3.0%	3.8%

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):

<u>Fiscal year</u>	<u>Budget</u>	<u>Actual</u>
2003	\$ 2,769	\$ 2,482
2002	3,103	2,732
2001	2,969	2,721

Capital asset activity for the year ended September 30, 2003 was as follows:

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,508,649	\$ -	\$ -	\$ 2,508,649
Infrastructure	43,630,437	1,242,328	112,773	44,759,992
Works of art	376,450	-	-	376,450
Construction in progress	3,095,395	5,849,397	1,888,351	7,056,441
Total capital assets not being depreciated	49,610,931	7,091,725	2,001,124	54,701,532
Capital assets being depreciated:				
Buildings	12,195,942	-	-	12,195,942
Improvements other than buildings	2,303,534	396,166	-	2,699,700
Machinery and equipment	7,303,044	663,956	83,356	7,883,644
Vehicles	4,308,176	545,997	-	4,854,173
Total capital assets being depreciated	26,110,696	1,606,119	83,356	27,633,459
Less accumulated depreciation for:				
Buildings	(3,187,416)	(244,314)	-	(3,431,730)
Improvements other than buildings	(905,395)	(135,923)	32,897	(1,008,421)
Machinery and equipment	(3,686,069)	(819,108)	81,540	(4,423,637)
Vehicles	(2,693,792)	(421,567)	-	(3,115,359)
Total accumulated depreciation	(10,472,672)	(1,620,912)	114,437	(11,979,147)
Total capital assets, being depreciated, net	15,638,024	(14,793)	(31,081)	15,654,312
Governmental activities capital assets, net	<u>\$ 65,248,955</u>	<u>\$ 7,076,932</u>	<u>\$ 1,970,043</u>	<u>\$ 70,355,844</u>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 259,115	\$ 83,644	\$ -	\$ 342,759
Storage space	1,076,046	13,624	-	1,089,670
Construction in progress	5,831,471	4,458,712	4,677,138	5,613,045
Total capital assets not being depreciated	7,166,632	4,555,980	4,677,138	7,045,474
Capital assets being depreciated:				
Buildings	4,084,687	-	-	4,084,687
Improvements other than buildings	41,151,083	4,762,134	574,386	45,338,831
Machinery and equipment	13,152,901	321,025	11,000	13,462,926
Vehicles	3,864,478	486,813	-	4,351,291
Total capital assets being depreciated	62,253,149	5,569,972	585,386	67,237,735
Less accumulated depreciation for:				
Buildings	(1,255,100)	(82,051)	-	(1,337,151)
Improvements other than buildings	(14,990,008)	(786,711)	148,363	(15,628,356)
Machinery and equipment	(9,177,750)	(695,437)	6,263	(9,866,924)
Vehicles	(2,226,855)	(507,214)	-	(2,734,069)
Total accumulated depreciation	(27,649,713)	(2,071,413)	154,626	(29,566,500)
Total capital assets, being depreciated, net	34,603,436	3,498,559	740,012	37,671,235
Business-type activities capital assets, net	<u>\$ 41,770,068</u>	<u>\$ 8,054,539</u>	<u>\$ 5,417,150</u>	<u>\$ 44,716,709</u>

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

Governmental activities:	
General government	\$ 346,066
Public safety	576,767
Culture and recreation	409,931
Planning and community development	438
Public works	287,710
Total governmental activities	<u>\$ 1,620,912</u>
Business-type activities:	
Water and Sewer	\$ 1,509,384
Solid Waste Disposal	562,029
Total business-type activities	<u>\$ 2,071,413</u>

**3. Construction commitments**

The government has active construction projects as of September 30, 2003. 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
Kiwanis Park	\$ -	\$ 32,437	General Revenues
Columbine St. Drainage	4,000	-	General Revenues
Waterline replacement	2,954,186	947,216	Drinking Water State Revolving Fund
Water well	638,251	-	1999 Water/Wastewater Capital Improvements Projects
Sewer line projects	1,067,775	511,533	1999 Water/Wastewater Capital Improvements Projects
Utilities project	603,572	329,413	Water and Sewer Renewal and Replacement Fund
Sewer utilities	257,335	13,040	Sewer System Construction
Park - Kit McConnico	1,119,468	448,496	1999 Capital Improvements Project Bond Program Fund
Carpet - Civic Center	71,720	-	1999 Capital Improvements Project Bond Program Fund
Detention ponds	1,006,790	34,840	1999 Capital Improvements Project Bond Program Fund
Street improvements	2,994,377	3,030,976	1999 Capital Improvements Project Bond Program Fund
Street improvements	1,676,430	510,041	2001 Street Bond Program Fund
Wetlands mitigation	183,656	-	Wetlands Project Fund
Total	<u>\$ 12,577,560</u>	<u>\$ 5,857,992</u>	

**G. Current liabilities**

**1. Payables**

Payables in the governmental activities are composed of amounts due vendors \$1,463,456, retainage of \$230,972, accrued salaries and benefits of \$1,519,852 and other accrued liabilities of \$281,065. The business-type activities payables are composed of

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amounts due vendors, \$429,274, accrued salaries and benefits of \$252,011, sales tax payable \$42,677, customer deposits of \$278,301 and other accrued liabilities of \$67,975.

