

STATISTICAL SECTION

(Unaudited)

This part of the City of Lufkin’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

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

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities					
Invested in capital assets, net of related debt	\$ 29,190	\$ 32,838	\$ 35,708	\$ 38,879	\$ 43,174
Restricted	8,359	8,944	4,940	4,757	3,104
Unrestricted	<u>13,848</u>	<u>9,897</u>	<u>13,757</u>	<u>14,687</u>	<u>14,040</u>
Total governmental activities net assets	<u>\$ 51,397</u>	<u>\$ 51,679</u>	<u>\$ 54,405</u>	<u>\$ 58,323</u>	<u>\$ 60,318</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 33,534	\$ 32,879	\$ 35,624	\$ 34,552	\$ 36,829
Restricted	10,096	10,815	8,218	14,102	14,980
Unrestricted	<u>5,642</u>	<u>7,814</u>	<u>10,150</u>	<u>8,622</u>	<u>5,630</u>
Total business-type activities net assets	<u>\$ 49,272</u>	<u>\$ 51,508</u>	<u>\$ 53,992</u>	<u>\$ 57,276</u>	<u>\$ 57,439</u>
Primary government					
Invested in capital assets, net of related debt	\$ 62,724	\$ 65,717	\$ 71,332	\$ 73,431	\$ 80,003
Restricted	18,455	19,759	13,158	18,859	18,084
Unrestricted	<u>19,490</u>	<u>17,711</u>	<u>23,907</u>	<u>23,309</u>	<u>19,670</u>
Total primary government net assets	<u>\$ 100,669</u>	<u>\$ 103,187</u>	<u>\$ 108,397</u>	<u>\$ 115,599</u>	<u>\$ 117,757</u>

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental activities:					
General government	\$ 1,633	\$ 1,759	\$ 1,760	\$ 1,747	\$ 1,786
Public Safety	12,681	13,087	13,109	12,771	13,104
Cultural and recreation	3,960	3,994	4,123	4,367	4,575
Planning and community development	374	390	305	457	338
Public works	3,017	3,280	4,075	3,401	3,391
Non-departmental	216	195	300	181	239
Interest and fiscal charges	1,144	1,560	1,718	1,883	1,851
Total governmental activities expenses	<u>23,025</u>	<u>24,265</u>	<u>25,390</u>	<u>24,807</u>	<u>25,284</u>
Business-type activities:					
Water and Sewer	10,631	10,318	11,381	12,811	12,166
Solid Waste Disposal	4,246	4,448	5,025	5,451	5,655
Total Business-type activities expenses	<u>14,877</u>	<u>14,766</u>	<u>16,406</u>	<u>18,262</u>	<u>17,821</u>
Total primary government expenses	<u>\$ 37,902</u>	<u>\$ 39,031</u>	<u>\$ 41,796</u>	<u>\$ 43,069</u>	<u>\$ 43,105</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 139	\$ 71	\$ 257	\$ 48	\$ 221
Public safety	2,345	2,253	3,267	268	819
Cultural and recreation	1,453	1,018	976	1,166	1,293
Planning and community development	3	2	1	4	4
Public works	(2)	47	112	32	112
Operating grants and contributions	488	1,078	369	1,122	807
Capital grants and contributions	1,900	541	809	1,748	671
Total governmental activities program revenues	<u>6,326</u>	<u>5,010</u>	<u>5,791</u>	<u>4,388</u>	<u>3,927</u>

