

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Lucas, Texas

Home-Rule, Council-Manager Form of Government

Interim City Manager
Dan Savage

Finance Manager
Elizabeth Exum



**CITY OF LUCAS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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INTRODUCTORY SECTION





665 Country Club Rd.
Lucas, Texas 75002

February 5, 2014

Honorable Mayor and City Council
City of Lucas
Lucas, Texas

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report (CAFR) of the City of Lucas, Texas, for the year ended September 30, 2013, is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Conway Company CPAs, P.C. have issued an unqualified ("clean") opinion on the City of Lucas' financial statements for the year ended September 30, 2013. The independent auditor's report is located in the beginning of the financial section of the CAFR.

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

GENERAL INFORMATION – CITY OF LUCAS

The City of Lucas is named after Gabriel Henry Lucas, Sr., who, in 1870, founded a merchandising store in what would later become Lucas. On May 11, 1888, the United States Postal Service established a post office in the area and named the community "Lucas" after the post office's first postmaster, Gabe Lucas.

The City of Lucas was incorporated in February 1959. Since then, the community has prided itself in maintaining a rural and country style of living. As of September 2013, City Staff estimates the population of Lucas at 5,949, compared to 540 in 1970.

The City of Lucas is a Home-Rule City with the Council-Manager form of government. The City Council is the legislative or law-making body of the City government, and it is composed of seven members, including the Mayor and six council members elected at-large. The City's daily operations are managed by a City Manager appointed by the City Council. City Council meetings are held the first and third Thursday of every month at 7:00 p.m. at the Lucas City Hall.

The City of Lucas offices are located at 665 Country Club Road. City Hall houses the offices of the City Manager, Building Official, Public Works Director and Staff, Finance Manager and Staff, and the City Secretary's office.

ECONOMIC CONDITIONS AND OUTLOOK

Lucas enjoys a stable economy, with low population densities, and most homes are constructed on 1 or 2 acre lots. The population of Lucas is expected to grow steadily as people leave the more urban areas of the metroplex, and seek the higher quality of life that Lucas offers its residents. Most Lucas residents work outside of the Lucas city limits, and commute within the Dallas area. According to City Staff population estimates, the City's population is 5,949.

The City has weathered the national recession well, and residential construction activity has continued through the down economy. A 185,000 square foot Wal-Mart opened on West Lucas Road February 13, 2013. Other commercial developers near the Wal-Mart site that are scheduled to open in 2014 include Murphy Oil, KWIK Lube, and Bank of America. The creation/further expansion of commercial development within the corporate city limits of Lucas should cause sales tax revenues to increase dramatically within the next few years.

Given Lucas's convenient location, proximity to higher population density areas, and the high quality of home sites available, the City continues to prosper economically. Highlights include:

- An average of 100 new homes permitted annually with an average cost of \$500,000.
- Opening of a new 185,000 square foot Wal-Mart retail store.
- Asphalt resurfacing was completed mid September for Forest Grove, E. Winningkoff, Creekview, Creekbend, Honeysuckle, Cimarron Trail, Santa Fe Trail, Chisholm Trail, Indian Trail and Aztec Trail for a total of 3.82 miles.
- Design work for a 12-inch Water Line at Stinson Road was in process at the end of September 2013.
- Completion of a new 375,000-gallon McGarity Ground Storage Tank.

FOR THE FUTURE

At the end of September 2013, the City of Lucas is working on these projects:

- The City is hiring 7 EMT/Paramedic personnel to staff an ambulance program that will begin operation early March of 2014. The City is working with an architect firm to assist with the design/upgrades for the Fire Station expansion. House Bill No. 339 was passed in May of 2013 which allows a local municipality with a population of 5,000 or more located in a county with a population of 750,000 or more to create a fire control, prevention, and emergency medical service district. The City will have an election in May of 2014 to adopt an additional sales tax of one-half

percent to help support an emergency service district for fire protection services. The current sales tax rate is 7.75%.

- Country Club and West Lucas Road Intersection was widened to include a north turn lane onto Country Club. This will improve the traffic flow near the new Willow Springs Junior High School. This project was near completion at the end of September 2013.

In November of 2013, the citizens voted to approve the legal sale of beer and wine for off premise consumption. The City could potentially see additional sales tax revenue beginning February 2014.

LONGER-TERM FINANCIAL PLANNING

In early 2011, the City Council and Staff conducted planning sessions to target the needs of the community for the coming years. This strategic planning has allowed the City Council to fund several major infrastructure upgrades in a systematic manner while considering the full impact to the operating budget and requirements. A lot of these projects funded during this session utilized reserves, the new 2011 CO issuance and future planned revenue sources.

The City of Lucas updated its Capital Improvements Plan in the fall of 2011. This plan identified major road and water improvements needing to be completed in the next five years. By adopting this plan the City has the proper funding levels adopted regarding impact fees. These impact fees are earmarked for paying for this new infrastructure.

The City Council and citizens of Lucas have determined that debt issuance is a viable method of financing major capital projects. Analysis of potential debt issuance includes the operating impact the repayment thereof will have on citizens, property tax rates, and enterprise fund service fee revenues. Per the City's fiscal policies, long-term debt will not be used for operating purposes, and the life of the debt instruments will not exceed the useful life of the projects financed. Policy also specifies that bonds with an average life of 20 years or less will be issued to reduce net interest cost and maintain future flexibility by paying off debt earlier. The majority of the City's existing long-term debt was used to finance infrastructure needs and traditional government facilities such as streets, fire stations, and water service.

The City's fiscal policies state current expenditures will be paid with current revenues. Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. Reserves will be used for emergencies or nonrecurring expenditures, except when balances can be reduced because their levels exceed guidelines or legally-required minimums.

Fiscal policies provide for a General Fund reserve equal to at least six months of working capital, which equates to 50% of expenditures. The City considers a balance of less than three months or 25% of expenditures to be a cause for concern, barring unusual or deliberate circumstances. The current reserve in the general fund is at 15.9 months with funds equaling 132% of this year's budgeted expenditures.

The City's fiscal policy for the Water Fund requires the maintenance of the minimum reserve of 6 months of working capital, which equates to 50% of expenditures. Water bond covenants require the City to maintain reserve amounts sufficient to cover the average annual debt service requirements. The City's current reserve in the Water Fund is at 16.1 months with current funds equaling 144% of this year's expenditures.

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. rated the City's 2011 Combination Certificates of Obligation at AA-. Additional information about the rating of this rating agency, or the significance of the ratings provided, may be obtained from the agency's web site.

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility, and other proprietary activities are maintained on the accrual basis.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's financial management staff, and expenditure estimates by each City department. Budgets are reviewed by the Finance Manager. The City Manager makes final decisions and submits a recommended budget to the City Council.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the Finance Manager, the City Manager, and the City Council concurrent with review of the proposed budget. This re-estimated budget may require a supplemental appropriation and if so, such supplemental appropriation is approved by ordinance adopted by the City Council prior to the end of the current fiscal year.

General Governmental Functions

Tax Rates All eligible property within the City of Lucas is subject to assessment, levy, and collection by the City. A continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs is set and approved by the City Council. The tax rates adopted by the City Council are shown below:

Year	Tax Rate
FY 2006-2007	0.375000
FY 2007-2008	0.375000
FY 2008-2009	0.374177
FY 2009-2010	0.374177
FY 2010-2011	0.374177
FY 2011-2012	0.374177
FY 2012-2013	0.374177
FY 2013-2014	0.355616

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lucas for its Comprehensive Annual Financial Report ("CAFR") for the fiscal years ended September 30, 2012, 2011, and 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such report must satisfy both Generally

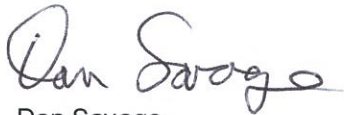
Accepted Accounting Principles and applicable legal requirements. This was the third consecutive year that the City has received this prestigious award.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

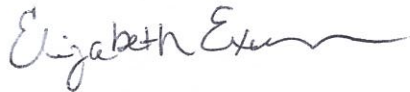
Many persons are responsible for the preparation of this report and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those employees of the Finance Department who were instrumental in the successful completion of this report.

Our appreciation is also extended to the Mayor and members of the City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,



Dan Savage
INTERIM CITY MANAGER



Elizabeth Exum
FINANCE MANAGER





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

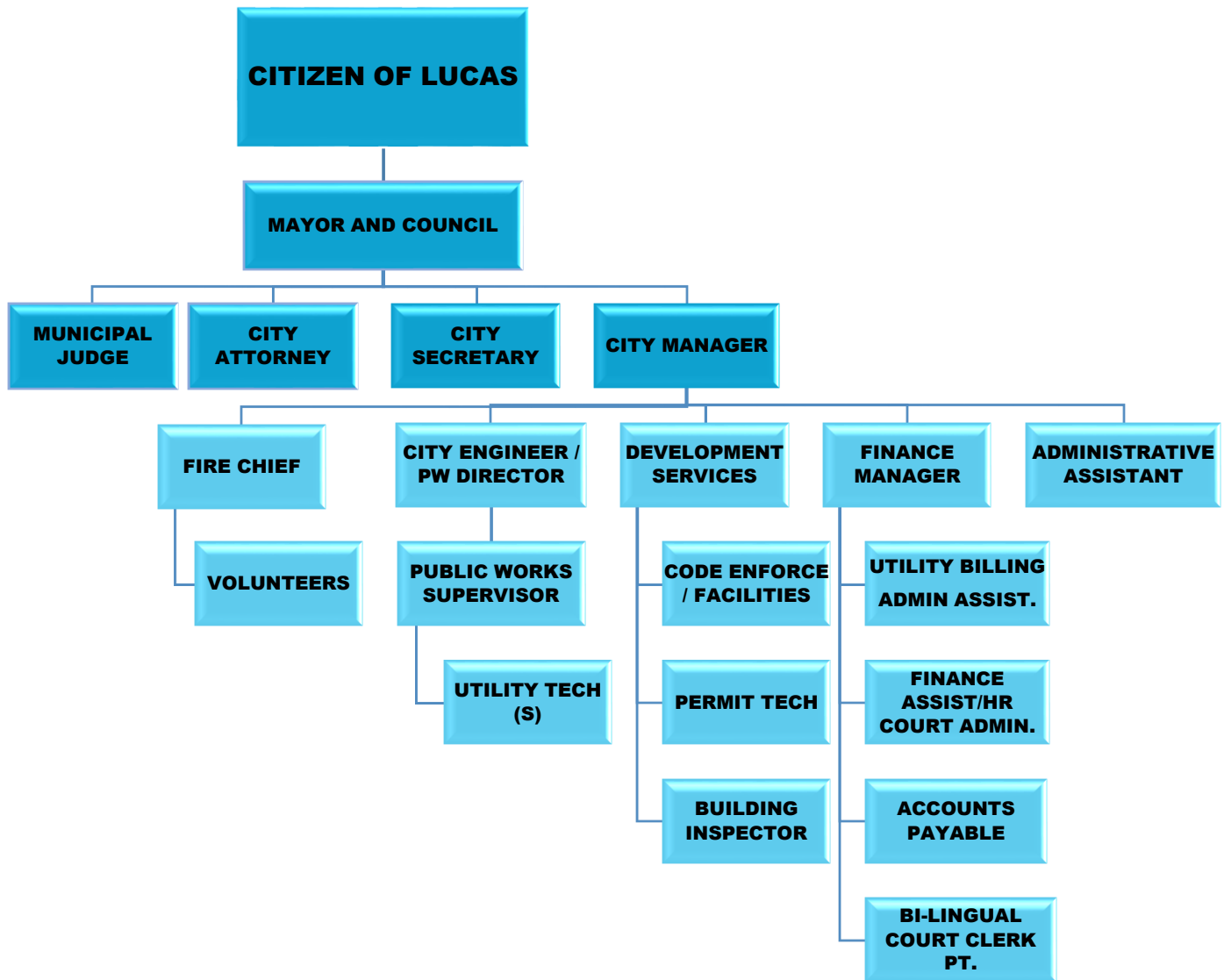
**City of Lucas
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

CITY OF LUCAS



**CITY OF LUCAS, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS
SEPTEMBER 30, 2013**

City Council:

Rebecca Mark	Mayor
Kathleen Peele	Mayor Pro Tem, Seat 6
Wayne Millsap	Seat 1
Jim Olk	Seat 2
Steve Duke	Seat 3
Philip Lawrence	Seat 4
Debbie Fisher	Seat 5

Administrative Officers:

Dan Savage	Interim City Manager
Elizabeth Exum	Finance Manager
Kathy Wingo	City Secretary
Stanton Foerster	City Engineer/Public Works
Jim Kitchens	Fire Chief
Joe Hilbourn	Development Services



FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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Metro (903) 450-1200

CONWAY COMPANY CPAs PC ACCOUNTANTS & ADVISORS

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Member
American Institute of CPAs
Texas Society of CPAs

February 5, 2014

Independent Auditor's Report on Financial Statements

City Council
City of Lucas
665 Country Club Road
Lucas, Texas 75002

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas ("City") as of and for the year ended September 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas as of September 30, 2013, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 15, the Pension Trust – TMRS Funding Progress and Contributions on page 51, and the budgetary comparison information on pages 54-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated February 5, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be considered in assessing the results of our audit.

Respectfully Submitted,

CONWAY COMPANY CPAs, PC



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CITY OF LUCAS, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2013

As management of the City of Lucas ('City'), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Lucas for the fiscal year ended September 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which immediately follow this section.