**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, 2003, the City's liability for compensated absences consisted of the following:

	Governmental Activities	Business-type Activities	Total
Vacation	\$ 760,309	\$ 101,394	\$ 861,703
Sick leave	1,640,436	48,429	1,688,865
	\$ 2,400,745	\$ 149,823	\$ 2,550,568

**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:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 89,361
Vehicles	355,341
Less accumulated depreciation	(197,222)
Total	\$ 247,480

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003, were as follows:

Year ending September 30,	Governmental Activities
2003	\$ 327,840
2004	159,517
Total minimum lease payments	487,357
Less amount representing interest	(4,201)
Present value of minimum lease payments	\$ 483,156

The City made \$434,516 in principal payments and \$18,004 in interest payments on capital leases for the year ended September 30, 2003.

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**I. Long-term debt**

**1. General obligation bonds payable**

General obligation bonds payable at September 30, 2003 are comprised of the following individual issues:

\$5,000,000 Series 1994 General Obligation Bonds due in annual installments of \$75,000 to \$600,000 from February 15, 1996 through February 15, 2004; interest at 5.20% to 6.375%.	\$ 475,000
\$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%.	2,700,000
\$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%.	4,250,000
\$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%.	4,025,000
\$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 %.	8,660,000
\$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%.	2,175,000
\$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%.	9,300,000
\$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>\$ 37,035,000</u>

The City expended \$1,671,065 for interest on general obligation bonds for the year ended September 30, 2003.

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

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Year ending September 30,	Governmental Activities		
	Principal	Interest	Total
2004	\$ 2,135,000	\$ 1,619,785	\$ 3,754,785
2005	2,350,000	1,560,623	3,910,623
2006	2,425,000	1,463,849	3,888,849
2007	2,510,000	1,362,187	3,872,187
2008	2,615,000	1,255,972	3,870,972
2009-2013	10,475,000	4,730,113	15,205,113
2014-2018	7,625,000	2,826,171	10,451,171
2019-2023	6,500,000	887,589	7,387,589
2024	400,000	18,874	418,874
Total	\$ <u>37,035,000</u>	\$ <u>15,725,163</u>	\$ <u>52,760,163</u>

**2. Revenue bonds payable**

Revenue bonds payable at September 30, 2003 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%.	\$ 2,100,000
\$3,025,000 Series 1998 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%.	2,475,000
\$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%.	5,540,000
\$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>11,615,000</u>

The City expended \$386,112 for interest on revenue bonds for the year ended September 30, 2003.

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

Year ending September 30,	Business-type Activities		
	Principal	Interest	Total
2004	\$ 840,000	\$ 459,791	\$ 1,299,791
2005	880,000	462,133	1,342,133
2006	945,000	423,906	1,368,906
2007	965,000	384,685	1,349,685
2008	1,015,000	344,386	1,359,386
2009-2013	4,500,000	1,098,625	5,598,625
2014-2018	1,770,000	350,333	2,120,333
2019-2023	475,000	108,990	583,990
2024-2025	225,000	10,693	235,693
Total	\$ <u>11,615,000</u>	\$ <u>3,643,542</u>	\$ <u>15,258,542</u>

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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 \$11,624 for interest on notes payable for the year ended September 30, 2003.

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

Year ending September 30,	Business-type Activities		
	Principal	Interest	Total
2004	13,977	5,771	19,748
2005	14,340	5,408	19,748
2006	14,712	5,036	19,748
2007	15,092	4,656	19,748
2008-2012	81,533	17,207	98,740
2013-2017	68,247	6,394	74,641
2018-2019	14,820	578	15,398
	\$ 222,721	\$ 45,050	\$ 267,771

**4. Change in long-term liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<u>Governmental activities</u>					
Bonds payable					
General obligation bonds	\$ 32,880,000	\$ 5,450,000	\$ 1,295,000	\$ 37,035,000	\$ 2,135,000
Less deferred charges					
For issuance costs	467,221	86,427	42,347	511,301	-
Total bonds payable	32,412,779	5,363,573	1,252,653	36,523,699	2,135,000
Notes payable	100,000	-	100,000	-	-
Capital leases	374,784	542,888	434,516	483,156	314,389
Compensated absences	1,585,589	54,847	-	1,640,436	148,750
Total governmental activities long-term liabilities	\$ 34,473,152	\$ 5,961,308	\$ 1,787,169	\$ 38,647,291	\$ 2,598,139
<u>Business-type activities</u>					
Bonds payable					
Revenue bonds	\$ 8,000,000	\$ 4,935,000	\$ 1,320,000	\$ 11,615,000	\$ 840,000
Less deferred charges					
For issuance costs	551,465	-	27,760	523,705	-
Total bonds payable	7,448,535	4,935,000	1,292,240	11,091,295	840,000
Notes payable	236,345	-	13,624	222,721	13,977
Total business-type long-term liabilities	\$ 7,684,880	\$ 4,935,000	\$ 1,305,864	\$ 11,314,016	\$ 853,977