Business-type activities:									
Charges for services:									
Water and Sewer	16,646	12,141	12,982	13,975	13,712				
Solid Waste Disposal	5,142	5,406	5,934	6,032	5,938				
Capital grants and contributions	(1,900)	115	890	2,200	-				
Total business-type activities program revenues	19,888	17,662	19,806	22,207	19,650				
Total primary government program revenues	\$ 26,214	\$ 22,672	\$ 25,597	\$ 26,595	\$ 23,577				
Net (expense)/revenue									
Governmental activities	\$ (16,699)	\$ (19,255)	\$ (19,599)	\$ (20,419)	\$ (21,357)				
Business-type activities	5,011	2,896	3,400	3,945	1,829				
Total primary government net expense	\$ (11,688)	\$ (16,359)	\$ (16,199)	\$ (16,474)	\$ (19,528)				
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Taxes:									
Property taxes	\$ 6,746	\$ 7,280	\$ 7,900	\$ 8,480	\$ 8,882				
Sales taxes	8,910	8,717	9,161	9,845	10,301				
Franchise taxes	2,879	2,586	2,585	2,738	2,989				
Mixed beverage tax	56	61	66	65	70				
Other	758	647	1,228	1,480	516				
Unrestricted investment earnings	581	338	200	559	897				
Gain on retirement of capital assets	15	(139)	-	-	-				
Transfers	202	513	1,186	1,170	2,530				
Total governmental activities	20,147	20,003	22,326	24,337	26,185				
Business-type activities:									
Unrestricted investment earnings	347	254	158	479	864				
Gain on retirement of capital assets	1	(400)	112	30	-				
Transfers	(202)	(513)	(1,186)	(1,170)	(2,530)				
Total business-type activities	146	(659)	(916)	(661)	(1,666)				
Total primary government	\$ 20,293	\$ 19,344	\$ 21,410	\$ 23,676	\$ 24,519				
Change in Net Assets									
Governmental activities	\$ 3,448	\$ 748	\$ 2,727	\$ 3,918	\$ 4,829				
Business-type activities	5,157	2,237	2,484	3,284	163				
Total primary government	\$ 8,605	\$ 2,985	\$ 5,211	\$ 7,202	\$ 4,992				

CITY OF LUFKIN, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST FIVE FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Taxes	Mixed Beverage Tax	Other Taxes	Total
2002	\$ 6,746	\$ 8,910	\$ 2,879	\$ 56	\$ 3	\$ 18,594
2003	7,280	8,717	2,586	61	2	18,646
2004	7,900	9,161	2,585	63	2	19,711
2005	8,480	9,845	2,737	65	1	21,128
2006	8,882	10,301	2,989	70	516	22,758

Source: City of Lufkin accounting records

CITY OF LUFKIN
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund										
Reserved	\$ 499	\$ -	\$ 62	\$ 29	\$ 30	\$ 30	\$ 54	\$ 63	\$ 57	\$ 64
Unreserved	4,727	5,341	7,308	8,094	8,756	8,564	7,528	8,371	9,632	11,201
Total general fund	<u>\$ 5,226</u>	<u>\$ 5,341</u>	<u>\$ 7,370</u>	<u>\$ 8,123</u>	<u>\$ 8,786</u>	<u>\$ 8,594</u>	<u>\$ 7,582</u>	<u>\$ 8,434</u>	<u>\$ 9,689</u>	<u>\$ 11,265</u>
All other governmental funds										
Reserved - debt service	\$ 965	\$ 1,017	\$ 192	\$ 556	\$ 1,125	\$ 1,871	\$ 1,882	\$ 2,089	\$ 2,219	\$ 2,395
Unreserved, reported in:										
Special revenue funds	1,454	2,161	1,335	1,669	1,407	1,398	1,744	1,867	2,477	2,121
Capital projects funds	3,282	5,215	2,902	4,983	2,850	6,488	7,062	2,850	2,538	710
Total all other governmental funds	<u>\$ 5,701</u>	<u>\$ 8,393</u>	<u>\$ 4,429</u>	<u>\$ 7,208</u>	<u>\$ 5,382</u>	<u>\$ 9,757</u>	<u>\$ 10,688</u>	<u>\$ 6,806</u>	<u>\$ 7,234</u>	<u>\$ 5,226</u>