Financial Highlights

- The assets of the City of Lucas exceeded its liabilities at the close of the fiscal year by \$32,340,023 (net position). Of this amount, \$21,185,342 represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets. The amount of \$1,791,795 is restricted for impact fee use, municipal court use, debt obligations, cable fees and capital projects. The unrestricted net position is \$9,362,886.
- The government's total net position increased by \$5,299,028, or 20%, over the prior year. The \$3,548,001 increase in net investment in capital assets, net of related debt, represents capital expenditures less depreciation and retirement of debt. See further discussion of capital assets and long-term debt on page 14. The \$437,391 increase in restricted net position represents the change in resources that are subject to external restrictions on their use. The \$1,313,636 increase in unrestricted net position represents the change in resources available to fund the City's ongoing obligations to citizens and creditors.
- The City's governmental funds combined ending fund balance of \$9,365,479 was an increase of \$1,229,137, or 15%, from the prior year ending fund balance of \$8,136,342. Amounts available for spending include restricted and unassigned fund balances; these totaled \$9,365,479, or 100% of ending fund balance. Of this amount, \$4,224,524 is restricted by law or externally imposed requirements, and \$5,140,955 is unassigned. Unassigned fund balance for the General Fund is \$5,140,955, which equates to 170% of total General Fund expenditures for the year.
- The City's investment in capital assets (net of accumulated depreciation) increased by \$3,548,001, or 20%, to \$21,185,342. The City recorded depreciation of \$1,316,523 against its assets. The City's long-term debt outstanding had a decrease of \$(670,167), or 6%, to \$11,377,210 due to the scheduled payments on debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Lucas' basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

**CITY OF LUCAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

Basic Financial Statements

The first two statements (pages 19-21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 22-29) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the Governmental Fund financial statements; 2) the General Fund Budgetary Comparison Statement; and 3) the Proprietary Fund financial statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** is provided to show details about the City's pension plan. **Supplemental information** is also included to provide information about the City's budgetary comparison for other major governmental funds.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. In order to assess the overall health or financial condition of the City, other non-financial factors should also be taken into consideration. These include changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave, if material value). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported as business-type activities. The final category is the component unit. As of September 30, 2013, the City does not have any component units.

The government-wide financial statements are on pages 19 - 21 of this report.

**CITY OF LUCAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the City's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

The Governmental Fund financial statements can be found on pages 22-26 of this report.

Proprietary Funds – The City charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, such as cash flows. The City has only one proprietary fund, the Utility Fund.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 30 – 48 of this report.

**CITY OF LUCAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2013**

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

New accounting pronouncements

The GASB has issued Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34." This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete) presentation, and certain disclosure requirements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012.

The GASB has issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement codifies into GASB accounting and financial reporting standards the "legacy" standards from the private-sector. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013**

The City of Lucas' Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 9,718,343	\$ 8,622,831	\$ 6,189,597	\$ 6,418,269	\$ 15,907,940	\$ 15,041,100
Capital assets	13,356,707	11,392,473	15,183,050	13,502,239	28,539,757	24,894,712
Total assets	23,075,050	20,015,304	21,372,647	19,920,508	44,447,697	39,935,812
Long-term liabilities	6,436,439	6,431,622	4,973,957	4,973,071	11,410,396	11,404,693
Current liabilities	364,179	850,700	333,099	639,424	697,278	1,490,124
Total liabilities	6,800,618	7,282,322	5,307,056	5,612,495	12,107,674	12,894,817
Net position:						
Net investment in capital assets	9,735,155	7,912,596	11,450,187	9,724,745	21,185,342	17,637,341
Restricted	1,441,795	1,034,404	350,000	320,000	1,791,795	1,354,404
Unrestricted	5,097,482	3,785,982	4,265,404	4,263,268	9,362,886	8,049,250
Total net position	\$ 16,274,432	\$ 12,732,982	\$ 16,065,591	\$ 14,308,013	\$ 32,340,023	\$ 27,040,995

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the City of Lucas exceeded liabilities by \$32,340,023 as of September 30, 2013. The City's net position increased by \$5,299,028 for fiscal year ended September 30, 2013.

Net investment in capital assets:

The largest portion (66%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

An additional portion of the City's net position, 6%, represents resources that are subject to external restrictions on how they may be used such as state imposed restrictions for impact fees, court fees and cable fees and contractual obligations for debt from ad valorem taxes and capital improvements.

Unrestricted net position:

Unrestricted net position of \$9,362,886 is available to fund the City's programs to its citizens and obligations to its creditors.

**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013**

The City of Lucas' Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 1,126,299	\$ 1,388,215	\$ 3,608,367	\$ 3,025,171	\$ 4,734,666	\$ 4,413,386
Capital grants and contributions	2,297,740	946,567	1,300,659	1,350,014	3,598,399	2,296,581
General Revenues:						
Property taxes	2,292,929	2,095,821	-	-	2,292,929	2,095,821
Sales taxes	587,259	178,331	-	-	587,259	178,331
Franchise taxes	258,356	258,112	-	-	258,356	258,112
Investment income	15,682	19,009	6,300	9,175	21,982	28,184
Miscellaneous	64,775	44,897	500	565	65,275	45,462
Total revenues	6,643,040	4,930,952	4,915,826	4,384,925	11,558,866	9,315,877
Expenses:						
General government	715,216	626,484	-	-	715,216	626,484
Public safety	889,680	775,050	-	-	889,680	775,050
Public works	1,029,582	609,532	-	-	1,029,582	609,532
Parks and recreation	137,616	111,766	-	-	137,616	111,766
Development services	273,707	293,418	-	-	273,707	293,418
Interest on long-term debt	244,060	256,685	-	-	244,060	256,685
Water and Sewer	-	-	2,969,977	2,530,479	2,969,977	2,530,479
Total expenses	3,289,861	2,672,935	2,969,977	2,530,479	6,259,838	5,203,414
Change in net position before transfers	3,353,179	2,258,017	1,945,849	1,854,446	5,299,028	4,112,463
Transfers	188,271	166,229	(188,271)	(166,229)	-	-
Change in net position	3,541,450	2,424,246	1,757,578	1,688,217	5,299,028	4,112,463
Net position - beginning	12,732,982	10,193,534	14,308,013	12,603,237	27,040,995	22,796,771
Prior period adjustments	-	115,202	-	16,559	-	131,761
Net position - end	\$ 16,274,432	\$ 12,732,982	\$ 16,065,591	\$ 14,308,013	\$ 32,340,023	\$ 27,040,995

Governmental contributions increased significantly due to the donation from developers for roadway infrastructure, as well as a large increase in sales tax revenues.

Business-type contributions increased significantly due to the donations from developers for infrastructure on water and sewer lines.

**CITY OF LUCAS, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2013**

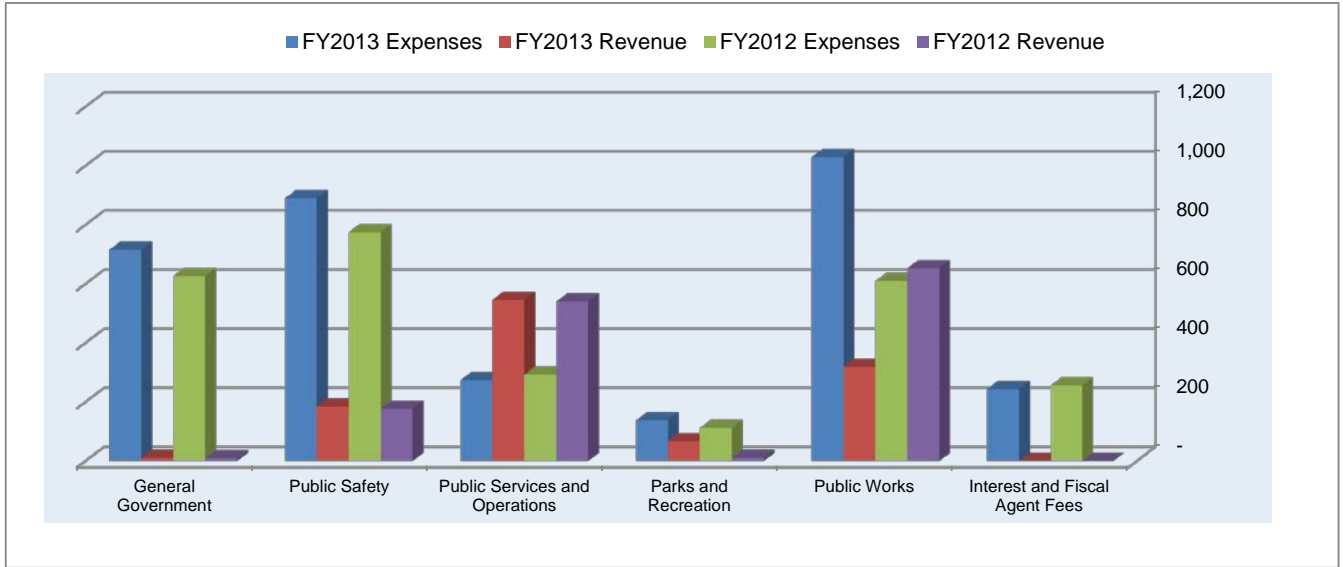
Governmental-type activities - Governmental-type activities increased the City's net position by \$3,541,450. Key elements of this increase are as follows:

Developer contributions in the amount of \$1,656,740 were received.

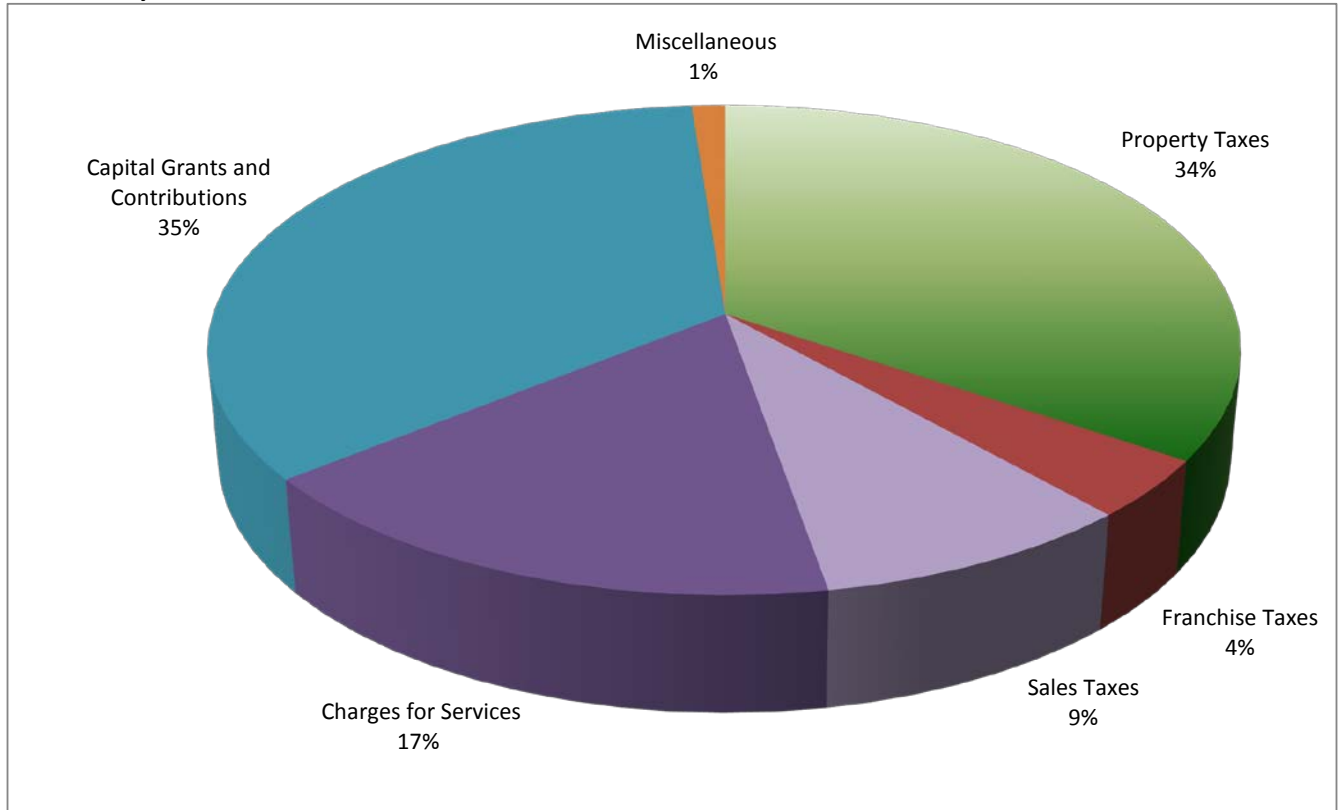
Sales tax increased dramatically due to the addition of Walmart.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities



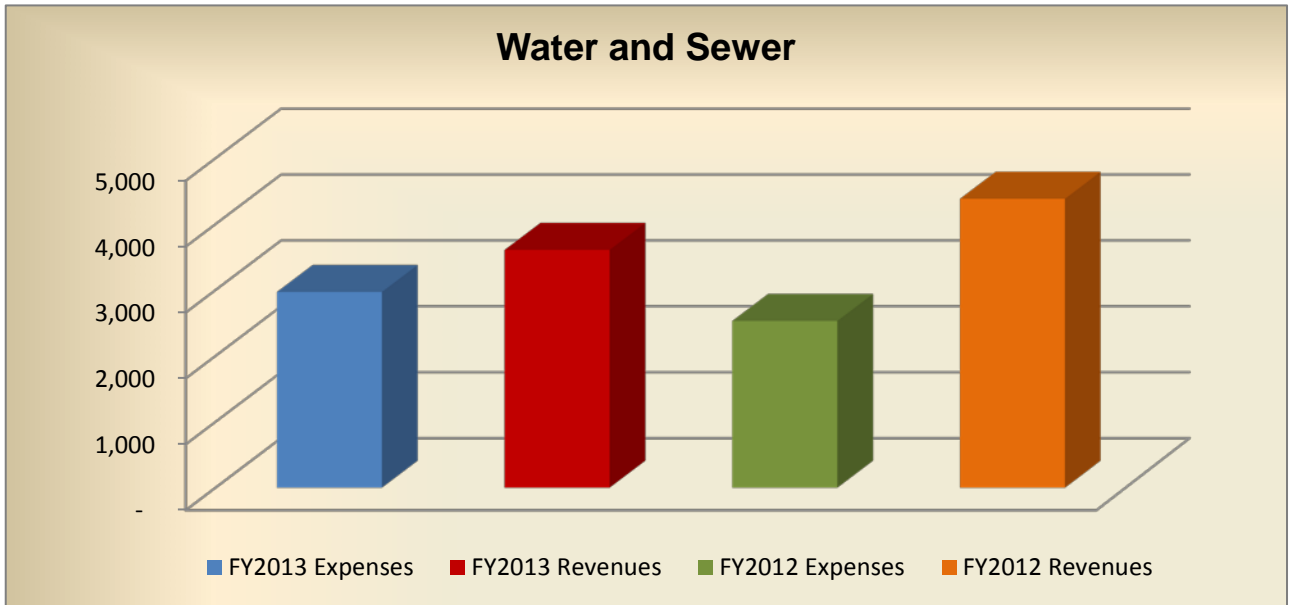
**CITY OF LUCAS, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2013**

Business-type Activities - Business-type activities increased the City's net position by \$1,757,578. A key element of this increase is as follows:

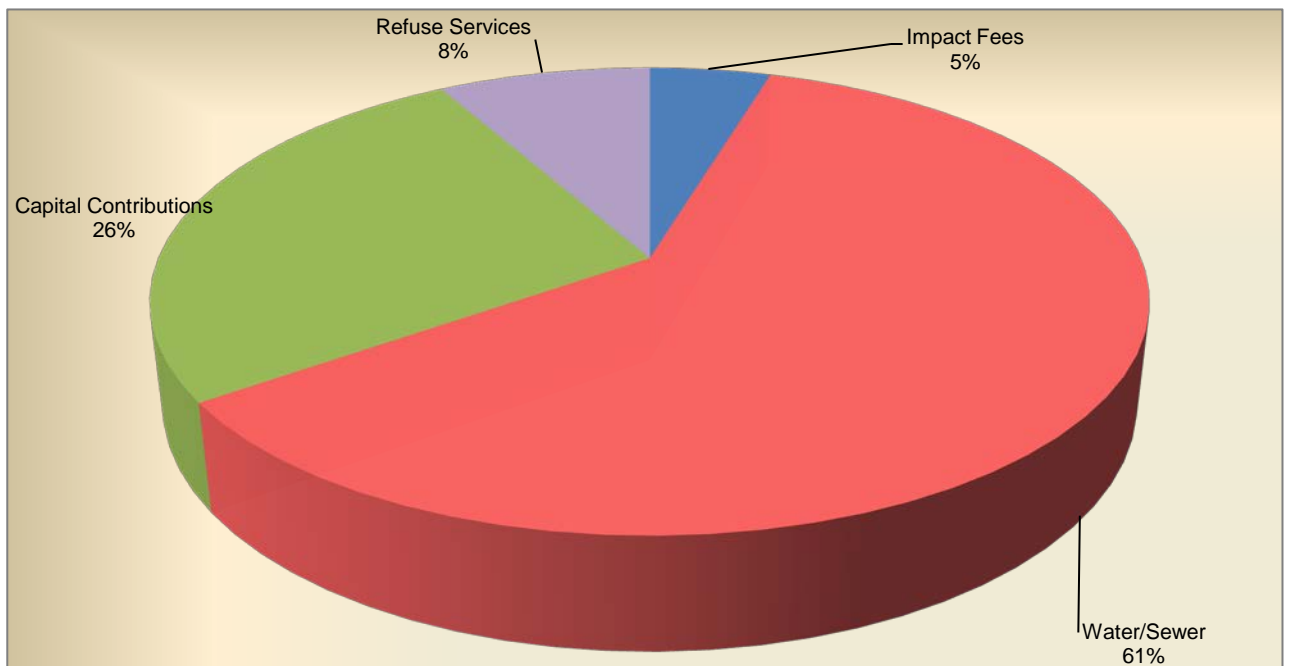
Capital contributions from developers totaled \$1,300,659.

Expenditures and Program Revenues - Business-type Activities

(amounts expressed in thousands)



Revenues by Source - Business-type Activities



**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013**

Financial Analysis of the City's Funds

As noted earlier, the City of Lucas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

At September 30, 2013, the City's governmental funds reported total fund balances of \$9,365,479, a 15% increase in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows:

- Restricted fund balance, \$4,224,524, consists of amounts restricted by external laws or contractual obligations as follows: \$828,316 for use of impact fees, \$28,624 for municipal court use, use, \$379,905 for debt service payments, \$2,983,071 for capital improvements and \$4,608 for cable fees.
- Unassigned fund balance, \$5,140,955, represents residual available fund balances that have not been restricted, committed, or assigned by management, City Council, or otherwise.

General Fund - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,140,955, compared to \$3,822,755 at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 170% of total General Fund expenditures.

Other Governmental Funds - As compared with the prior year, the total fund balances of the remaining governmental funds decreased (8%), or (\$276,207) to \$3,362,976 with the following significant changes:

- The fund balance of the Debt Service Fund increased 6%, or \$20,004, primarily as a result of decreased principal and interest expenditures on long-term debt.
- The fund balance of the Capital Improvements Fund decreased (9%), or (\$296,211), primarily as a result of transferring capital expenditure to the General Fund for roadway improvements.

Proprietary Funds

The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$4,265,404, a 0.1% increase from the prior year.

Net investment in capital assets increased from \$9,724,745 to \$11,450,187, an 18% increase from the prior year. This increase is the result of donated water lines from developers and a completed water tank capitalized during the current fiscal year.

**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013**

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, totals \$28,539,757 (net of accumulated depreciation). These assets include land, construction in progress, furniture and equipment, vehicles, buildings and improvements, and infrastructure. The increase in the City's capital assets for governmental activities was 17%. The capital assets for the business-type activities increased by 12%.

Major capital asset transactions during the year include the following:

- Donation of roadway infrastructure in several developments
- Donation of water and sewer line infrastructure in several developments
- Completion of the McGarity storage water tank
- Construction in progress of the W Lucas CC Intersection Project
- Construction in progress of the FM 2551 Waste Water Sewer Project

**City of Lucas Capital Assets
(net of accumulated depreciation)
September 30**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 903,447	\$ 903,447	\$ 415,756	\$ 415,756	\$ 1,319,203	\$ 1,319,203
Construction in Progress	270,285	98,126	1,368,953	1,289,133	1,639,238	1,387,259
Furniture & Equipment	569,921	592,527	422,804	476,328	992,725	1,068,855
Vehicles	649,429	685,712	33,127	44,937	682,556	730,649
Buildings & Improvements	1,453,238	1,478,742	581,310	614,756	2,034,548	2,093,498
Infrastructure	9,510,387	7,633,919	12,361,100	10,661,329	21,871,487	18,295,248
Total	\$ 13,356,707	\$ 11,392,473	\$ 15,183,050	\$ 13,502,239	\$ 28,539,757	\$ 24,894,712

More detailed information about the City's capital assets is presented in Note E to the financial statements.

Long-Term Debt - As of September 30, 2013 the City of Lucas had total long-term debt outstanding of \$11,377,210, a decrease of \$670,167, or (6%), in comparison with the prior year.

**City of Lucas Outstanding debt
General Obligations Bonds and Certificates of Obligation
September 30**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 1,645,804	\$ 1,648,405	\$ 1,067,531	\$ 1,127,222	\$ 2,713,335	\$ 2,775,627
Certificates of Obligation	4,764,750	5,116,500	3,899,125	4,155,250	8,663,875	9,271,750
Total	\$ 6,410,554	\$ 6,764,905	\$ 4,966,656	\$ 5,282,472	\$ 11,377,210	\$ 12,047,377

More detailed information about the City's long-term obligations is presented in Note H to the financial statements.

**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2013**

Budgetary Highlights

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget for several items. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services. Current year amendments for the General Fund include a \$636,514 increase in revenues and a \$74,834 increase in expenditures.

Revenues were higher than the budgeted amounts mainly in the areas of sales tax, licenses and permits, and impact fees. Expenditures were generally lower than budgeted amounts mainly in public works and fire department.

Economic Factors and Next Year's Budgets and Rates

The following known factors were considered in preparing the City's operating budget for FY 2013-2014:

- This budget will raise more total property taxes than last year's budget by \$140,396, or 7.01%, and of that amount \$124,424 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2013-2014 reflects total anticipated revenues of \$7,456,228 and total anticipated expenditures of \$7,348,933. This amount projects a net increase of \$107,295.
- The City tax rate is set each fall and is enacted via ordinance. The rate for fiscal year 2013-2014 was enacted by Ordinance #2013-09-00736 and is set to 0.355616 cents per \$100 of valuation.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the Finance Manager, City of Lucas, 665 Country Club Rd., Lucas, Texas 75002.



BASIC FINANCIAL STATEMENTS



**CITY OF LUCAS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 4,996,146	\$ 3,962,320	\$ 8,958,466
Receivables, net of allowance for uncollectibles	579,683	443,184	1,022,867
Restricted assets:			
Cash and Cash Equivalents	4,142,514	1,784,093	5,926,607
Capital Assets not being Depreciated			
Land	903,447	415,756	1,319,203
Construction in Progress	270,285	1,368,953	1,639,238
Capital Assets, Net of Accumulated Depreciation			
Furniture & Equipment	569,921	422,804	992,725
Vehicles	649,429	33,127	682,556
Building & Improvements	1,453,238	581,310	2,034,548
Infrastructure	9,510,387	12,361,100	21,871,487
Total Assets	23,075,050	21,372,647	44,447,697
LIABILITIES			
Accounts Payable	300,331	95,588	395,919
Wages Payable	16,810	5,608	22,418
Other Liabilities	7,200	-	7,200
Current Portion of Compensated Absences	10,418	6,988	17,406
Payable from Restricted Assets:			
Customer Deposits	-	200,300	200,300
Accrued Interest Payable	39,838	31,603	71,441
Current Portion of Bonds Payable	10,000	70,000	80,000
Current Portion of Certificates of Obligation	370,000	280,000	650,000
Compensated Absences	15,467	313	15,780
Bonds Payable	1,635,804	997,531	2,633,335
Certificates of Obligation	4,394,750	3,619,125	8,013,875
Total Liabilities	6,800,618	5,307,056	12,107,674
NET POSITION			
Net Investment in Capital Assets	9,735,155	11,450,187	21,185,342
Restricted for:			
Use of Impact Fees	828,316	-	828,316
Municipal Court	28,624	-	28,624
Debt Service	380,000	350,000	730,000
Capital Projects	200,247	-	200,247
Cable Fees	4,608	-	4,608
Unrestricted	5,097,482	4,265,404	9,362,886
Total Net Position	\$ 16,274,432	\$ 16,065,591	\$ 32,340,023

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

**CITY OF LUCAS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Capital Grants and Contributions	
Primary Government:				
Governmental Activities:				
General Government	\$ 715,216	\$ 10,351	\$ 1,000	\$ -
Police	83,807	26,631	-	-
Fire	805,873	157,389	-	-
Development Services	273,707	545,526	-	-
Parks and Recreation	137,616	67,000	-	-
Public Works	1,029,582	319,402	2,296,740	-
Interest on Long-Term Debt	244,060	-	-	-
Total governmental activities	3,289,861	1,126,299	2,297,740	-
Business-type Activities:				
Utility fund	2,969,977	3,608,367	1,300,659	-
Total business-type activities	2,969,977	3,608,367	1,300,659	-
Total primary government	\$ 6,259,838	\$ 4,734,666	\$ 3,598,399	\$ -

General revenues:

Property Taxes
Sales Taxes
Franchise Taxes
Investment Income
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business Activities	Total
\$ (703,865)	\$ -	\$ (703,865)
(57,176)	-	(57,176)
(648,484)	-	(648,484)
271,819	-	271,819
2,226,124	-	2,226,124
(710,180)	-	(710,180)
(244,060)	-	(244,060)
<u>134,178</u>	<u>-</u>	<u>134,178</u>
-	1,939,049	1,939,049
-	1,939,049	1,939,049
<u>\$ 134,178</u>	<u>\$ 1,939,049</u>	<u>\$ 2,073,227</u>

\$ 2,292,931	\$ -	\$ 2,292,931
587,259	-	587,259
258,356	-	258,356
15,682	6,300	21,982
64,773	500	65,273
188,271	(188,271)	-
<u>3,407,272</u>	<u>(181,471)</u>	<u>3,225,801</u>
3,541,450	1,757,578	5,299,028
12,732,982	14,308,013	27,040,995
<u>\$ 16,274,432</u>	<u>\$ 16,065,591</u>	<u>\$ 32,340,023</u>