**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.

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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 reflects 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, 2003, restricted assets of the Enterprise Funds consisted of the following:

	Bond Reserve	Construction	Renewal and Replacement	Total
Restricted assets:				
Cash and cash equivalents	\$ 1,226,575	\$ 1,480,162	\$5,492,958	\$ 8,199,695
Investments	498,471	-	3,304,867	3,803,338
Other receivables	10,534	-	52,511	63,045
Due from other funds	-	(171,629)	171,629	-
Intergovernmental receivables	-	-	95,016	95,016
<b>Total restricted assets</b>	<b>1,735,580</b>	<b>1,308,533</b>	<b>9,116,981</b>	<b>12,161,094</b>
Liabilities payable from restricted assets:				
Accounts payable - construction	-	763,307	411,088	1,174,395
Accrued interest - revenue bonds	171,943	-	-	171,943
<b>Total liabilities payable from restricted assets</b>	<b>171,943</b>	<b>763,307</b>	<b>411,088</b>	<b>1,346,338</b>
<b>Net assets - restricted September 30, 2003</b>	<b>\$ 1,563,637</b>	<b>\$ 545,226</b>	<b>\$8,705,893</b>	<b>\$10,814,756</b>

**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 \$400,000. 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.

The Pool's retention is \$1,000,000 per occurrence in excess of member deductibles for property insurance, \$50,000 per occurrence for boiler and machinery coverage, \$1,000,000 per occurrence for liability insurance, and \$25,000 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

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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 \$60,000 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, 2003, the individual stop loss amount was \$60,000 and the aggregate stop loss amount was \$653.83 per individual per month for medical and prescription card service. The minimum aggregate deductible is \$244,610 and the maximum aggregate benefit in excess of the deductible is \$1,000,000. At September 30, 2003, 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, 2003, the City had recorded a liability of \$216,322 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 <u>September 30,</u>	Claims Payable <u>October 1,</u>	Claims Incurred	Claims Paid	Claims Payable <u>September 30,</u>
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

**2. 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.

**3. 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 774 administered by TMRS, an

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**SEPTEMBER 30, 2003**

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](http://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.

**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, 2002 valuation is effective for rates beginning January 2004.

The City's total payroll in fiscal year 2003 was \$15,013,378 and the City's contributions were based on a payroll of \$11,421,696. Both the City and the covered employees made the required contributions, amounting to \$1,377,091 (11.6% of covered payroll for the months in calendar year 2002 and 12.2% for the months in calendar year 2003) for the City and \$799,519 (7.00%) for the employees. There were no related party transactions.

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**

**b. Actuarial valuation information**

Actuarial valuation date	December 31, 2002
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	8.00%
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
1994	\$ 512,925	100%	-
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%	-

**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)
12/31/93	\$ 7,514,541	\$ 10,134,114	74.2%	\$ 2,619,573	\$ 7,057,383	37.1%
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	19,074,580	69.2%	5,881,970	9,055,427	65.0%
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%

**4. 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

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**

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*, 45<sup>th</sup> Legislature as revised by the 73<sup>rd</sup> 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 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 2003 for firemen was \$3,277,193 and the City's contributions were based on a payroll of \$3,232,945. Both the City and the covered employees

**CITY OF LUFKIN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**

made the required contributions, amounting to \$355,624 (11%) by employees and \$355,624 (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%

**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%

**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, 2003**

	Percentage of lane miles in Excellent to Very Good	
	2003	2002
	Major thoroughfares	87.0%
Collector Streets	87.7%	85.3%
Residential Streets	78.0%	83.7%

	Percentage of lane miles in Substandard Condition	
	2003	2002
	Major thoroughfares	0.8%
Collector Streets	1.6%	2.2%
Residential Streets	1.3%	2.1%

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

	2003	2002
Major thoroughfares:		
Needed	\$ 620	\$ 620
Actual	566	546
Collector streets		
Needed	932	932
Actual	849	820
Residential streets:		
Needed	1,551	1,551
Actual	1,415	1,366
Overall system:		
Needed	3,103	3,103
Actual	2,830	2,732
Difference	273	371

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.

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, 2003**

	<u>SPECIAL REVENUE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,364,667	\$ 312,627	\$ 1,677,294
Investments	348,345	8,264	356,609
Accounts receivable	37,928	-	37,928
Other receivables	131,073	-	131,073
Allowance for uncollectibles	(7,386)	-	(7,386)
Intergovernmental receivables	338,516	-	338,516
Total assets	<u>\$ 2,213,143</u>	<u>\$ 320,891</u>	<u>\$ 2,534,034</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 238,821	\$ 2,325	\$ 241,146
Due to other funds	101,690	-	101,690
Accrued compensated absences	5,135	-	5,135
Accrued liabilities	40,277	-	40,277
Deferred revenues	82,763	-	82,763
Total liabilities	<u>468,686</u>	<u>2,325</u>	<u>471,011</u>
<b>FUND BALANCES</b>			
Unreserved, undesignated	<u>1,744,457</u>	<u>318,566</u>	<u>2,063,023</u>
Total fund balances	<u>1,744,457</u>	<u>318,566</u>	<u>2,063,023</u>
Total liabilities and fund balances	<u>\$ 2,213,143</u>	<u>\$ 320,891</u>	<u>\$ 2,534,034</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, 2003**