CITY OF LUFKIN
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues										
Taxes	\$ 14,798	\$ 15,905	\$ 16,490	\$ 17,675	\$ 17,984	\$ 19,089	\$ 19,310	\$ 20,248	\$ 21,578	\$ 22,853
Licenses and permits	404	259	294	299	217	200	277	264	198	284
Fines and forfeitures	383	371	502	702	724	846	709	759	667	767
Charges for services	2,095	2,260	1,680	1,389	1,331	1,335	1,476	1,536	1,841	1,822
Interest income	562	1,144	620	1,075	1,574	542	313	181	551	789
Intergovernmental	650	729	2,460	3,041	3,376	2,962	4,027	3,427	5,395	4,289
Other revenues	1,939	3,080	2,094	651	951	1,117	578	1,025	601	952
Total revenues	20,831	23,748	24,140	24,832	26,157	26,091	26,690	27,440	30,831	31,756
Expenditures										
General government	2,304	2,413	2,511	2,641	2,570	2,721	2,686	2,593	2,859	2,992
Public safety	9,981	9,629	10,439	10,062	11,047	12,188	12,589	12,501	13,662	13,654
Cultural and recreation	2,521	2,483	3,060	2,471	3,809	3,958	3,799	4,888	3,774	4,190
Planning and community development	365	384	326	401	389	354	379	287	428	319
Public works	5,373	7,598	3,760	3,514	4,163	3,892	4,400	7,042	3,875	4,155
Non-departmental	639	1,026	744	585	779	201	195	332	192	239
Debt service:										
Principal	1,105	1,265	1,410	2,366	1,645	1,631	1,830	2,487	2,609	2,899
Interest and fiscal charges	690	628	839	1,018	958	1,166	1,788	1,645	1,890	1,815
Capital outlay	-	-	4,696	3,591	4,208	4,779	5,611	-	7,602	2,313
Total expenditures	22,978	25,426	27,785	26,649	29,568	30,890	33,277	31,775	36,891	32,576
Excess of revenues over (under) expenditures	(2,147)	(1,678)	(3,645)	(1,817)	(3,411)	(4,799)	(6,587)	(4,335)	(6,060)	(820)

Other financing sources (uses)

Capital lease proceeds	-	5,265	-	-	417	242	543	120	302	258
Refunding bonds issued	-	-	-	-	-	8,796	-	-	-	-
Bond proceeds	904	-	830	4,462	-	11,650	5,450	-	6,000	-
Payment to refunded bond escrow agent	-	-	-	-	-	(8,619)	-	-	-	-
Capital contributions	-	-	-	-	-	(1,900)	-	-	-	-
Gain on sale of assets	82	-	-	-	-	-	-	-	-	-
Transfers in	1,042	665	881	1,640	1,600	657	787	1,459	1,289	1,981
Transfers out	-	-	-	(755)	(1,159)	(454)	(274)	(273)	(119)	(948)
Total other financing sources (uses)	2,028	5,930	1,711	5,347	858	10,372	6,506	1,306	7,472	1,291
Net change in fund balances	\$ (119)	\$ 4,252	\$ (1,934)	\$ 3,530	\$ (2,553)	\$ 5,573	\$ (81)	\$ (3,029)	\$ 1,412	\$ 471

Debt service as a percentage of noncapital expenditures

8.47% 8.04% 10.79% 17.20% 11.44% 12.00% 15.04% 14.95% 18.15% 18.45%

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

Fiscal Year	Property Tax	Sales Tax	Franchise Taxes	Mixed Beverage Tax	Business Taxes	Total
1997	\$ 4,786	\$ 7,412	\$ 2,129	\$ 43	\$ 428	\$ 14,798
1998	5,044	8,058	2,294	57	452	15,905
1999	5,699	8,119	2,161	44	467	16,490
2000	6,087	8,584	2,294	50	660	17,675
2001	6,203	8,721	2,473	60	527	17,984
2002	6,737	8,910	2,875	56	511	19,089
2003	7,280	8,717	2,586	61	666	19,310
2004	7,900	9,161	2,585	63	537	20,246
2005	8,391	9,099	2,737	65	539	20,831
2006	8,801	10,301	2,989	70	692	22,853

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

Fiscal Year	Real Property			Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Personal Property	Minerals						
1997	\$ 404,086	\$ 400,134	\$ 273,522	\$ -	\$ -	\$ 108,285	\$ 969,457	0.48698	\$ 1,077,742	89.95%
1998	441,114	440,648	286,886	-	-	143,691	1,024,957	0.48698	1,168,647	87.70%
1999	501,737	426,389	306,895	-	-	162,262	1,072,759	0.49450	1,235,022	86.86%
2000	562,366	488,275	334,716	-	-	168,601	1,216,756	0.49450	1,385,357	87.83%
2001	581,562	495,875	295,164	-	-	150,631	1,221,970	0.49450	1,372,602	89.03%
2002	599,505	516,129	321,375	-	-	134,831	1,302,178	0.51650	1,437,009	90.62%
2003	633,660	538,848	330,600	-	-	128,390	1,374,718	0.53850	1,503,108	91.46%
2004	652,373	413,921	414,542	-	-	130,839	1,349,997	0.55850	1,480,835	91.16%
2005	687,784	484,203	452,579	193	-	136,973	1,487,786	0.55850	1,624,759	91.57%
2006	666,850	555,810	497,374	26	-	140,701	1,579,359	0.55850	1,721,800	91.73%

(1) Total assessed value based on approximately 90% of estimated actual until 1998.
In 1998 the appraisal district adjusted assessed values to approximately 100% of actual values.
Source: Angelina County Appraisal District.