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

**CITY OF LUCAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	General Fund	Debt Service Fund	Capital Improvements Fund	Total
Assets				
Cash and Cash Equivalents	\$ 4,996,146	\$ -	\$ -	\$ 4,996,146
Receivables (net allowances for uncollectible)	210,370	9,313	360,000	579,683
Cash and Cash Equivalents - Restricted	861,548	380,000	2,900,966	4,142,514
Total Assets	6,068,064	389,313	3,260,966	9,718,343
Liabilities:				
Accounts Payable	22,436	-	277,895	300,331
Wages Payable	16,810	-	-	16,810
Other Liabilities	7,200	-	-	7,200
Total Liabilities	46,446	-	277,895	324,341
Deferred Inflows of Resources				
Unavailable revenue-property taxes	19,115	9,408	-	28,523
Total Deferred Inflows of Resources	19,115	9,408	-	28,523
Fund Balances:				
Restricted for:				
Use of Impact Fees	828,316	-	-	828,316
Court use	28,624	-	-	28,624
Debt Service	-	379,905	-	379,905
Capital Improvements	-	-	2,983,071	2,983,071
Cable Fees	4,608	-	-	4,608
Unassigned	5,140,955	-	-	5,140,955
Total Fund Balances	6,002,503	379,905	2,983,071	9,365,479
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,068,064	\$ 389,313	\$ 3,260,966	\$ 9,718,343

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

**CITY OF LUCAS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Total fund balances - governmental funds balance sheet	\$ 9,365,479
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet.	16,700,303
Accumulated depreciation is not included in the governmental fund financial statements.	(3,343,596)
Other assets not available to pay for current-period expenditures and, therefore are deferred in the funds.	28,523
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the balance sheet.	(6,440,000)
Premiums and discounts on issuance of debt were not recognized on the balance sheet for governmental funds.	29,446
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(25,885)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements an expenditure is reported when due.	(39,838)
Net position of governmental activities - statement of net position	<u><u>\$ 16,274,432</u></u>

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

**CITY OF LUCAS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	General Fund	Debt Service Fund	Capital Improvements Fund	Total Governmental Funds
REVENUES				
Taxes:				
Property including P&I	\$ 1,626,013	\$ 677,419	\$ -	\$ 2,303,432
Sales	587,259	-	-	587,259
Franchise Fees	258,356	-	-	258,356
Fines and Forfeitures	104,539	-	-	104,539
Licenses and Permits	467,719	-	-	467,719
Fire Department	157,389	-	-	157,389
Impact Fees	386,402	-	-	386,402
Grant Revenues	1,000	-	-	1,000
Intergovernmental Revenue	-	-	640,000	640,000
Investment Income	9,455	501	5,726	15,682
Miscellaneous	64,773	-	-	64,773
Total Revenues	3,662,905	677,920	645,726	4,986,551
EXPENDITURES				
Current:				
City Council	33,494	-	-	33,494
City Secretary	111,593	-	-	111,593
Administrative	526,161	-	-	526,161
Public Works	285,961	-	329,038	614,999
Animal Control	33,600	-	-	33,600
Parks and Recreation	101,266	-	-	101,266
Fire Department	665,129	-	-	665,129
Police	83,807	-	-	83,807
Development Services	264,989	-	-	264,989
Debt Service:				
Principal Retirement	-	360,000	-	360,000
Interest and Fiscal Agent Fees	-	246,242	-	246,242
Capital Outlays				
General Governmnet	49,680	-	-	49,680
Public Works	679,546	-	-	679,546
Parks and Recreation	45,178	-	-	45,178
Fire Department	132,481	-	-	132,481
Development Services	7,770	-	-	7,770
Total Expenditures	3,020,655	606,242	329,038	3,955,935
Excess (deficiency) of revenues over (under) expenditures	642,250	71,678	316,688	1,030,616
Other Revenues and Financing Sources (uses)				
Transfers	852,844	(51,674)	(612,899)	188,271
Sale of Assets	10,250	-	-	10,250
Total Other Financing Sources (uses)	863,094	(51,674)	(612,899)	198,521
Net Change in Fund Balances	1,505,344	20,004	(296,211)	1,229,137
Fund Balances, October 1	4,497,159	359,901	3,279,282	8,136,342
Fund Balances, September 30	\$ 6,002,503	\$ 379,905	\$ 2,983,071	\$ 9,365,479

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

**CITY OF LUCAS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 1,229,137
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements but are shown as an increase in capital assets in the government-wide financial statements.	914,655
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(607,160)
Current year long-term debt principal payments on contractual obligations, bonds payable, capital leases and compensated absences are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	360,000
Bond premiums and discounts are recognized as an other financing source in the governmental funds, whereas premiums and discounts are deferred and amortized over the life of the bonds in the statement of activities.	(5,648)
Governmental funds focus on current financial resources. Therefore, donations of assets that will be used in operations, rather than sold are never reported in governmental funds.	1,656,740
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due.	2,182
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	2,046
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(10,502)
Change in net position - statement of activities	<u><u>\$ 3,541,450</u></u>

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

**CITY OF LUCAS, TEXAS
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 1,493,986	\$ 1,544,300	\$ 1,626,013	\$ 81,713
Sales	347,410	500,236	587,259	87,023
Franchise Fees	250,800	258,249	258,356	107
Fines and Forfeitures	37,375	101,639	104,539	2,900
Licenses and Permits	267,260	445,267	467,719	22,452
Fire Department	127,509	155,639	157,389	1,750
Impact Fees	108,000	226,600	386,402	159,802
Grant Revenues	-	1,000	1,000	-
Investment Income	6,000	8,000	9,455	1,455
Miscellaneous	45,140	64,514	64,773	259
Total Revenues	<u>2,683,480</u>	<u>3,305,444</u>	<u>3,662,905</u>	<u>357,461</u>
EXPENDITURES				
Current:				
General Government:				
City Council	38,755	39,254	33,494	5,760
City Secretary	123,500	123,611	111,593	12,018
Administrative	514,307	517,209	526,161	(8,952)
Capital Outlays	49,484	68,706	49,680	19,026
Total general government	<u>726,046</u>	<u>748,780</u>	<u>720,928</u>	<u>27,852</u>
Public Safety:				
Fire Department	633,461	682,207	665,128	17,079
Police	97,250	86,250	83,807	2,443
Capital Outlays	277,100	153,100	132,481	20,619
Total public safety	<u>1,007,811</u>	<u>921,557</u>	<u>881,416</u>	<u>40,141</u>
Public Works:				
Public Works	320,309	330,983	285,961	45,022
Parks and Recreation	91,641	94,606	101,266	(6,660)
Animal Control	37,252	33,600	33,600	-
Capital Outlays	1,869,317	1,217,003	724,724	492,279
Total public works	<u>2,318,519</u>	<u>1,676,192</u>	<u>1,145,551</u>	<u>530,641</u>
Development Services	272,130	275,022	264,989	10,033
Capital Outlays	10,155	8,955	7,770	1,185
Total development services	<u>282,285</u>	<u>283,977</u>	<u>272,759</u>	<u>11,218</u>
Total Expenditures	<u>4,334,661</u>	<u>3,630,506</u>	<u>3,020,654</u>	<u>609,852</u>
Excess of revenues over expenditures	<u>(1,651,181)</u>	<u>(325,062)</u>	<u>642,251</u>	<u>967,313</u>
Other Financing Sources (uses)				
Transfers	161,194	175,744	852,843	677,099
Sale of Assets	-	-	10,250	10,250
Total Other Financing Sources and uses	<u>161,194</u>	<u>175,744</u>	<u>863,093</u>	<u>687,349</u>
Net Change in Fund Balances	(1,489,987)	(149,318)	1,505,344	1,654,662
Fund Balances/Equity, October 1	4,497,159	4,497,159	4,497,159	
Fund Balances/Equity, September 30	<u>\$ 3,007,172</u>	<u>\$ 4,347,841</u>	<u>\$ 6,002,503</u>	

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

**CITY OF LUCAS, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2013**

	Utility Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,962,320
Receivables (net of allowance for uncollectibles)	443,184
Total Current Assets	<u>4,405,504</u>
Noncurrent Assets:	
Cash and Cash Equivalents - Restricted	1,784,093
Capital Assets:	
Land	415,756
Construction-In-Progress	1,368,953
Machinery & Equipment	909,419
Buildings	734,067
Vehicles	87,102
Infrastructure	15,234,568
Less: Accumulated Depreciation	<u>(3,566,815)</u>
Total Capital Assets (net of accumulated depreciation)	<u>15,183,050</u>
Total Noncurrent Assets	<u>16,967,143</u>
Total Assets	<u><u>21,372,647</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	95,588
Wages Payable	5,608
Payable from Restricted Assets:	
Customer Deposits	200,300
Accrued Interest	31,603
Compensated Absences - current	6,988
Certificates of Obligation - current	280,000
Bonds Payable - current	70,000
Total Current Liabilities	<u>690,087</u>
Noncurrent Liabilities:	
Compensated Absences	313
Certificates of Obligation	3,619,125
Bonds Payable	997,531
Total Noncurrent Liabilities	<u>4,616,969</u>
Total Liabilities	<u><u>5,307,056</u></u>
NET POSITION	
Net Investment in Capital Assets	11,450,187
Restricted for:	
Debt Service	350,000
Unrestricted	4,265,404
Total Net Position	<u><u>\$ 16,065,591</u></u>

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

**CITY OF LUCAS, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Utility Fund</u>
OPERATING REVENUES:	
Charges for Services	\$ 3,378,606
Miscellaneous Revenue	500
Impact Fees	229,762
Total Operating Revenues	<u>3,608,868</u>
OPERATING EXPENSES:	
Personnel Services	405,320
Contractual Services	1,253,412
Trash Services	370,516
Supplies and Materials	39,295
Maintenance and Repair	43,423
Depreciation	709,362
Total Operating Expenses	<u>2,821,328</u>
Operating Income	<u>787,540</u>
NON-OPERATING REVENUES (EXPENSES):	
Amortization Expense	(4,184)
Interest Revenue	6,300
Interest Expense	(144,466)
Total Non-Operating Revenues (Expenses)	<u>(142,350)</u>
Income Before Capital Contributions and Transfers	645,190
Capital Contributions	1,300,659
Transfers	(188,271)
Change in Net Position	1,757,578
Net Position, October 1	<u>14,308,013</u>
Net Position, September 30	<u>\$ 16,065,591</u>

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

**CITY OF LUCAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Business-Type Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 3,249,769
Cash Received from Other Sources	1,530,921
Cash Paid to Employees	(404,339)
Cash Paid to Suppliers	(1,690,450)
Net Cash Provided by Operating Activities	<u>2,685,901</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	(188,271)
Net Cash Provided by Non-capital Financing Activities	<u>(188,271)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(2,394,358)
Principal Paid on Long-term Debt	(320,625)
Interest Paid on Long-term Debt	(146,456)
Net Cash Used for Capital & Related Financing Activities	<u>(2,861,439)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	6,300
Net Cash Provided by Investing Activities	<u>6,300</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(357,509)
Cash and Cash Equivalents at Beginning of Year	6,103,922
Cash and Cash Equivalents at End of Year	<u>\$ 5,746,413</u>
Reconciliation of Operating Income to Net Cash Provided by Operation Activities:	
Operating Income	\$ 787,540
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	709,362
Capital Contributions	1,300,659
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts Receivables	(128,837)
(Decrease) Increase in:	
Accounts Payable	7,052
Customer Deposits	10,125
Total Adjustments	<u>1,898,361</u>
Net Cash Provided by Operating Activities	<u>\$ 2,685,901</u>
Schedule of Non-cash Capital Activities:	
Contribution of Capital Assets	\$ 1,300,659

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

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

The City of Lucas, Texas ("City") is a municipal corporation of the State, duly organized and existing under the laws of the State of Texas including the City's Home Rule Charter. The City was incorporated in 1959, and first adopted its Home Rule Charter in September, 2008. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six-member Council. The City provides the following services as authorized by its charter: public safety, public works, water and sanitary sewer utilities, culture-recreation, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local government include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide*.

1. Reporting Entity

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the Statement of Net Position and Statement of Activities. Significantly, the City's Statement of Net Position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide Statement of Activities reflects depreciation expense on the City's capital assets, including Infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable.

Under GASB Statement No. 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component unit may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No. 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

Based on the above requirements, the City of Lucas has no component units.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria to be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. Governmental activities which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely on fees and charges for support.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise fees, and interest income).

Fund Financial Statements: The fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the funds financial statements. The major governmental funds are the General Fund, Debt Service Fund, and Capital Improvements Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. With the adoption of GASB Statement No. 63, the presentation of deferred inflows/outflows is included in the calculation. The City does not have any non- major funds.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 business-type funds are charges to customers for sales and services. The 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 proprietary funds include the cost of sales and service administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting (continued)

b. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year-end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

The *Capital Improvements Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. 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 principle ongoing operations. The principal operating revenues of the City's water and sewer services are charges to customers for sales and services. Operating expenses for Proprietary 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.

The City reports the following major proprietary fund:

The *Utility Fund* accounts for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

The City pools cash from all fund types to increase the amount of funds available for investment. Investments held by the City that have a remaining maturity of greater than one year from purchase are carried at fair value. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

b. Receivable Balances

Trade and property tax receivables are shown net of an allowance for uncollectibles.

c. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2013, the City had a tax rate of \$0.374177 per \$100 assessed valuation based upon the maximum rates described above.

d. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of the other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary funds represent cash and cash equivalents and investments set aside for repayment of customer's water/sewer deposits, impact fees, specific capital additions and various bond covenants.

Impact fees are the capital recovery fees that are, by law, restricted to the projects these funds may be used to support.