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
Other taxes	\$ 548,996	\$ -	\$ 548,996
Charges for services	429,473	-	429,473
Interest income	21,485	591	22,076
Intergovernmental	938,995	-	938,995
Other revenue	255,227	1,066	256,293
Total revenues	<u>2,194,176</u>	<u>1,657</u>	<u>2,195,833</u>
Expenditures			
Current:			
Public safety	498,849	-	498,849
Cultural and recreation	928,957	-	928,957
Public works	369,443	-	369,443
Non-departmental	82,428	-	82,428
Debt service:			
Principal	100,000	-	100,000
Interest and fiscal charges	5,500	-	5,500
Capital outlay:			
Public works	-	68,715	68,715
Street	-	4,000	4,000
Total expenditures	<u>1,985,177</u>	<u>72,715</u>	<u>2,057,892</u>
Excess (deficiency) of revenues over (under) expenditures	<u>208,999</u>	<u>(71,058)</u>	<u>137,941</u>
Other financing sources (uses)			
Transfers in	<u>136,918</u>	<u>212,000</u>	<u>348,918</u>
Total other financing sources (uses)	<u>136,918</u>	<u>212,000</u>	<u>348,918</u>
Net change in fund balances	345,917	140,942	486,859
Fund balances - beginning	<u>1,398,540</u>	<u>177,624</u>	<u>1,576,164</u>
Fund balances - ending	<u>\$ 1,744,457</u>	<u>\$ 318,566</u>	<u>\$ 2,063,023</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, 2003**

	<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>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 642,890	\$ 4,565	\$ -	\$ 67,901	\$ 76,752
Investments	249,504	13,988	-	-	-
Receivables:					
Accounts	-	-	-	-	37,928
Other	3,913	125,665	-	-	-
Allowance for uncollectibles	-	-	-	-	(7,386)
Intergovernmental receivables	-	-	99,514	-	-
Total assets	<u>\$ 896,307</u>	<u>\$ 144,218</u>	<u>\$ 99,514</u>	<u>\$ 67,901</u>	<u>\$ 107,294</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,357	\$ 6,495	\$ -	\$ 13	\$ 5,345
Due to other funds	-	-	100,166	-	-
Accrued compensated absences	-	5,135	-	-	-
Accrued liabilities	-	20,684	-	4,608	-
Deferred revenues	-	-	-	-	30,542
Total liabilities	<u>1,357</u>	<u>32,314</u>	<u>100,166</u>	<u>4,621</u>	<u>35,887</u>
<b>FUND BALANCES</b>					
Unreserved, undesignated	<u>894,950</u>	<u>111,904</u>	<u>(652)</u>	<u>63,280</u>	<u>71,407</u>
Total liabilities and fund balances	<u>\$ 896,307</u>	<u>\$ 144,218</u>	<u>\$ 99,514</u>	<u>\$ 67,901</u>	<u>\$ 107,294</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>ANIMAL'S ATTIC GIFT SHOP FUND</u>	<u>DARE FUND</u>	<u>ANIMAL CONTROL KURTH GRANT FUND</u>
\$ 47,805	\$ 79,527	\$ 194,719	\$ 71,533	\$ 3,371	\$ -
-	19,915	64,938	-	-	-
-	-	-	-	-	-
-	519	976	-	-	-
-	-	-	-	-	-
4,416	-	-	-	-	-
<u>\$ 52,221</u>	<u>\$ 99,961</u>	<u>\$ 260,633</u>	<u>\$ 71,533</u>	<u>\$ 3,371</u>	<u>\$ -</u>
\$ 618	\$ 1,647	\$ 3	\$ 1,597	\$ 4	\$ -
-	-	-	-	-	1,524
-	-	-	-	-	-
-	-	-	-	-	-
52,221	-	-	-	-	-
<u>52,839</u>	<u>1,647</u>	<u>3</u>	<u>1,597</u>	<u>4</u>	<u>1,524</u>
(618)	98,314	260,630	69,936	3,367	(1,524)
<u>\$ 52,221</u>	<u>\$ 99,961</u>	<u>\$ 260,633</u>	<u>\$ 71,533</u>	<u>\$ 3,371</u>	<u>\$ -</u>

(Continued)