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

<u>CITY OF LUFKIN</u>				<u>LUFKIN INDEPENDENT SCHOOL DISTRICT</u>			
<u>FISCAL YEAR</u>	<u>OPERATING MILLAGE</u>	<u>DEBT SERVICE MILLAGE</u>	<u>TOTAL CITY MILLAGE</u>	<u>OPERATING MILLAGE</u>	<u>DEBT SERVICE MILLAGE</u>	<u>TOTAL SCHOOL MILLAGE</u>	
1997	0.36631	0.12067	0.48698	1.41557	0.17387	1.58944	
1998	0.36631	0.12067	0.48698	1.33008	0.16992	1.50000	
1999	0.35630	0.13820	0.49450	1.39320	0.08460	1.47780	
2000	0.35630	0.13820	0.49450	1.46500	0.07500	1.54000	
2001	0.35630	0.13820	0.49450	1.50000	0.08000	1.58000	
2002	0.35630	0.16020	0.51650	1.50000	0.08110	1.58110	
2003	0.35630	0.18220	0.53850	1.50000	0.08000	1.58000	
2004	0.35630	0.20220	0.55850	1.50000	0.08000	1.58000	
2005	0.35630	0.20220	0.55850	1.50000	0.07400	1.57400	
2006	0.35630	0.20220	0.55850	1.37000	0.07750	1.44750	
<u>ANGELINA COUNTY</u>				<u>ANGELINA COLLEGE DISTRICT</u>			
<u>FISCAL YEAR</u>	<u>OPERATING MILLAGE</u>	<u>DEBT SERVICE MILLAGE</u>	<u>TOTAL COUNTY MILLAGE</u>	<u>OPERATING MILLAGE</u>	<u>DEBT SERVICE MILLAGE</u>	<u>TOTAL COLLEGE MILLAGE</u>	<u>TOTAL ESTIMATED MILLAGE</u>
1997	0.28077	-	0.28077	0.07620	0.03860	0.11480	2.47199
1998	0.25615	-	0.25615	0.07050	0.03570	0.10620	2.34933
1999	0.27660	-	0.27660	0.07200	0.03320	0.10520	2.35410
2000	0.31840	-	0.31840	0.07470	0.03050	0.10520	2.45810
2001	0.28918	0.05812	0.34730	0.07590	0.03150	0.10740	2.52920
2002	0.34690	-	0.34690	0.07870	0.02930	0.10800	2.55250
2003	0.38250	-	0.38250	0.08450	0.02960	0.11410	2.61510
2004	0.41170	-	0.41170	0.08940	0.02600	0.11540	2.66560
2005	0.44120	-	0.44120	0.09090	0.02460	0.11550	2.68920
2006	0.44120	-	0.44120	0.09470	0.02430	0.11900	2.56620

Source: City of Lufkin tax records and Angelina County Tax Assessor's Office

**CITY OF LUFKIN, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
SEPTEMBER 30, 2006
(amounts expressed in thousands)**

<u>Taxpayer</u>	<u>2006</u>			<u>2000</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Lufkin Industries	\$ 49,479	1	3.13%	\$ 62,139	1	4.98%
Brookshire Brothers, Inc.	29,420	2	1.86%	24,994	4	2.00%
Consolidated Communications of Texas	28,968	3	1.83%	-		
Pilgrim Industries, Inc.	23,265	4	1.47%	12,637	7	1.01%
TXU Electric Delivery	20,754	5	1.31%	17,846	5	1.43%
Georgia Pacific Corp	17,839	6	1.13%	12,220	8	98.00%
Texas Foundries LTD	17,574	7	1.11%	42,995	2	3.44%
Pineywoods Health Care Systems	16,013	8	1.01%	-		
Brookshire Bros. LTD	13,518	9	0.86%	15,916	6	1.27%
Weingarten/Lufkin, Inc.	13,487	10	0.85%	-		
TXU Communications Co.	-			30,487	3	2.44%
Lowes Home Centers, Inc.	-			11,480	9	0.92%
Lufkin Mall	-			9,797	10	0.78%

Source: Angelina County Appraisal District
Information prior to FY 2000 not available.