Customer deposits received for water and sewer service are, by law, to be considered restricted assets. These activities are included in the Utility Fund.

e. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

During the year ending September 30, 2013, the City had developers donated assets in the amount of \$1,656,740 to the governmental fund and \$1,300,659 to the proprietary fund. These assets are reported at fair market value as of the donation date. Donated assets are only reported in the Government-Wide Financial Statements for governmental funds.

**CITY OF LUCAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

e. Capital Assets (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net 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. For fiscal year 2013, \$49,127 of such interest costs were capitalized in the Utility Fund.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings, systems and improvements	40 years
Furniture, vehicles and equipment	5-10 years
Fire trucks and equipment	10-20 years

f. Deferred outflows/inflows of resources

In addition to assets, the Statement of Financial Position reports a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The government does not have any outflows of resources during this fiscal year.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

g. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

h. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

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.

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

i. Net Position Flow Assumption

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

j. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

Nonspendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes determined by a resolution of the City's highest level of decision-making authority (the Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by the City Manager. This is also the classification for residual funds in the City's special revenue funds.

Unassigned fund balance - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

A summary of the City's fund balance policy as adopted by the Council follows:

The City believes that adequate levels of fund balance are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with GASB Statement No. 54, the City's fund balances now focus on "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent." The goal is to maintain a minimum unassigned fund balance in the general fund equal to 50% of expenditures, with 25% or less being cause for concern. The City is currently in compliance with this goal.

Additional detailed information, along with the complete Fund Balance Policy, can be obtained from the Finance Manager, City of Lucas, 665 Country Club Rd., Lucas, Texas 75002.

k. Fund Balance Flow Assumption

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

**CITY OF LUCAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

l. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from the International Association of Fire Chiefs ("IAFC") which is accounted for in the general government department of the North Central Texas Council of Governments ("NCTCOG").

m. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statement in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

n. Interfund Activity

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

o. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

p. Program Revenues

Certain revenues such as charges for services and impact fees are included in program revenues.

q. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	Not applicable

**CITY OF LUCAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

B. Compliance and Accountability (continued)

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget appears on page 26 and other informational budgets are presented as supplemental information.

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each August, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the City Manager, shall be deemed to have been adopted by the City Council.
- The level of control (the level at which expenditures may not exceed budget) is the department level. The City Manager and/or Finance Manager are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any department must be approved by the City Council.

Budgets are legally adopted on a modified accrual basis of accounting for all governmental funds - General Fund, Debt Service Fund, and the Capital Projects Fund. The majority of the City's Capital Projects are budgeted on an annual basis. For budgeted capital projects not expended during the fiscal year, the City will roll those balance into the following year's fiscal budget.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2013, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,885,073 and the bank balance was \$15,628,990. The City's cash deposits at September 30, 2013 and during the year ended September 30, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The amount of deposits covered by collateralized securities was \$10,989,116. Restricted cash and investments as of September 30, 2013 are restricted as follows:

Restricted Cash:

Governmental:

Municipal Court	\$ 28,624
Debt Service	380,000
Capital Improvements	2,900,966
Cable TV PEG Fees	4,608
Impact Fees	828,316
Total	<u>\$ 4,142,514</u>

Business-type:

Debt Service	\$ 350,000
Capital Improvements	1,233,793
Customer Deposits	200,300
Total	<u>1,784,093</u>

Total Restricted Cash and Cash Equivalents	<u><u>\$ 5,926,607</u></u>
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**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

C. Deposits and Investments (continued)

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Currently all of the City's investments are with the Texas Local Investment Pool, Lone Star, and LOGIC Investments.

The Texas Local Investment Pool is a local government investment pool which operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of investment pool uses amortized costs rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is governed by an Advisory Board composed equally of participants in the Pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

The City also invested in LOGIC Investments. LOGIC is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. Together, these organizations bring to the LOGIC program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management. LOGIC is a local government investment cooperative created under the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

The City also invested in Lone Star Investments. Lone Star Investments is administered by First Public, LLC. Lone Star operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

Additional information about the rating agencies or the significance of the ratings provided may be obtained from the agency's website.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2013, the City had the following investments:

Investment Type	Book Value	Fair Value	% of Portfolio	Weighted Average Maturity-days	Rating as of Year End	Rating Agency
TexPool	\$ 448,343	\$ 448,343	10%	55	AAA-m	S&P
LOGIC	1,528,422	1,528,422	33%	48	AAA-m	S&P
Lone Star	2,663,108	2,663,108	57%	57	AAA-m	S&P
	<u>\$ 4,639,873</u>	<u>\$ 4,639,873</u>	<u>100%</u>			

As of September 30, 2013 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented above is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

C. Deposits and Investments (continued)

Concentration of Credit Risk

With the exception of U.S. Treasury securities, certificates of deposit and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities.

As of September 30, 2013, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

D. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows. No allowance has been estimated for property taxes due to the high rate of collections. In addition, no allowance is made for the intergovernmental receivable as it represents funds due from the Texas Department of Transportation in connection with an intergovernmental contract (see Note Q).

	General	Debt Service	Cap Projects	Utility	Total
Receivables:					
Taxes	\$ 210,370	\$ 9,313	\$ -	\$ -	\$ 219,683
Fees and Charges	-	-	-	482,012	482,012
Intergovernmental	-	-	360,000	-	360,000
Gross Receivables	210,370	9,313	360,000	482,012	1,061,695
Less: allowance for uncollectibles	-	-	-	(38,828)	(38,828)
Net Total Receivables	<u>\$ 210,370</u>	<u>\$ 9,313</u>	<u>\$ 360,000</u>	<u>\$ 443,184</u>	<u>\$ 1,022,867</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

E. Capital Assets

Capital asset activity for the period ended September 30, 2013 was as follows:

	Beginning Balances	Prior Period Adjustments	Transfers	Additions	Decreases	Ending Balances
Governmental Activities						
Capital assets not being depreciated:						
Land	\$ 903,447	\$ -	\$ -	\$ -	\$ -	\$ 903,447
Construction-In-Progress	98,126	-	-	172,159	-	270,285
Total capital assets not being depreciated:	1,001,573	-	-	172,159	-	1,173,732
Capital assets being depreciated:						
Buildings and Improvements	1,814,667	-	-	28,705	-	1,843,372
Furniture & Equipment	1,104,325	-	-	109,272	-	1,213,597
Vehicles	1,349,261	-	-	49,853	-	1,399,114
Infrastructure	8,859,083	-	-	2,211,405	-	11,070,488
Total capital assets being depreciated:	13,127,336	-	-	2,399,235	-	15,526,571
Less accumulated depreciation for:						
Buildings and Improvements	(335,925)	-	-	(54,209)	-	(390,134)
Furniture & Equipment	(511,797)	-	-	(131,879)	-	(643,676)
Vehicles	(663,549)	-	-	(86,136)	-	(749,685)
Infrastructure	(1,225,163)	-	-	(334,938)	-	(1,560,101)
Total accumulated depreciation:	(2,736,434)	-	-	(607,162)	-	(3,343,596)
Total capital assets being depreciated, net	10,390,902	-	-	1,792,073	-	12,182,975
Governmental activities capital assets, net	\$ 11,392,475	\$ -	\$ -	\$ 1,964,232	\$ -	\$ 13,356,707
Business-type Activities						
Capital assets not being depreciated:						
Land	\$ 415,756	\$ -	\$ -	\$ -	\$ -	\$ 415,756
Construction-In-Progress	1,289,133	-	(810,210)	890,030	-	1,368,953
Total capital assets not being depreciated:	1,704,889	-	(810,210)	890,030	-	1,784,709
Capital assets being depreciated:						
Buildings & improvements	734,067	-	-	-	-	734,067
Infrastructure	12,980,494	-	810,210	1,443,864	-	15,234,568
Furniture & Equipment	853,139	-	-	56,280	-	909,419
Vehicles	87,102	-	-	-	-	87,102
Total capital assets being depreciated:	14,654,802	-	810,210	1,500,144	-	16,965,156
Less accumulated depreciation for:						
Buildings & improvements	(119,311)	-	-	(33,445)	-	(152,756)
Infrastructure	(2,319,167)	-	-	(554,303)	-	(2,873,470)
Furniture & Equipment	(376,811)	-	-	(109,804)	-	(486,615)
Vehicles	(42,164)	-	-	(11,810)	-	(53,974)
Total accumulated depreciation:	(2,857,453)	-	-	(709,362)	-	(3,566,815)
Total capital assets being depreciated, net	11,797,349	-	810,210	790,782	-	13,398,341
Business-type activities capital assets, net	\$ 13,502,238	\$ -	\$ -	\$ 1,680,812	\$ -	\$ 15,183,050

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

E. Capital Assets (continued)

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

Governmental activities:	
General government	\$ 54,209
Public works	400,567
Public Safety	121,538
Parks	30,848
Total depreciation expense - governmental activities	<u>\$ 607,162</u>
Business-type activities:	
Utility	709,363
Total depreciation expense - business-type activities	<u>\$ 709,363</u>

Donated assets are reported in both Governmental Activities and Business-Type Activities as follows:

Governmental activities:	
Rockland Farms	\$ 465,652
Estates at Forest Grove	224,260
Broadmoore Estates	529,353
Belmont Park	332,155
Walmart	105,320
Total donated assets - governmental activities	<u>\$ 1,656,740</u>
Business-type activities:	
Rockland Farms	\$ 352,810
Estates at Forest Grove	101,466
Broadmoore Estates	368,822
Belmont Park	175,100
Walmart	302,461
Total donated assets - business-type activities	<u>\$ 1,300,659</u>

F. Construction Commitments

The City has several active construction projects as of September 30, 2013. The projects include street infrastructure improvements, water and sewer infrastructure improvements, and design for Fire Station expansion.

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Stinson Road bridges at Muddy Creek	\$ 88,922	\$ 60,578
White Rock Trail	28,750	23,158
Lucas & CC road intersection	85,360	18,148
Design for Fire Station expansion	67,253	222,847
Wastewater ground sewer	1,188,832	12,748
Stinson water line	162,848	1,458,333
Design of Osage water line	17,273	12,635
	<u>\$ 1,639,238</u>	<u>\$ 1,808,447</u>

G. Deferred Inflow of Resources

Governmental funds report deferred inflow of resources in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defers inflow of resources in connection with resources that have been received, but not yet earned. Tax revenues which are reported as deferred inflow of resources in the governmental funds are recorded as revenue in the government-wide financial statements. At the end of the current fiscal year, the various components of deferred inflow of resources reported in the governmental funds were as follows:

	General	
	Fund	Debt Service
Tax Revenue	<u>\$ 19,115</u>	<u>\$ 9,408</u>

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

H. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2013, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
General Obligation Bonds	\$ 1,715,000	\$ -	\$ (10,000)	\$ 1,705,000	\$ 10,000
Certificates of Obligation	5,085,000	-	(350,000)	4,735,000	370,000
	6,800,000	-	(360,000)	6,440,000	380,000
Less deferred amounts:					
For issuance discounts	(31,680)	-	1,760	(29,920)	-
For issuance premiums	63,180	-	(3,510)	59,670	-
Bond Defeasance	(66,595)	-	7,399	(59,196)	-
Total bonds payable	6,764,905	-	(354,351)	6,410,554	380,000
Compensated absences	27,931	38,160	(40,206)	25,885	10,418
Governmental activity					
Long-term liabilities	<u>\$ 6,792,836</u>	<u>\$ 38,160</u>	<u>\$ (394,557)</u>	<u>\$ 6,436,439</u>	<u>\$ 390,418</u>

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable:					
General Obligation Bonds	\$ 1,175,000	\$ -	\$ (65,000)	\$ 1,110,000	\$ 70,000
Certificates of Obligation	4,135,000	-	(255,000)	3,880,000	280,000
	5,310,000	-	(320,000)	4,990,000	350,000
Less deferred amounts:					
For issuance discounts	(20,367)	-	1,131	(19,236)	-
For issuance premiums	40,617	-	(2,256)	38,361	-
Bond Defeasance	(47,778)	-	5,309	(42,469)	-
Total Bonds Payable	5,282,472	-	(315,816)	4,966,656	350,000
Compensated absences	12,199	11,100	(15,998)	7,301	6,988
Business-type activity					
Long-term liabilities	<u>\$ 5,294,671</u>	<u>\$ 11,100</u>	<u>\$ (331,814)</u>	<u>\$ 4,973,957</u>	<u>\$ 356,988</u>

The liability for compensated absences, the General Fund liquidates an estimated 70% and the Utility Fund is responsible for the remaining 30%.

Changes in Governmental Long-term Debt

Description	Interest Rate Payable	Amounts Outstanding September 30,			Amounts Outstanding September 30,		Due Within One Year
		Issue	2012	Increase	Retired	2013	
2007 Refunding G.O.	3.76%	\$ 1,790,000	\$ 1,715,000	\$ -	\$ (10,000)	\$ 1,705,000	\$ 10,000
2002 CO	4.50%	3,000,000	320,000	-	(155,000)	165,000	165,000
2007 CO	4.25%	2,500,000	1,360,000	-	(75,000)	1,285,000	80,000
2011 CO	2.00%	3,500,000	3,405,000	-	(120,000)	3,285,000	125,000
Total Debt Payable		10,790,000	6,800,000	-	(360,000)	6,440,000	380,000
Compensated absences			27,931	38,160	(40,206)	25,885	10,418
Totals		<u>\$ 10,790,000</u>	<u>\$ 6,827,931</u>	<u>\$ 38,160</u>	<u>\$ (400,206)</u>	<u>\$ 6,465,885</u>	<u>\$ 390,418</u>

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

H. Long-Term Obligations (continued)

Debt service requirements are as follows:

Years Ending September 30:	Principal	Interest	Total Requirements
2014	\$ 380,000	\$ 232,010	\$ 612,010
2015	390,000	218,611	608,611
2016	410,000	205,498	615,498
2017	430,000	191,348	621,348
2018	445,000	175,909	620,909
2019-2023	2,215,000	628,414	2,843,414
2024-2028	1,435,000	287,900	1,722,900
2029-2031	735,000	44,900	779,900
Totals	\$ 6,440,000	\$ 1,984,590	\$ 8,424,590

A description of each debt series follows:

\$1,790,000 General Obligation Refunding Bond issued for the exclusive purpose of paying the City's obligations.