**CITY OF LUFKIN, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
September 30, 2003**

	<u>RURAL AFFAIRS COMMUNITY GRANT FUND</u>	<u>KURTH MEMORIAL LIBRARY GRANT FUND</u>	<u>ECONOMIC DEVELOPMENT FUND</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 72,356	\$ 103,248	\$ 1,364,667
Investments	-	-	-	348,345
Receivables:				
Accounts	-	-	-	37,928
Other	-	-	-	131,073
Allowance for uncollectibles	-	-	-	(7,386)
Intergovernmental receivables	234,586	-	-	338,516
Total assets	<u>\$ 234,586</u>	<u>\$ 72,356</u>	<u>\$ 103,248</u>	<u>\$ 2,213,143</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 219,601	\$ 2,114	\$ 27	\$ 238,821
Due to other funds	-	-	-	101,690
Accrued compensated absences	-	-	-	5,135
Accrued liabilities	14,985	-	-	40,277
Deferred revenues	-	-	-	82,763
Total liabilities	<u>234,586</u>	<u>2,114</u>	<u>27</u>	<u>468,686</u>
<b>FUND BALANCES</b>				
Unreserved, undesignated	<u>-</u>	<u>70,242</u>	<u>103,221</u>	<u>1,744,457</u>
Total liabilities and fund balances	<u>\$ 234,586</u>	<u>\$ 72,356</u>	<u>\$ 103,248</u>	<u>\$ 2,213,143</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, 2003**

	ELLEN TROUT ZOO FUND	CIVIC CENTER FUND	HOME GRANT FUND	POLICE SEIZURE FUND	COURT SECURITY/ TECHNOLOGY FUND
Revenues					
Other taxes	\$ -	\$ 548,996	\$ -	\$ -	\$ -
Charges for services	195,399	121,793	-	-	-
Interest income	11,351	138	-	849	646
Intergovernmental	-	-	333,487	-	-
Other revenue	-	-	-	13,341	55,969
Total revenues	<u>206,750</u>	<u>670,927</u>	<u>333,487</u>	<u>14,190</u>	<u>56,615</u>
Expenditures					
Current:					
Public safety	-	-	381,639	9,069	41,668
Cultural and recreation	47,331	640,784	-	-	-
Public works	-	-	-	-	-
Non-departmental	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>47,331</u>	<u>640,784</u>	<u>381,639</u>	<u>9,069</u>	<u>41,668</u>
Excess (deficiency) of revenues over (under) expenditures	159,419	30,143	(48,152)	5,121	14,947
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Net change in fund balances	159,419	30,143	(48,152)	5,121	14,947
Fund balances - beginning	<u>735,531</u>	<u>81,761</u>	<u>47,500</u>	<u>58,159</u>	<u>56,460</u>
Fund balances - ending	<u>\$ 894,950</u>	<u>\$ 111,904</u>	<u>\$ (652)</u>	<u>\$ 63,280</u>	<u>\$ 71,407</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>ANIMAL'S ATTIC GIFT SHOP FUND</u>	<u>DARE FUND</u>	<u>ANIMAL CONTROL KURTH GRANT FUND</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	112,281	-	-	-	-
-	1,344	4,092	-	55	721
49,268	-	-	-	-	-
-	-	24,752	53,653	-	107,512
<u>49,268</u>	<u>113,625</u>	<u>28,844</u>	<u>53,653</u>	<u>55</u>	<u>108,233</u>
56,480	-	-	7,537	2,456	-
-	120,342	-	-	-	-
-	-	-	-	-	-
-	-	82,428	-	-	-
-	-	-	-	-	100,000
-	-	-	-	-	5,500
<u>56,480</u>	<u>120,342</u>	<u>82,428</u>	<u>7,537</u>	<u>2,456</u>	<u>105,500</u>
(7,212)	(6,717)	(53,584)	46,116	(2,401)	2,733
<u>11,918</u>	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,706	(6,717)	71,416	46,116	(2,401)	2,733
<u>(5,324)</u>	<u>105,031</u>	<u>189,214</u>	<u>23,820</u>	<u>5,768</u>	<u>(4,257)</u>
<u>\$ (618)</u>	<u>\$ 98,314</u>	<u>\$ 260,630</u>	<u>\$ 69,936</u>	<u>\$ 3,367</u>	<u>\$ (1,524)</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, 2003**

	RURAL AFFAIRS COMMUNITY GRANT	KURTH MEMORIAL LIBRARY GRANT FUND	ECONOMIC DEVELOPMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
Revenues				
Other taxes	\$ -	\$ -	\$ -	\$ 548,996
Charges for services	-	-	-	429,473
Interest income	-	628	1,661	21,485
Intergovernmental	369,443	186,797	-	938,995
Other revenue	-	-	-	255,227
Total revenues	<u>369,443</u>	<u>187,425</u>	<u>1,661</u>	<u>2,194,176</u>
Expenditures				
Current:				
Public safety	-	-	-	498,849
Cultural and recreation	-	120,500	-	928,957
Public works	369,443	-	-	369,443
Non-departmental	-	-	-	82,428
Debt service:				
Principal	-	-	-	100,000
Interest and fiscal charges	-	-	-	5,500
Total expenditures	<u>369,443</u>	<u>120,500</u>	<u>-</u>	<u>1,985,177</u>
Excess (deficiency) of revenues over (under) expenditures	-	66,925	1,661	208,999
Other financing sources (uses)				
Transfers in	-	-	-	136,918
Net change in fund balances	-	66,925	1,661	345,917
Fund balances - beginning	<u>-</u>	<u>3,317</u>	<u>101,560</u>	<u>1,398,540</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 70,242</u>	<u>\$ 103,221</u>	<u>\$ 1,744,457</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, 2003**