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 4,716	\$ 4,599	97.52%	\$ 95	\$ 4,694	99.53%
1998	4,982	4,858	97.51%	105	4,963	99.62%
1999	5,517	5,398	97.84%	97	5,495	99.60%
2000	5,966	5,810	97.39%	112	5,922	99.26%
2001	6,159	5,986	97.19%	134	6,120	99.37%
2002	6,709	6,513	97.08%	134	6,647	99.08%
2003	7,381	7,161	97.02%	145	7,306	98.98%
2004	7,783	7,597	97.61%	89	7,686	98.75%
2005	8,310	8,111	97.61%	80	8,191	98.57%
2006	8,777	8,558	97.50%	-	8,558	97.50%

Source: Angelina County Tax Assessor's Office

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Water Works and Sewer System Bonds	Capital Leases			
1997	\$ 12,555	\$ -	\$ 896	\$ 13,860	\$ 492	\$ 27,803	n/a	n/a
1998	11,290	4,650	1,016	13,495	309	30,760	n/a	n/a
1999	9,905	4,625	1,366	13,175	109	29,180	n/a	n/a
2000	8,325	9,000	767	12,955	-	31,047	5.66%	949.19
2001	7,525	8,800	639	12,990	-	29,954	5.21%	897.82
2002	14,830	18,050	375	8,000	-	41,255	6.85%	1,212.31
2003	17,760	19,275	483	11,615	-	49,133	7.80%	1,415.49
2004	16,275	18,625	231	11,985	-	47,116	7.15%	1,330.77
2005	14,600	26,150	238	11,950	-	52,938	7.68%	1,465.90
2006	12,900	25,175	272	12,070	-	50,417	7.12%	1,368.73

¹ See the Schedule of Demographic and Economic Statistics on page 116 for income and population data

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
1997	\$ 12,555	\$ 965	\$ 11,590	1.08%	n/a
1998	11,290	1,017	10,273	0.88%	n/a
1999	9,905	192	9,713	0.79%	n/a
2000	8,325	556	7,769	0.56%	237.52
2001	7,525	1,125	6,400	0.47%	191.83
2002	14,830	1,871	12,959	0.90%	380.81
2003	17,760	1,882	15,878	1.06%	457.43
2004	16,275	2,089	14,186	0.96%	400.68
2005	14,600	2,219	12,381	0.76%	342.84
2006	12,900	2,395	10,505	0.61%	285.19

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 107 for property value data.

² See the Schedule of Demographic and Economic Statistics on page 116 for personal income and population data.

CITY OF LUFKIN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2006
(amounts expressed in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Direct:			
City of Lufkin	\$ 38,075	100.00%	\$ 38,075
Overlapping:			
Angelina County	13,225	52.23%	6,907
Angelina County Junior College District	7,480	52.23%	3,907
Hudson Independent School District	878	15.95%	140
Lufkin Independent School District	<u>18,786</u>	69.24%	<u>13,007</u>
Total	<u>\$ 78,444</u>		<u>\$ 62,037</u>

**CITY OF LUFKIN, TEXAS
LEGAL DEBT MARGIN INFORMATION
SEPTEMBER 30, 2006**

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

The City's Charter (Section 6) states:

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

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

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

The tax rate at September 30, 2006 is \$ 0.5585 per \$100 of assessed valuation with assessed valuation being 100% of appraised value.

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

Fiscal Year	Water and Sewer Charges and Other	Less: Operating Expenses¹	Net Available Revenue	Principal	Interest	Coverage
1997	\$ 9,789	\$ 5,899	\$ 3,890	\$ 470	\$ 658	3.45
1998	10,825	6,470	4,356	365	758	3.88
1999	10,818	7,417	3,400	320	964	2.65
2000	12,698	7,612	5,085	220	724	5.39
2001	11,717	7,444	4,273	725	689	3.02
2002	10,979	7,978	3,001	1,320	363	1.78
2003	11,883	7,946	3,937	840	460	3.03
2004	12,576	8,070	4,506	880	505	3.25
2005	13,685	9,504	4,181	945	497	2.90
2006	14,160	9,563	4,597	965	500	3.14