\$3,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2002, issued for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, such as street improvements, construction improvements and fixed asset purchases.

\$2,500,000 Combination Tax and Limited Pledge Revenue Certificate of Obligation, Series 2007 (\$5,000,000 divided equally between Governmental and Business-type Funds), issued for the purposes of paying contractual permanent public obligations of the City to be incurred, for making permanent public improvements and for other public purposes, to-wit: 1) constructing street improvements and drainage incidental thereto, 2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's utility system, 3) the purchase of materials, supplies, equipment, machinery, land, rights-of-way for authorized needs and purposes relating to street improvements and utility improvements, and 4) the payment of professional services related to the construction and financing of the aforementioned projects.

\$3,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2011 (\$5,750,000 divided 61/39 between Governmental and Business-Type Funds), issued for the purposes of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes to wit: 1) constructing street improvements, drainage, and various bridge improvements; 2) constructing and improving the City's utility system; 3) construction of a fire station facility; 4) the purchase of materials, supplies, equipment, machinery, land right-of-way for authorized needs and purposes relating to those improvements; and 5) the payment of professional services related to the construction, design, and financing of the aforementioned projects.

Changes in Business-type Long-term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding			Amounts Outstanding September 30, 2013	Due Within One Year
			September 30, 2012	Increase	Retired		
2007 Refunding G.O.	3.76%	\$ 1,455,000	\$ 1,175,000	\$ -	\$ (65,000)	\$ 1,110,000	\$ 70,000
2002 CO	4.50%	2,500,000	200,000	-	(100,000)	100,000	100,000
2007 CO	4.25%	2,500,000	1,740,000	-	(80,000)	1,660,000	100,000
2011 CO	2.00%	2,250,000	2,195,000	-	(75,000)	2,120,000	80,000
Total Bonds Payable		8,705,000	5,310,000	-	(320,000)	4,990,000	350,000
Compensated Absences			12,199	11,100	(15,998)	7,301	6,988
Totals		\$ 8,705,000	\$ 5,322,199	\$ 11,100	\$ (335,998)	\$ 4,997,301	\$ 356,988

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

H. Long-Term Obligations (continued)

Debt service requirements are as follows:

Years Ending September 30:	Principal	Interest	Total Requirements
2014	\$ 350,000	\$ 183,020	\$ 533,020
2015	360,000	170,164	530,164
2016	365,000	157,516	522,516
2017	375,000	144,367	519,367
2018	315,000	131,748	446,748
2019-2023	1,585,000	476,610	2,061,610
2024-2028	1,165,000	206,600	1,371,600
2029-2031	475,000	29,100	504,100
Totals	\$ 4,990,000	\$ 1,499,125	\$ 6,489,125

A description of each debt series follows:

\$1,455,000 General Obligation Refunding Bond, Series 2007, issued for the exclusive purpose of paying the City's obligations.

\$2,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2002, issued for the purpose of paying contractual obligations of the City to be incurred for constructing, acquiring, purchasing, enlarging, and improving the City's utility system, and other public purposes, such as fixed asset purchases.

\$2,500,000 Combination Tax and Limited Pledge Revenue Certificate of Obligation, Series 2007 (\$5,000,000 divided equally between Governmental and Business-type Funds), issued for the purposes of paying contractual permanent public obligations of the City to be incurred, for making permanent public improvements and for other public purposes, to-wit: 1) constructing street improvements and drainage incidental thereto, 2) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's utility system, 3) the purchase of materials, supplies, equipment, machinery, land, rights-of-way for authorized needs and purposes relating to street improvements and utility improvements, and 4) the payment of professional services related to the construction and financing of the aforementioned projects.

\$2,250,000 Combination Tax and Revenue Certificates of Obligation, Series 2011 (\$5,750,000 divided 61/39 between Governmental and Business-Type Funds), issued for the purposes of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes to wit: 1) constructing street improvements, drainage, and various bridge improvements; 2) constructing and improving the City's utility system; 3) construction of a fire station facility; 4) the purchase of materials, supplies, equipment, machinery, land, right-of-way for authorized needs and purposes relating to those improvements; and 5) the payment of professional services related to the construction, design, and financing of the aforementioned projects.

I. Lease Obligations

The government leases a copier from Xerox to provide equipment for printing, copying, scanning, and faxing necessary for the daily functions of the City. The Fire Department leases a gas monitor from Safeware, Inc. to provide equipment for gas detection. Total costs for the leases were \$7,365 for the fiscal year ended September 30, 2013. The future minimum lease payments for these leases are as follows:

Year End:	Copier (General Fund)	Copier (Water Fund)	Gas Monitors	Total
Sept 30	\$ 2,357	\$ 2,357	\$ 1,080	\$ 5,794
Total	\$ 2,357	\$ 2,357	\$ 1,080	\$ 5,794

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

J. Pension Plan

1. Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available Comprehensive Annual Financial Report ("CAFR") that includes financial statements and required supplementary information ("RSI") for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee Deposit Rate	7%	7%
Matching Ratio (City to Employee)	2-1	2-1
Years Required for Vesting	5 yrs	5 yrs
Service Retirement Eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% repeating	100% repeating
Annuity Increase (to retirees)	0% of CPI	0% of CPI

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both 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 delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2011 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/12</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level % of PR 10-year Smoothed	Level % of PR 10-year Smoothed	Level % of PR 10-year Smoothed
Asset Valuation method	Market	Market	Market
Amortization period	22.7 years- closed	21.9 years- closed	21.4 years- closed
Amortization period for new gains/losses	25 years	25 years	25 years
Actuarial assumptions:			
Investment rate of return	7.00%	7.00%	7.00%
Inflation rate	3.00%	3.00%	3.00%
Projected salary increase	Varies by age and service	Varies by age and service	Varies by age and service

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

J. Pension Plan (continued)

3. Funding Status and Funding Progress

The funded status as of December 31, 2010 and 2011, as well as 2012, the most recent actuarial valuation date, is presented as follows:

City of Lucas
Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/10	12/31/11	12/31/12
Actuarial Value of Assets	\$ 877,000	\$ 1,032,483	\$ 1,218,941
Actuarial Accrued Liability	1,134,505	1,209,130	1,421,599
Percentage Funded	77.3%	85.4%	85.7%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	257,505	176,647	202,658
Annual Covered Payroll	858,091	889,536	993,136
UAAL as a Percentage of Covered Payroll	30.0%	19.9%	20.4%
 Net Pension Obligation (NPO) at the Beginning of Period	 \$ -	 \$ -	 \$ -
Annual Pension Cost:			
Annual required contribution (ARC)	Plus 79,175	64,240	69,425
Contributions Made	Less (79,175)	(64,240)	(69,425)
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

K. Supplemental Death Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System ("TMRS") known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

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

The City's contributions to the TMRS SDBF for the years ended 2013, 2012 and 2011 were \$1,551, \$1,437, and \$1,566, respectively, which equaled the required contributions each year.

Plan Year	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
2011	\$ 1,566	100%	\$ -
2012	1,437	100%	-
2013	1,551	100%	-

**CITY OF LUCAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

L. Health Care Coverage

During the year ended September 30, 2013, employees of the City were covered by a health and dental insurance plan. The City contributed \$500 per month per employee (100% of the cost per employee) for employee coverage for health insurance. The City contributed \$30 per employee (100% of the cost per employee) for dental insurance. Employees, at their option, authorized payroll withholdings for dependent health and dental coverage. Health and dental insurance is provided by TMLIEBP.

M. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

N. Litigation

The City is party to various legal proceedings arising in the ordinary course of its operations. Management, based on the Council's opinion, believes the City has adequate legal defenses and/or insurance coverage respecting each of these actions and does not believe that they will materially alter the City's financial position.

O. Additional Water and Sewer Information

The following information is included at the request of the Texas Water Development Board for the year under audit.

Water Accountability Report:

Gallons Pumped	567,325,000
Gallons Billed	454,536,400

The City has a contract with North Texas Municipal Water District ("NTMWD") to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2013 were \$1,100,033.

P. Interfund Transactions

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Funds</u>		
General Fund	\$ 852,843	\$ -
Debt Service Fund	-	(51,674)
Utility Fund	-	(188,271)
Capital Improvements Fund	984,309	(1,597,207)
Total Major Funds	<u>\$ 1,837,152</u>	<u>\$ (1,837,152)</u>

Transfers are used to 1) transfer debt service payments and 2) transfer fixed assets and fixed asset purchases.

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Q. Intergovernmental Revenue

The City has received funding from the Texas Department of Transportation ("TxDot") for infrastructure projects to improve streets on FM 1378 as well as FM 2551. The funding received is considered intergovernmental revenue and the assets completed with these funds will be retained as capital assets of TxDot. The City is required to match a portion of the project. The portion that is funded by the City will be retained as capital assets of the City. In the current year, the City capitalized \$82,259 for costs associated with the improvement of FM 1378. The City received \$640,000 in intergovernmental revenue associated with these projects in fiscal year 2013.

R. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2013 up through February 5, 2014, the date the financial statements were available to be issued. During this period, management noted no subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF LUCAS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

TMRS FUNDING PROGRESS AND CONTRIBUTIONS
 LAST EIGHT FISCAL YEARS (UNAUDITED)

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) -Unit Credit	(3) Unfunded Actuarial Accrued Liability UAAL (2)-(1)	(4) Funded Percent (1)/(2)	(5) Covered Payroll	(6) UAAL as Percent of Covered Payroll (3)/(5)	(7) Annual Required Contributions	(8) Actual Contributions	Percent Contributed (8)/(7)
2006	12/31/2005	\$ 312,687	\$ 396,045	\$ 83,358	79.0%	\$ 462,894	18.0%	\$ 43,063	\$ 43,063	100%
2007	12/31/2006	401,550	470,495	68,945	85.3%	476,828	14.5%	49,397	49,397	100%
2008	12/31/2007	505,916	659,042	153,126	76.8%	616,387	24.8%	61,864	61,864	100%
2009	12/31/2008	616,951	774,257	157,306	79.7%	677,751	23.2%	46,834	46,834	100%
2010	12/31/2009	692,369	896,729	204,360	77.2%	752,616	27.2%	58,173	58,173	100%
2011	12/31/2010	877,000	1,134,505	257,505	77.3%	858,091	30.0%	79,175	79,175	100%
2012	12/31/2011	1,032,483	1,209,130	176,647	85.4%	889,536	19.9%	64,240	64,240	100%
2013	12/31/2012	1,218,941	1,421,599	202,658	85.7%	993,136	20.4%	69,425	69,425	100%



SUPPLEMENTARY INFORMATION

CITY OF LUCAS, TEXAS
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 (MODIFIED ACCRUAL BASIS)
 SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property Taxes	\$ 610,772	\$ 669,358	\$ 677,419	\$ 8,061
Interest Income	500	575	501	(74)
Total Revenues	<u>611,272</u>	<u>669,933</u>	<u>677,920</u>	<u>7,987</u>
EXPENDITURES				
Current:				
Debt Service				
Installment Payments	360,000	360,000	360,000	-
Interest and Fiscal Agent Fees	246,273	246,273	246,242	31
Total Expenditures	<u>606,273</u>	<u>606,273</u>	<u>606,242</u>	<u>31</u>
Excess (deficiency) of revenues (under) expenditures	4,999	63,660	71,678	8,018
Other Revenues and Financing Sources (uses)				
Transfers	-	-	(51,674)	(51,674)
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>(51,674)</u>	<u>(51,674)</u>
Net Change in Fund Balances	4,999	63,660	20,004	(43,656)
Fund Balances/Equity, October 1	<u>359,901</u>	<u>359,901</u>	<u>359,901</u>	
Fund Balances/Equity, September 30	<u>\$ 364,900</u>	<u>\$ 423,561</u>	<u>\$ 379,905</u>	

CITY OF LUCAS, TEXAS
 BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENTS FUND
 (MODIFIED ACCRUAL BASIS)
 SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Intergovernmental Revenue	\$ -	\$ 280,000	\$ 640,000	\$ 360,000
Interest Income	6,000	-	5,726	5,726
Total Revenues	<u>6,000</u>	<u>280,000</u>	<u>645,726</u>	<u>365,726</u>
EXPENDITURES				
Public Works	-	-	329,038	(329,038)
Total Expenditures	<u>-</u>	<u>-</u>	<u>329,038</u>	<u>(329,038)</u>
Excess (deficiency) of revenues (under) expenditures	6,000	280,000	316,688	36,688
Other Revenues and Financing Sources (uses)				
Transfers	-	-	(612,899)	(612,899)
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>(612,899)</u>	<u>(612,899)</u>
Net Change in Fund Balances	6,000	280,000	(296,211)	(576,211)
Fund Balances/Equity, October 1	3,279,282	3,279,282	3,279,282	
Fund Balances/Equity, September 30	<u>\$ 3,285,282</u>	<u>\$ 3,559,282</u>	<u>\$ 2,983,071</u>	



STATISTICAL SECTION
(UNAUDITED)



STATISTICAL SECTION (Unaudited)

This part of the City of Lucas' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Table #s</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1,2,3,4,5
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, the property, and sales taxes.	6,7,8,9
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	10,11,12,13,14
Economic and Demographic Information This table offers economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	15
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	16,17,18

Source: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2004. Information prior to 2006 was not available in the current desired format.