	<u>STREET CONSTRUCTION FUND</u>	<u>WETLANDS PROJECT FUND</u>	<u>DRAINAGE MITIGATION FUND</u>	<u>TOTAL NONMAJOR CAPITAL PROJECT FUNDS</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 294,150	\$ 260	\$ 18,217	\$ 312,627
Investments	-	8,264	-	8,264
Total assets	<u>\$ 294,150</u>	<u>\$ 8,524</u>	<u>\$ 18,217</u>	<u>\$ 320,891</u>
 <b>LIABILITIES</b>				
Accounts payable	<u>\$ 2,128</u>	<u>\$ 3</u>	<u>\$ 194</u>	<u>\$ 2,325</u>
Total liabilities	<u>2,128</u>	<u>3</u>	<u>194</u>	<u>2,325</u>
 <b>FUND BALANCES</b>				
Unreserved, undesignated	<u>292,022</u>	<u>8,521</u>	<u>18,023</u>	<u>318,566</u>
Total liabilities and fund balances	<u>\$ 294,150</u>	<u>\$ 8,524</u>	<u>\$ 18,217</u>	<u>\$ 320,891</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, 2003**

	<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	\$ -	\$ 591	\$ -	\$ 591
Other revenue	-	-	1,066	1,066
Total revenues	<u>-</u>	<u>591</u>	<u>1,066</u>	<u>1,657</u>
Expenditures				
Debt service:				
Capital outlay:				
Public works	-	68,715	-	68,715
Street	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Total expenditures	<u>4,000</u>	<u>68,715</u>	<u>-</u>	<u>72,715</u>
Excess (deficiency) of revenues over (under) expenditures	(4,000)	(68,124)	1,066	(71,058)
Other Financing Sources				
Transfers in	<u>212,000</u>	<u>-</u>	<u>-</u>	<u>212,000</u>
Net change in fund balances	208,000	(68,124)	1,066	140,942
Fund balances - beginning	<u>84,022</u>	<u>76,645</u>	<u>16,957</u>	<u>177,624</u>
Fund balances - ending	<u>\$ 292,022</u>	<u>\$ 8,521</u>	<u>\$ 18,023</u>	<u>\$ 318,566</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, 2003**

Utility collections:	
Payroll costs	\$ 462,102
Supplies	64,686
Maintenance of equipment	15,421
Miscellaneous services	19,664
Total utility collections	<u>561,873</u>
Water utilities:	
Payroll costs	759,288
Supplies	78,323
Maintenance of equipment	309,672
Miscellaneous services	35,610
Total water utilities	<u>1,182,893</u>
Sewer utilities:	
Payroll costs	690,202
Supplies	101,921
Maintenance of equipment	248,026
Miscellaneous services	480,044
Sundry charges	5,000
Total sewer utilities	<u>1,525,193</u>
Wastewater treatment plant:	
Payroll costs	913,464
Supplies	128,881
Maintenance of equipment	72,684
Miscellaneous services	566,257
Sundry charges	82
Total wastewater treatment plant	<u>1,681,368</u>
Water production:	
Payroll costs	47,559
Supplies	178,617
Maintenance of equipment	73,264
Miscellaneous services	971,456
Total water production	<u>1,270,896</u>
Depreciation and amortization	1,509,384
General and administrative	1,642,041
Non-departmental	81,769
Total operating expenses	<u>\$ 9,455,417</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, 2003**

Sanitation:	
Payroll costs	\$ 770,737
Supplies	301,652
Maintenance of equipment	156,473
Miscellaneous services	1,166,940
Sundry charges	21
Total sanitation	<u>2,395,823</u>
Recycling:	
Payroll costs	283,675
Supplies	73,705
Maintenance of equipment	78,123
Miscellaneous services	88,825
Total recycling	<u>524,328</u>
Depreciation and amortization	562,029
General and administrative	765,533
Non-departmental	8,810
Total operating expenses	<u>\$ 4,256,523</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, 2003**