¹ Excludes depreciation

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

Fiscal Year	Population¹	Personal Income¹ (amounts expressed in thousands)	Per Capita Personal Income	Median Age¹	Education Level in Years of Formal Schooling¹	School Enrollment²	Unemployment Rate¹
2000	32,709	\$ 548,170	\$ 16.76	34.1	13.1	8,027	4.8
2001	33,363	574,611	17.22	n/a	n/a	8,140	n/a
2002	34,030	601,889	17.69	n/a	n/a	8,257	n/a
2003	34,711	630,039	18.15	n/a	n/a	8,283	n/a
2004	35,405	659,064	18.61	n/a	n/a	8,243	n/a
2005	36,113	688,928	19.08	34.3	13.1	8,577	5.6
2006	36,835	708,337	19.23	34.5	13.1	8,631	4.9

Data Sources

¹ Angelina County Chamber of Commerce

² Lufkin Independent School District

Note: Population, median age, and education level information are estimates after Fiscal year 2000 and are based on growth estimates. School enrollment is based on the census at the start of the school year.

**CITY OF LUFKIN, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND ONE YEAR PREVIOUS**

Employer	2006			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lufkin Industries	1000+	1	9.89%	1000+	1	8.98%
Pilgrim's Pride	1000+	2	7.42%	1000+	2	7.32%
Lufkin ISD	1000+	3	6.67%	1000+	3	6.05%
Brookshire Bros	1000+	4	6.13%	1000+	4	5.91%
Memorial Health Systems	1000+	5	4.94%	1000+	5	4.84%
Lufkin State School	1000+	6	4.65%	1000+	7	4.77%
Temple-Inland Forest Products	500-999	7	4.57%	1000+	6	4.81%
Burke Center	500-999	8	3.46%			
Woodland Heights Medical Center	500-999	9	2.97%	500-999	8	2.49%
Citation Corporation	500-999	10	2.25%	500-999	10	1.94%
WalMart				500-999	9	2.22%

Source: Angelina County Chamber of Commerce

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

Function	Full-time Equivalent Employees as of September 30							
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government	22	23	23	23	24	21	21	22
Public Safety								
Police								
Officers	68	72	79	79	79	78	78	77
Civilians	39	39	39	38	38	36	35	34
Fire								
Officers	85	75	75	75	83	80	80	75
Civilians	5	5	5	5	5	5	5	5
Cultural and recreation	48	45	53	54	56	54	55	57
Community development	7	7	6	6	6	6	6	8
Public works	56	60	60	60	59	57	57	57
Water	30	33	33	34	34	32	32	28
Sewer	42	42	42	43	41	40	40	34
Solid waste	29	30	31	31	31	36	36	32
Total	431	431	446	448	456	445	445	429

Source: City of Lufkin accounting records

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

Function	Fiscal Year						
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police							
Physical arrests	2,020	2,108	2,813	2,404	1,920	1,720	1,695
Parking violations	2,460	2,841	1,002	983	768	615	2,229
Traffic violations	15,755	15,755	15,463	14,115	12,476	10,744	13,180
Fire							
Number of calls answered	1,367	1,378	1,242	1,242	1,131	1,392	1,074
Inspections	824	807	922	922	1,517	1,116	1,253
Highways and streets							
Street resurfacing (miles)	9	9	9	9	9	9	5
Potholes repaired	n/a	n/a	n/a	n/a	n/a	1,755	1,955
Sanitation							
Refuse collected (tons/day)	707	706	718	772	829	870	264
Recyclables collected (tons/day)	4	4	4	4	4	4	37
Cultural and recreation							
Community center rentals	571	521	704	686	604	426	273
Water							
New connections	n/a	34	0	256	308	28	166
Water mains breaks	1,200	1,150	1,250	1,100	1,100	1,000	1,000
Average daily consumption (thousands of gallons)	8,890	8,890	8,890	7,606	8,274	8,274	9,183
Wastewater							
Average daily sewage treatment (thousands of gallons)	5,530	6,212	6,151	5,961	6,672	6,452	6,158