CITY OF LUCAS, TEXAS
NET POSITION BY COMPONENT
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)
(unaudited)

	FISCAL YEAR				
	2006	2007	2008	2009	2010
Governmental activities					
Net investment in capital assets	\$ 1,121,565	\$ 1,481,729	\$ 2,611,818	\$ 4,308,459	\$ 5,429,217
Restricted	132,088	177,421	3,204,311	495,249	500,694
Unrestricted	1,227,597	4,337,470	2,711,342	4,276,542	3,097,616
Total governmental activities net position	<u>2,481,250</u>	<u>5,996,620</u>	<u>8,527,471</u>	<u>9,080,250</u>	<u>9,027,527</u>
Business-type activities					
Net investment in capital assets	1,708,194	1,994,986	4,895,746	5,327,139	6,871,815
Restricted	-	-	-	526,921	370,000
Unrestricted	5,535,349	3,141,792	4,428,199	4,518,161	4,447,405
Total business-type activities net position	<u>7,243,543</u>	<u>5,136,778</u>	<u>9,323,945</u>	<u>10,372,221</u>	<u>11,689,220</u>
Primary government					
Net investment in capital assets	2,829,759	3,476,715	7,507,564	9,635,598	12,301,032
Restricted	132,088	177,421	3,204,311	1,022,170	870,694
Unrestricted	6,762,946	7,479,262	7,139,541	8,794,703	7,545,021
Total primary government net position	<u>\$ 9,724,793</u>	<u>\$ 11,133,398</u>	<u>\$ 17,851,416</u>	<u>\$ 19,452,471</u>	<u>\$ 20,716,747</u>

Note: Accrual-basis financial information for the City as a whole is only available back to 2004, the year GASB Statement 34 was implemented. However, information prior to 2006 was not available in the current desired format.

Years will continue to be added until 10 years of comparison is listed

Table 1

FISCAL YEAR		
2011	2012	2013
\$ 6,946,186	\$ 7,912,596	\$ 9,735,155
427,803	1,034,404	1,441,795
<u>2,819,545</u>	<u>3,785,982</u>	<u>5,097,482</u>
<u>10,193,534</u>	<u>12,732,982</u>	<u>16,274,432</u>
7,954,921	9,724,745	11,450,187
300,000	320,000	350,000
<u>4,259,481</u>	<u>4,263,267</u>	<u>4,265,404</u>
<u>12,514,402</u>	<u>14,308,012</u>	<u>16,065,591</u>
14,901,107	17,637,341	21,185,342
727,803	1,354,404	1,791,795
<u>7,079,026</u>	<u>8,049,249</u>	<u>9,362,886</u>
<u>\$ 22,707,936</u>	<u>\$ 27,040,994</u>	<u>\$ 32,340,023</u>

**CITY OF LUCAS, TEXAS
CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)
(unaudited)**

	FISCAL YEAR			
	2006	2007	2008	2009
EXPENSES				
Governmental activities:				
General government	\$ 657,256	\$ 527,758	\$ 539,061	\$ 503,433
Public Safety	379,159	565,227	448,930	518,869
Public Works	599,392	365,295	474,705	587,841
Development Services	-	-	308,474	144,485
Parks and Recreation	79,525	70,927	64,339	67,630
Trash Service	244,403	240,312	259,180	290,328
Interest and Agent Fees	148,669	145,751	216,839	217,022
Total governmental activities expenses	<u>2,108,404</u>	<u>1,915,270</u>	<u>2,311,528</u>	<u>2,329,608</u>
Business-type activities:				
Water and Sewer	1,297,183	1,483,115	1,633,259	1,704,106
Total business-type activities expenses	<u>1,297,183</u>	<u>1,483,115</u>	<u>1,633,259</u>	<u>1,704,106</u>
Total primary government expenses	<u>3,405,587</u>	<u>3,398,385</u>	<u>3,944,787</u>	<u>4,033,714</u>
PROGRAM REVENUES				
Governmental activities:				
Charge for services:				
General government	338,797	335,760	-	-
Public Safety	63,140	81,023	53,003	27,762
Public Works	-	88,450	74,700	262,503
Development Services	-	-	354,009	-
Parks and Recreation	-	-	-	-
Trash Service	256,989	283,755	298,515	336,374
Capital grants and contributions	-	-	-	-
Operating grants and contributions	36,932	104,794	88,260	-
Total governmental activities program revenues	<u>695,858</u>	<u>893,782</u>	<u>868,487</u>	<u>626,639</u>
Business-type activities:				
Charge for services:				
Water and Sewer	2,305,232	1,464,900	2,229,136	2,205,460
Capital grants and contributions	-	-	-	-
Total business-type activities program services	<u>2,305,232</u>	<u>1,464,900</u>	<u>2,229,136</u>	<u>2,205,460</u>
Total primary government program revenues	<u>3,001,090</u>	<u>2,358,682</u>	<u>3,097,623</u>	<u>2,832,099</u>
NET (EXPENSE)/REVENUE				
Governmental activities	(1,412,546)	(1,021,488)	(1,443,041)	(1,702,969)
Business-type activities	1,008,049	(18,215)	595,877	501,354
Total primary government program net expenses	<u>\$ (404,497)</u>	<u>\$ (1,039,703)</u>	<u>\$ (847,164)</u>	<u>\$ (1,201,615)</u>

Table 2

FISCAL YEAR			
2010	2011	2012	2013
\$ 583,494	\$ 684,352	\$ 626,484	\$ 715,216
615,541	653,625	775,050	889,680
581,006	605,274	609,532	1,029,582
225,401	289,492	293,418	273,707
79,758	87,811	111,766	137,616
302,779	-	-	-
175,627	184,707	256,685	244,060
<u>2,563,606</u>	<u>2,505,261</u>	<u>2,672,935</u>	<u>3,289,861</u>
1,734,592	2,352,455	2,530,479	2,969,977
<u>1,734,592</u>	<u>2,352,455</u>	<u>2,530,479</u>	<u>2,969,977</u>
4,298,198	4,857,716	5,203,414	6,259,838
-	1,804	9,015	10,351
72,689	137,312	176,777	184,020
333,596	103,551	652,830	319,402
-	377,558	539,593	545,526
-	9,000	10,000	67,000
335,846	-	-	-
19,860	218,510	946,567	2,297,740
-	-	-	-
<u>761,991</u>	<u>847,735</u>	<u>2,334,782</u>	<u>3,424,039</u>
2,085,458	3,427,231	3,025,171	3,608,367
-	-	1,350,014	1,300,659
<u>2,085,458</u>	<u>3,427,231</u>	<u>4,375,185</u>	<u>4,909,026</u>
2,847,449	4,274,966	6,709,967	8,333,065
(1,801,615)	(1,657,526)	(338,153)	134,178
350,866	1,074,776	1,844,706	1,939,049
<u>\$ (1,450,749)</u>	<u>\$ (582,750)</u>	<u>\$ 1,506,553</u>	<u>\$ 2,073,227</u>

(continued)

**CITY OF LUCAS, TEXAS
 CHANGES IN NET POSITION
 LAST EIGHT FISCAL YEARS
 (accrual basis of accounting)**

	FISCAL YEAR			
	2006	2007	2008	2009
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property tax	\$ 1,398,075	\$ 1,572,181	\$ 1,736,812	\$ 1,939,859
Sales tax	138,116	162,591	158,380	160,314
Franchise tax	169,711	182,080	204,310	220,729
Investment Income	115,403	306,599	258,007	100,960
Miscellaneous	75,993	64,764	58,370	53,842
Intergovernmental	-	-	-	203,682
Transfers	-	2,248,643	(1,056,888)	(424,647)
Total governmental activities	<u>1,897,298</u>	<u>4,536,858</u>	<u>1,358,991</u>	<u>2,254,739</u>
Business-type activities:				
Investment Income	128,284	160,093	119,102	29,359
Miscellaneous	-	-	-	150
Transfers	-	(2,248,643)	1,056,888	424,647
Total business-type activities	<u>128,284</u>	<u>(2,088,550)</u>	<u>1,175,990</u>	<u>454,156</u>
Total primary government	<u>2,025,582</u>	<u>2,448,308</u>	<u>2,534,981</u>	<u>2,708,895</u>
CHANGE IN NET POSITION				
Governmental activities	484,752	3,515,370	(84,050)	551,770
Business-type activities	1,136,333	(2,106,765)	1,771,867	955,510
Total primary government	<u>\$ 1,621,085</u>	<u>\$ 1,408,605</u>	<u>\$ 1,687,817</u>	<u>\$ 1,507,280</u>

Note: Accrual-basis financial information for the City as a whole is only available back to 2004, the year GASB Statement 34 was implemented. However, information prior to 2006 was not available in the current desired format.

Years will continue to be added until 10 years of comparison is listed

NOTE: During FY 2011, trash service revenue and expense were transferred to the Proprietary Fund.

Table 2
continued

FISCAL YEAR			
2010	2011	2012	2013
\$ 2,004,665	\$ 2,053,573	\$ 2,095,821	\$ 2,292,931
157,918	186,642	178,331	587,259
258,522	244,161	258,112	258,356
50,305	30,079	19,009	15,682
57,418	53,362	44,897	64,773
164,739	-	-	-
(970,175)	255,716	166,229	188,271
<u>1,723,392</u>	<u>2,823,533</u>	<u>2,762,399</u>	<u>3,407,272</u>
4,555	6,122	9,175	6,300
-	-	565	500
970,175	(255,716)	(166,229)	(188,271)
<u>974,730</u>	<u>(249,594)</u>	<u>(156,489)</u>	<u>(181,471)</u>
<u>2,698,122</u>	<u>2,573,939</u>	<u>2,605,910</u>	<u>3,225,801</u>
(78,223)	1,166,007	2,424,246	3,541,450
1,325,596	825,182	1,688,217	1,757,578
<u>\$ 1,247,373</u>	<u>\$ 1,991,189</u>	<u>\$ 4,112,463</u>	<u>\$ 5,299,028</u>



CITY OF LUCAS, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST EIGHT FISCAL YEARS
 (accrual basis of accounting)
 (unaudited)

Table 3

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Total
2006	\$ 1,398,075	\$ 138,116	\$ 169,711	\$ 1,705,902
2007	1,572,181	162,591	182,080	1,916,852
2008	1,736,812	158,380	204,310	2,099,502
2009	1,939,859	160,314	220,729	2,320,902
2010	2,004,665	157,918	258,522	2,421,105
2011	2,053,573	186,642	244,161	2,484,376
2012	2,095,821	178,331	258,112	2,532,264
2013	2,292,931	587,259	258,356	3,138,546

Note: Accrual-basis financial information for the City as a whole is only available back to 2004, the year GASB Statement 34 was implemented. However, information prior to 2006 was not available in the current desired format.

Years will continue to be added until 10 years of comparison is listed

CITY OF LUCAS, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

	FISCAL YEAR				
	2006	2007	2008	2009	2010
General Fund					
Restricted					
Use of Impact Fees	\$ -	\$ -	\$ -	\$ 75,309	\$ 1,500
Court Use	-	-	-	5,010	10,287
Cable Fees	-	-	-	-	-
Unassigned	815,093	2,030,773	2,694,193	2,199,402	2,429,724
Total General Fund	<u>\$ 815,093</u>	<u>\$ 2,030,773</u>	<u>\$ 2,694,193</u>	<u>\$ 2,279,721</u>	<u>\$ 2,441,511</u>
All other governmental funds					
Restricted:					
Debt Service	\$ 132,088	\$ 177,421	\$ 232,477	\$ 412,749	\$ 488,907
Capital Improvements	-	4,505,477	2,971,834	2,206,278	832,435
Total all other governmental funds	<u>\$ 132,088</u>	<u>\$ 4,682,898</u>	<u>\$ 3,204,311</u>	<u>\$ 2,619,027</u>	<u>\$ 1,321,342</u>

Note: Accrual-basis financial information for the City as a whole is only available back to 2004, the year GASB Statement 34 was implemented. However, information prior to 2006 was not available in the current desired format.