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues				
Ad valorem taxes	\$ 2,426,961	\$ 2,426,961	\$ 2,491,062	\$ 64,101
Interest income	75,000	75,000	54,910	(20,090)
Total revenues	<u>2,501,961</u>	<u>2,501,961</u>	<u>2,545,972</u>	<u>44,011</u>
Expenditures				
Debt service:				
Principal:				
1994 general obligation bonds	450,000	450,000	450,000	-
1996 general obligation bonds	300,000	300,000	300,000	-
1998 certificates of obligation	200,000	200,000	200,000	-
1999 certificates of obligation	125,000	125,000	125,000	-
2002 certificates of obligation	150,000	150,000	150,000	-
2002 general obligation bonds	25,000	25,000	25,000	-
2002 general obligation refunding bonds	45,000	45,000	45,000	-
Total principal	<u>1,295,000</u>	<u>1,295,000</u>	<u>1,295,000</u>	<u>-</u>
Interest:				
1994 general obligation bonds	36,401	36,401	36,401	-
1996 general obligation bonds	150,075	150,075	150,075	-
1998 certificates of obligation	217,150	217,150	217,150	-
1999 certificates of obligation	224,513	224,513	224,513	-
2002 certificates of obligation	613,083	613,083	613,083	-
2002 general obligation bonds	144,901	144,901	143,924	977
2002 general obligation refunding bonds	285,919	285,919	285,919	-
Total interest	<u>1,672,042</u>	<u>1,672,042</u>	<u>1,671,065</u>	<u>977</u>
Bond issuance costs and paying agent fees	3,225	3,225	6,709	(3,484)
Total expenditures	<u>2,970,267</u>	<u>2,970,267</u>	<u>2,972,774</u>	<u>(2,507)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(468,306)</u>	<u>(468,306)</u>	<u>(426,802)</u>	<u>41,504</u>
Other Financing Sources (Uses)				
Transfers in	883,960	438,064	438,064	-
Total other financing sources (uses)	<u>883,960</u>	<u>438,064</u>	<u>438,064</u>	<u>-</u>
Net change in fund balances	415,654	(30,242)	11,262	41,504
Fund balances - beginning	<u>1,871,208</u>	<u>1,871,208</u>	<u>1,871,208</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,286,862</u>	<u>\$ 1,840,966</u>	<u>\$ 1,882,470</u>	<u>\$ 41,504</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, 2003**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues				
Charges for services	\$ 152,600	\$ 152,600	\$ 195,399	\$ 42,799
Interest income	37,967	37,967	11,351	(26,616)
Total revenues	<u>190,567</u>	<u>190,567</u>	<u>206,750</u>	<u>16,183</u>
Expenditures				
Current:				
Cultural and recreation	69,600	111,599	47,331	64,268
Total expenditures	<u>69,600</u>	<u>111,599</u>	<u>47,331</u>	<u>64,268</u>
Excess (deficiency) of revenues over (under) expenditures	120,967	78,968	159,419	80,451
Fund balances - beginning	<u>735,531</u>	<u>735,531</u>	<u>735,531</u>	-
Fund balances - ending	<u>\$ 856,498</u>	<u>\$ 814,499</u>	<u>\$ 894,950</u>	<u>\$ 80,451</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, 2003**

	<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	\$ 520,000	\$ 520,000	\$ 548,996	\$ 28,996
Charges for services	105,300	105,300	121,793	16,493
Interest income	1,418	1,418	138	(1,280)
Other revenue				0
Total revenues	<u>626,718</u>	<u>626,718</u>	<u>670,927</u>	<u>44,209</u>
Expenditures				
Current:				
Cultural and recreation	<u>648,514</u>	<u>667,306</u>	<u>640,784</u>	<u>26,522</u>
Total expenditures	<u>648,514</u>	<u>667,306</u>	<u>640,784</u>	<u>26,522</u>
Deficiency of revenues under expenditures	(21,796)	(40,588)	30,143	70,731
Other Financing Sources (Uses)				
Transfers out	<u>(70,040)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(91,836)	(40,588)	30,143	70,731
Fund balances - beginning	<u>81,761</u>	<u>81,761</u>	<u>81,761</u>	<u>-</u>
Fund balances - ending	<u>\$ (10,075)</u>	<u>\$ 41,173</u>	<u>\$ 111,904</u>	<u>\$ 70,731</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, 2003**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET-</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
Revenues				
Charges for services	\$ 134,300	\$ 134,300	\$ 112,281	\$ (22,019)
Interest income	1,396	1,396	1,344	(52)
Total revenues	135,696	135,696	113,625	(22,071)
Expenditures				
Current:				
Cultural and recreation	134,300	128,659	120,342	(8,317)
Total expenditures	134,300	128,659	120,342	(8,317)
Excess of revenues over expenditures	1,396	7,037	(6,717)	(13,754)
Fund balances - beginning	105,031	105,031	105,031	-
Fund balances - ending	\$ 106,427	\$ 112,068	\$ 98,314	\$ (13,754)

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, 2003**

Governmental funds capital assets:	
Land	\$ 2,508,649
Infrastructure	44,759,992
Works of Art	376,450
Buildings	12,195,942
Improvements other than buildings	2,699,700
Machinery and equipment	7,883,644
Vehicles	4,854,173
Construction in progress	<u>7,056,441</u>
Total governmental funds capital assets	<u>\$ 82,334,991</u>
Investment in governmental funds capital assets by source:	
General obligation bonds	\$ 26,546,966
General government revenues	14,807,803
Federal and state grants	1,346,760
Capital lease purchases	2,047,256
Contributions from public	<u>37,586,206</u>
Total governmental funds capital assets	<u>\$ 82,334,991</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, 2003