Source: Various city departments

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

Function	Fiscal Year						
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public safety:							
Police							
Stations	2	2	2	2	2	2	2
Patrol Units	17	21	19	19	18	19	13
Fire							
Fire Stations	5	5	5	5	5	5	5
Sanitation							
Collection trucks	21	21	21	21	21	21	20
Highways and streets							
Streets (miles)	258	258	258	258	258	270	270.5
Streetlights	3,297	3,297	3,297	3,297	3,297	3,568	3,568
Traffic signals	2	2	2	2	2	2	2
Cultural and recreation							
Parks acreage	668.4	668.4	668.4	668.4	684.6	684.6	653.0
Parks	16	16	16	16	17	17	16
Swimming pools	2	2	2	2	2	2	2
Tennis courts	13	13	13	13	13	13	11
Community centers	2	2	2	2	2	2	2
Water							
Water mains (miles)	291	291	673	678	678	678	678
Fire hydrants	812	830	1,200	1,250	1,298	1,321	1,416
Maximum daily capacity in thousands of gallons	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Sewer							
Sanitary sewers (miles)	219.0	219.0	256.0	266.0	266.5	266.5	266.5
Storm sewers (miles)	12.4	12.4	12.4	13.5	13.5	13.5	13.5
Maximum daily treatment capacity in thousands of gallons	11,300	11,300	11,300	11,300	11,300	11,300	11,300

Sources: Various city departments.

**CITY OF LUFKIN, TEXAS
WATER, SEWER AND SANITATION RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Approved Rates

The monthly billing rates for water, sewer, and sanitation services as approved by the City Council effective October 1, 2006 were as follows:

Water Rates

Residential per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	\$ 9.72
Next 8,000 gallons	2.55 per thousand
Above 10,000 gallons	2.89 per thousand

Commercial per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	\$ 9.86
Next 8,000 gallons	2.54 per thousand
Next 10,000 gallons	2.23 per thousand
Next 30,000 gallons	1.99 per thousand
Above 50,000 gallons	1.66 per thousand

Residential per thousand gallons Burke Water:

First 2,000 gallons (minimum)	\$ 17.84
Next 8,000 gallons	4.56 per thousand
Above 10,000 gallons	5.24 per thousand

Commercial per thousand gallons Burke Water:

First 2,000 gallons (minimum)	\$ 17.84
Next 8,000 gallons	4.56 per thousand
Next 10,000 gallons	4.03 per thousand
Next 30,000 gallons	3.49 per thousand
Above 50,000 gallons	3.21 per thousand

Industrial per thousand gallons inside City Limits:

First 2,000 gallons (minimum)	\$ 9.86
Next 18,000 gallons	2.89 per thousand
Next 30,000 gallons	2.63 per thousand
Next 50,000 gallons	2.28 per thousand
Above 100,000 gallons	1.40 per thousand

**CITY OF LUFKIN, TEXAS
WATER, SEWER AND SANITATION RATES - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

Sewer Rates

General Sewer Rates for Residential:

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

User charge for water usage < 2,000 gallons = Cc
 User charge for water usage >2,000 gallons = (V-2000 x Cv) + Cc
 Where Cc = Customer charge, \$ 8.76
 V = metered water use above 2,000 gallons, in 1,000 gallons
 Cv = user charge for volume per 1,000 gallons

Residential:	Consumption in 1000 X	3.07	+8.76	Stops at 20,000
Commercial:	Consumption in 1000 X	3.40	+8.76	Does not stop

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

User charge = (V x Cv) + Cc
 Where Cc = Customer charge, \$ 8.76
 V = metered water use in 1,000 gallons
 Cv = user charge for volume per 1,000 gallons

Service station:	Consumption in 1000 X	5.568177	+8.76	Does not stop
Commissary:	Consumption in 1000 X	5.2060658	+8.76	Does not stop
Family laundry:	Consumption in 1000 X	5.0496638	+8.76	Does not stop
Pharmaceuticals	Consumption in 1000 X	6.2951843	+8.76	Does not stop
Restaurant:	Consumption in 1000 X	6.5977700	+8.76	Does not stop

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

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

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

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

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

**CITY OF LUFKIN, TEXAS
WATER, SEWER AND SANITATION RATES - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Commercial and Industrial Users Rates:

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

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

Where: C_c = Customer charge, \$ 8.76

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

C_v = User charge for volume per 1,000 gallons

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

BOD = Biochemical oxygen demand, mg/1

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

TSS = Total suspended solids, mg/1

$$\text{Formula: } 8.76 + V (2.99 + (.0030999 \times \text{BOD}) + (.0016929 \times \text{TSS}))$$

$$\text{Formula: } 4.67 + V (1.80 + (.0030999 \times \text{BOD}) + (.0016929 \times \text{TSS})) \text{ with grease}$$

Sanitation Rates:

Residential:	\$	14.48	plus sales tax
Commercial:		20.00	plus sales tax
2 container resident		19.68	+ 1.62 = 21.30
		5.20	each additional gray can
		5.94	per cubic yard
		10.26	per non-compacted cubic yard
		10.46	per compacted cubic yard
		2.64	per cubic yard recycling

System Connections

<u>At September 30, 2006:</u>	<u>Water</u>	<u>Sewer</u>
Number of metered customers	14,850	12,190
Gallons of water pumped	4,203,376,385	-
Gallons of water sold	2,675,466,120	-

**CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Insurer	Risk Covered	Period Covered	Amount of Insurance	
Ohio Casualty Insurance Company	Employee Dishonesty			
	Each person		\$ 10,000	
	Accounts Payable Clerk		15,000	
	Accounts Receivable Clerk		15,000	
	Ambulance Collection Clerk		10,000	
	City Manager		50,000	
	City Secretary		50,000	
	Mayor		50,000	
Texas Municipal League	Boiler and Machinery	10-1-05 to 9-30-06	3,000,000	
	Deductible		2,500	
	Auto Liability	10-1-05 to 9-30-06	1,000,000	
	Deductible		10,000	
	Law Enforcement Liability	10-1-05 to 9-30-06	1,000,000	
	Deductible		10,000	
	Errors and Omissions Liability	10-1-05 to 9-30-06	1,000,000	
	Deductible		10,000	
	General Liability	10-1-05 to 9-30-06	1,000,000	
	Deductible		10,000	
	Real and Personal	10-1-05 to 9-30-06		
	Deductible		2,500	
		City Hall/Police		6,376,200
		City Hall/Police contents		729,004
		Civic Center		3,833,900
		Civic Center contents		350,000
		City Hall Annex		238,800
		City Hall Annex contents		25,000
		Fine Arts		480,450
		Sewer Treatment Plant		790,144
		Recycling Building		393,300
		Recycling Building contents		200,000
		Wastewater Administration Building		293,100
		Administration Building contents		50,000
		Solid Handling Building		345,100
		Wastewater Treatment Buildings		1,293,800
		Solid Waste Building		506,300
		Solid Waste Building contents		10,000
		Animal Control		736,300
		Animal Control contents		10,000
		Kurth Memorial Library		4,892,900
		Kurth Memorial Library contents		2,368,831

**CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Insurer	Risk Covered	Period Covered	Amount of Insurance	
Texas Municipal League	Real and Personal - continued			
	Police Radio Antenna		\$ 100,000	
	Computer Equipment		1,366,088	
	Community Center Building - Keltys - contents		6,000	
	Community Center Building - Pershing		211,500	
	Community Center Building - Pershing contents		6,000	
	Downtown Center contents		33,000	
	Maintenance Garage contents		220,000	
	Fire Station 1		552,300	
	Fire Station 1 contents		115,000	
	Fire Station 3		260,400	
	Fire Station 3 contents		25,500	
	Fire Station 4		251,500	
	Fire Station 4 contents		102,000	
	Fire Station 5		233,700	
	Fire Station 5 contents		29,600	
	Fire Station 6		2,802,100	
	Fire Station 6 contents		29,600	
	Goldstar EMS Building		216,300	
	Southbase Police Office		160,000	
	Coverage Extensions			
		Deductible		2,500
		Valuable Papers & Records		10,000
		Accounts Receivable		10,000
		Loss of Revenues		25,000
		Personal Property - Employees		5,000
		Leasehold Interest		5,000
		Outdoors Trees & Shrubs (\$250.00 each)		10,000
		Mobile Equipment	10-1-05 to 9-30-06	
	Excavator - 1994		132,295	
	Asphalt milling machine		210,000	
	Excavator - 2000		178,421	
	Mower - 2001		70,299	
	Backhoe - 2003		61,294	
	John Deere Backhoe		16,000	
	New Holland Tractor		15,232	
	New Holland Tractor		16,000	
	Ford Tractor		27,000	
	Kubota Tractor		20,450	
	Volvo Wheel Loader		73,218	
	Mustang Cat Motorgrader		151,064	
	Deductible		2,500	

**CITY OF LUFKIN, TEXAS
INSURANCE COVERAGE - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Insurer	Risk Covered	Period Covered	Amount of Insurance
	Auto Physical Damage	10-1-05 to 9-30-06	
	Lease purchase autos		97,875
	Deductible each vehicle		500
	Deductible per occurrence		10,000
Deep East Texas Self Insurance Fund	Workers' Compensation		Statutory