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	\$ 759,184	\$ 211,038	-	\$ 284,950	\$ 137,400	-	\$ 125,796	-	-
Administration	57,873	-	-	-	-	-	57,873	-	-
Accounting	47,978	-	-	-	-	-	47,978	-	-
Human Resources	6,599	-	-	-	-	-	6,599	-	-
Municipal Building	4,125,328	-	-	-	3,992,829	28,268	104,231	-	-
Information Technology	1,359,230	-	-	-	-	-	1,359,229	-	-
Purchasing	4,949	-	-	-	-	-	4,949	-	-
Total general government	6,361,141	211,038	-	284,950	4,130,229	28,268	1,706,655	-	-
Public safety:									
Municipal Court	87,718	-	-	-	-	-	67,833	19,885	-
Police	2,740,007	-	-	-	66,334	7,316	1,398,598	1,251,935	15,824
Fire	3,115,031	154,400	-	-	611,620	2,308	512,265	1,834,438	-
Inspection Services	189,704	-	-	-	-	-	31,176	158,528	-
Animal control	1,047,920	-	-	-	702,370	126,457	102,237	116,856	-
Total public safety	7,180,380	154,400	-	-	1,380,324	136,081	2,112,109	3,381,642	15,824
Cultural and recreation:									
Civic Center	2,898,327	337,500	-	65,000	1,253,734	85,199	1,085,174	-	71,720
Parks	5,076,029	940,243	36,767	26,500	844,662	1,229,344	671,146	207,899	1,119,468
Zoo	2,220,556	42,867	-	-	1,031,379	1,064,521	44,124	37,665	-
Library	3,759,663	258,000	-	-	3,488,400	-	13,263	-	-
Total cultural and recreation	13,954,575	1,578,610	36,767	91,500	6,618,175	2,379,064	1,813,707	245,564	1,191,188
Planning and community development:									
Community Development	3,148	-	-	-	-	-	3,148	-	-
Planning and Zoning	13,862	-	-	-	-	-	13,862	-	-
Total planning and community development	17,010	-	-	-	-	-	17,010	-	-
Public works:									
Administration	69,088	60,194	-	-	-	-	8,894	-	-
Engineering	520,277	192,042	-	-	-	-	91,309	53,270	183,656
Street	54,018,220	295,873	44,723,225	-	20,480	156,287	2,071,686	1,084,896	5,665,773
Fleet Management	214,301	16,492	-	-	46,734	-	62,274	88,801	-
Total public works	54,821,886	564,601	44,723,225	-	67,214	156,287	2,234,163	1,226,967	5,849,429
Total governmental funds capital assets	\$ 82,334,991	\$ 2,508,649	\$ 44,759,992	\$ 376,450	\$ 12,195,942	\$ 2,699,700	\$ 7,883,644	\$ 4,854,173	\$ 7,056,441

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, 2003**

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS CAPITAL ASSETS OCTOBER 1, 2002	ADDITIONS	DEDUCTIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2003
General government:				
General	\$ 759,184	\$ -	\$ -	\$ 759,184
Administration	56,548	1,325	-	57,873
Accounting	47,978	-	-	47,978
Human Resources	6,599	-	-	6,599
Municipal Building	4,125,328	-	-	4,125,328
Information Technology	1,279,553	83,717	4,041	1,359,229
Purchasing	4,949	-	-	4,949
Total general government	<u>6,280,139</u>	<u>85,042</u>	<u>4,041</u>	<u>6,361,140</u>
Public safety:				
Municipal Court	76,318	11,400	-	87,718
Police	2,517,368	206,815	-	2,724,183
Fire	3,076,492	38,539	-	3,115,031
Inspection Services	147,866	41,838	-	189,704
Animal control	1,047,920	-	-	1,047,920
Total public safety	<u>6,865,964</u>	<u>298,592</u>	<u>-</u>	<u>7,164,556</u>
Cultural and recreation:				
Civic Center	2,476,428	350,179	-	2,826,607
Parks	3,547,018	409,544	-	3,956,562
Zoo	2,216,676	3,880	-	2,220,556
Library	3,759,663	-	-	3,759,663
Total cultural and recreation	<u>11,999,785</u>	<u>763,603</u>	<u>-</u>	<u>12,763,388</u>
Planning and community development:				
Community Development	3,148	-	-	3,148
Planning and Zoning	13,862	-	-	13,862
Total planning and community development	<u>17,010</u>	<u>-</u>	<u>-</u>	<u>17,010</u>
Public works:				
Administration	69,088	-	-	69,088
Engineering	311,510	25,111	-	336,621
Street	46,882,381	1,662,153	192,088	48,352,446
Fleet Management	200,355	13,946	-	214,301
Total public works	<u>47,463,334</u>	<u>1,701,210</u>	<u>192,088</u>	<u>48,972,456</u>
Construction in progress	<u>3,095,395</u>	<u>5,849,397</u>	<u>1,888,351</u>	<u>7,056,441</u>
Total governmental funds capital assets	<u>\$ 75,721,627</u>	<u>\$ 8,697,844</u>	<u>\$ 2,084,480</u>	<u>\$ 82,334,991</u>

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