Years will continue to be added until 10 years of comparison is listed

Table 4

FISCAL YEAR		
2011	2012	2013
\$ 99,050	\$ 649,220	\$ 828,316
3,753	23,291	28,624
-	1,893	4,608
<u>3,179,629</u>	<u>3,822,755</u>	<u>5,140,955</u>
<u>\$ 3,282,432</u>	<u>\$ 4,497,159</u>	<u>\$ 6,002,503</u>
\$ 326,368	\$ 359,900	\$ 379,905
4,048,401	3,279,282	2,983,071
<u>\$ 4,374,769</u>	<u>\$ 3,639,182</u>	<u>\$ 3,362,976</u>

CITY OF LUCAS, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

	FISCAL YEAR				
	2006	2007	2008	2009	2010
REVENUES					
Property taxes	\$ 1,361,727	\$ 1,599,525	\$ 1,731,793	\$ 1,933,243	\$ 2,004,665
Sales tax	138,116	162,591	158,380	160,314	157,918
Franchise taxes	169,711	182,080	204,310	220,729	258,522
Fines and Forfeitures	18,398	24,008	16,126	10,026	18,608
Licenses and Permits	299,685	318,842	272,607	181,306	262,463
Fire Department	44,742	57,015	36,877	23,624	68,143
Charge for Services	39,112	16,918	81,402	-	-
Trash Service	256,989	283,755	298,515	336,374	335,846
Grants	-	97,985	8,260	-	19,860
Donations	36,932	6,809	80,000	3,250	-
Impact Fees	-	88,450	74,700	75,309	57,070
Intergovernmental	-	-	-	203,682	164,739
Investment Income	115,403	306,599	258,007	100,960	50,305
Miscellaneous	75,993	64,764	58,370	50,592	57,418
Total Revenues	2,556,808	3,209,341	3,279,347	3,299,409	3,455,557
EXPENDITURES					
City Council	25,117	46,370	73,020	33,683	39,213
City Secretary	-	-	98,228	87,036	102,203
Administrative	435,279	477,770	361,230	335,470	366,150
Public Works	599,392	420,241	268,793	362,622	339,221
Parks and Recreation	71,140	60,295	56,218	62,083	71,479
Police	68,617	75,000	75,000	75,267	83,010
Fire Department	310,542	420,246	402,471	357,680	444,785
Development Services	-	-	308,474	144,485	221,931
Trash Service	244,403	240,312	259,180	290,327	302,779
Capital Outlay	1,098,825	315,816	631,116	1,540,886	1,046,718
Debt Service					
Principal Retirement	333,671	394,983	277,500	475,240	425,000
Interest and other charges	163,342	144,638	226,396	198,384	178,791
Bond Issuance costs	-	-	-	-	-
Total Expenditures	3,350,328	2,595,671	3,037,626	3,963,163	3,621,280
OTHER FINANCING SOURCES (USES):					
Bond Proceeds	-	-	-	-	-
Premium on sale of bonds	-	-	-	-	-
Discount on sale of bonds	-	-	-	-	-
Note Proceeds	-	2,500,000	-	-	-
Transfers In(Out)	-	2,248,643	(1,056,888)	(424,647)	(970,174)
Sale of Assets	-	-	-	-	-
Total other financing sources (uses)	-	4,748,643	(1,056,888)	(424,647)	(970,174)
NET CHANGE IN FUND BALANCES	\$ (793,520)	\$ 5,362,313	\$ (815,167)	\$ (1,088,401)	\$ (1,135,897)
Debt service as a percentage of noncapital expenditures	22.07%	23.67%	20.94%	27.81%	23.45%

Note: Accrual-basis financial information for the City as a whole is only available back to 2004, the year GASB Statement 34 was implemented. However, information prior to 2006 was not available in the current desired format.

Years will continue to be added until 10 years of comparison is listed

NOTE: During FY 2011, trash service revenue and expense were transferred to the Proprietary Fund.

Table 5

FISCAL YEAR		
2011	2012	2013
\$ 2,020,469	\$ 2,096,519	\$ 2,303,432
186,642	178,331	587,259
244,161	258,112	258,356
53,010	108,610	104,539
369,573	482,755	467,719
101,493	135,021	157,389
-	-	-
-	-	-
218,510	9,667	1,000
-	-	-
103,550	652,830	386,402
1,599	135,000	640,000
39,497	19,009	15,682
53,362	44,897	64,773
<u>3,391,866</u>	<u>4,120,751</u>	<u>4,986,551</u>
29,680	29,795	33,494
100,105	115,807	111,593
465,921	440,755	526,161
311,002	270,836	614,999
110,394	123,301	134,866
83,591	84,788	83,807
456,945	570,860	665,129
285,706	279,787	264,989
-	-	-
754,566	1,297,754	914,655
485,000	325,000	360,000
158,778	278,158	246,242
46,546	-	-
<u>3,288,234</u>	<u>3,816,841</u>	<u>3,955,935</u>
3,500,000	-	-
70,200	-	-
(35,200)	-	-
-	-	-
255,716	166,229	188,271
-	9,000	10,250
<u>3,790,716</u>	<u>175,229</u>	<u>198,521</u>
<u>\$ 3,894,348</u>	<u>\$ 479,139</u>	<u>\$ 1,229,137</u>
<u>25.41%</u>	<u>23.94%</u>	<u>19.93%</u>

**CITY OF LUCAS, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST EIGHT FISCAL YEARS
 (unaudited)**

Table 6

Fiscal Year Ended Sept. 30	Real 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					
2006	\$ 435,231,282	\$ 4,246,538	\$ 19,809,770	\$ (99,192,210)	\$ 360,095,380	\$ 0.377	\$ 459,287,590	0.7840
2007	496,997,302	6,795,627	23,554,190	(114,558,686)	412,788,433	0.375	527,347,119	0.7828
2008	544,582,431	7,021,562	24,356,690	(122,054,413)	453,906,270	0.375	575,960,683	0.7881
2009	613,414,766	7,052,481	29,502,376	(141,084,260)	508,885,363	0.374177	649,969,623	0.7829
2010	639,489,715	7,131,627	33,135,759	(141,718,774)	538,038,327	0.374177	679,757,101	0.7915
2011	666,593,794	5,988,219	31,426,610	(151,689,649)	552,318,974	0.374177	704,008,623	0.7845
2012	671,910,730	5,215,379	26,934,184	(151,303,804)	552,756,489	0.374177	704,060,293	0.7851
2013	696,046,990	5,666,154	37,023,201	(162,094,594)	576,641,751	0.374177	738,736,345	0.7806

Source: Collin County Appraisal District

Note: Property is reassessed annually. Property is assessed actual value; therefore, the assessed values are equal to actual value.
 Tax rates are per \$100 of assessed value.

Residential: includes single family, vacant lots, acreage, farm and ranch

Commercial: includes real property, industrial and utilities

Note2: Years will continue to be added until 10 years of comparison is listed

CITY OF LUCAS, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST EIGHT FISCAL YEARS
(PER \$100 OF ASSESSED VALUE)
(unaudited)

Table 7

Fiscal Year Ended Sept. 30	City Direct Rates			Overlapping Rates							
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Lovejoy Independent School District	Allen Independent School District	McKinney Independent School District	Plano Independent School District	Princeton Independent School District	Wylie Independent School District	Collin County	Collin County Community College
2006	0.243510	0.133090	0.3766	1.82340	1.912459	2.00	1.7334	1.747759	1.817	0.25	0.089422
2007	0.248146	0.126854	0.375	1.69340	1.7751	1.841	1.5784	1.5914	1.7025	0.245	0.087683
2008	0.244260	0.130740	0.375	1.47630	1.4703	1.517	1.2684	1.3687	1.39	0.245	0.086984
2009	0.250509	0.123668	0.374177	1.515	1.4703	1.517	1.3034	1.49	1.51	0.2425	0.086493
2010	0.252040	0.122137	0.374177	1.53500	1.54	1.54	1.3284	1.49	1.59	0.2425	0.0863
2011	0.247231	0.126946	0.374177	1.53500	1.54	1.528	1.3534	1.49	1.64	0.24	0.0863
2012	0.257723	0.116454	0.374177	1.53500	1.67	1.54	1.3734	1.4736	1.64	0.24	0.0863
2013	0.261218	0.112959	0.374177	1.53500	1.67	1.54	1.3734	1.48	1.64	0.24	0.0863

Source: Collin County Appraisal District

Note: The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

Note2: Years will continue to be added until 10 years of comparison is listed

**CITY OF LUCAS, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
SEPTEMBER 30, 2013
(unaudited)**

Table 8

Taxpayer	Type of Business	Assessed Taxable Value 2013 Fiscal Year	Rank	Percentage of Assessed Taxable Value
Lucas Real Estate LLC	Investor	\$ 3,311,459	1	0.006155
DR Horton, Texas LTD	Home Builder	3,022,521	2	0.005618
M Christopher Custom Homes LLC	Home Builder	2,137,306	3	0.003972
Windsor Homes Cumberland LLC	Home Builder	1,273,136	4	0.002366
Zadorozny Daniel Etux Diane	Home Owner	1,060,101	5	0.001970
Wal-Mart Real Estate Business	Commercial	1,011,061	6	0.001879
Brown Billy L & Kristi L	Home Owner	909,972	7	0.001691
Tanella Robert T Etux	Home Owner	857,313	8	0.001593
Keelen Gregory M & Stephanie L	Home Owner	845,060	9	0.001571
Foster Ralph M & Amy L	Home Owner	843,361	10	0.001567
		<u>\$ 15,271,290</u>		<u>0.028383</u>

Source: Collin County Appraisal District

**CITY OF LUCAS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST EIGHT FISCAL YEARS
(unaudited)**

Table 9

Fiscal Year Ended Sept. 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2006	\$ 1,352,551	\$ 1,337,594	98.89%	\$ 11,335	\$ 1,348,929	99.73%
2007	1,592,519	1,543,070	96.89%	43,704	1,586,774	99.64%
2008	1,721,972	1,700,854	98.77%	15,435	1,716,289	99.67%
2009	1,903,518	1,880,257	98.78%	20,808	1,901,065	99.87%
2010	1,985,447	1,968,139	99.13%	17,056	1,985,195	99.99%
2011	2,027,004	2,011,207	99.22%	5,451	2,016,658	99.49%
2012	2,096,021	2,076,932	99.09%	10,194	2,087,125	99.58%
2013	2,217,506	2,167,874	97.76%	48,544	2,216,417	99.95%

Source: Collin County Appraisal District

Note: Years will continue to be added until 10 years of comparison is listed.

**CITY OF LUCAS, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST EIGHT FISCAL YEARS
(unaudited)**

Table 10

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Certificates of Obligation	Other Obligations	General Obligation Bonds	Certificates of Obligation	Other Obligations	Revenue Bonds			
2006	\$ -	\$ 3,005,000	\$ -	\$ -	\$ 2,345,000	\$ -	\$ 402,000	\$ 5,752,000	5279.39%	172
2007	-	5,150,000	-	-	4,575,000	-	365,000	10,090,000	8893.79%	297
2008	-	4,872,500	-	-	4,297,500	-	327,000	9,497,000	8246.72%	253
2009	1,745,000	2,790,000	-	1,360,000	2,735,000	-	-	8,630,000	6333.99%	186
2010	1,735,000	2,375,000	-	1,300,000	2,430,000	-	-	7,840,000	5749.91%	169
2011	1,725,000	5,400,000	-	1,240,000	4,370,000	-	-	12,735,000	9674.77%	292
2012	1,715,000	5,085,000	-	1,175,000	4,135,000	-	-	12,110,000	9199.96%	278
2013	1,705,000	4,735,000	-	1,110,000	3,880,000	-	-	11,430,000	8683.36%	262

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 15 for personal income and population data.

Accrual-basis financial information for the City as a whole is only available back to 2004, the year GASB Statement 34 was implemented. However, information prior to 2006 was not available in the current desired format.

Years will continue to be added until 10 years of comparison is listed

**CITY OF LUCAS, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST EIGHT FISCAL YEARS
(unaudited)**

Table 11

Fiscal Year	Estimated Population ¹	Assessed Value ²	Gross Bonded Debt ³	Less Debt Service Fund ⁴	Net Bonded Debt	% of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2006	4,491	\$ 360,095,380	\$ 3,005,000	\$ 132,088	\$ 2,872,912	0.80%	640
2007	4,710	412,788,433	5,150,000	177,421	4,972,579	1.20%	1,056
2008	4,914	453,906,270	4,872,500	232,477	4,640,023	1.02%	944
2009	5,397	508,885,363	4,535,000	412,748	4,122,252	0.81%	764
2010	5,400	538,038,327	4,120,000	488,907	3,631,093	0.67%	672
2011	5,320	552,318,974	7,125,000	326,369	6,798,631	1.23%	1,278
2012	5,635	567,043,409	6,800,000	359,900	6,440,100	1.14%	1,143
2013	5,949	663,672,428	6,440,000	380,000	6,060,000	0.91%	1,019

Source:

- ¹ City Staff
- ² Collin County Appraisal District
- ³ Schedule of Bonds Payable and Total Bonds for Fiscal Year
- ⁴ Budgetary Comparison Statement for Debt Service

Note: Years will continue to be added until 10 years of comparison is listed.

**CITY OF LUCAS, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2013
(unaudited)**

Table 12

Governmental Subdivision	Gross Bonded Debt	As of	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Allen ISD	\$ 484,983,037 *	9/30/13	0.47%	\$ 2,279,420
Collin County	393,350,000 *	9/30/13	0.72%	2,832,120
Collin County CCD	37,460,000 *	9/30/13	0.72%	269,712
Lovejoy ISD	135,435,471 *	9/30/13	31.80%	43,068,480
McKinney ISD	491,235,000 *	9/30/13	0.54%	2,652,669
Plano ISD	981,345,871 *	9/30/13	0.10%	981,346
Princeton ISD	79,455,420 *	9/30/13	0.06%	47,673
Wylie ISD	231,081,055 *	9/30/13	0.26%	600,811
	<u>\$ 2,834,345,854</u>			52,732,231
City of Lucas		09/30/13		<u>6,440,000</u>
				<u>\$ 59,172,231</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)				10.26%
Per capita overlapping bonded debt				<u>\$ 9,947</u>

*Gross Debt

Source: "Texas Municipal Report" as of September 30, 2013, prepared by the Municipal Advisory Council.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Lucas. This process recognizes that, when considering the City of Lucas' ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Lucas' boundaries and dividing it by the overlapping government's total taxable assessed value.

**CITY OF LUCAS, TEXAS
 LEGAL DEBT MARGIN INFORMATION
 LAST EIGHT FISCAL YEARS
 (unaudited)**

Table 13

	Fiscal Year							
	2006	2007	2008	2009	2010	2011	2012	2013
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.3766	0.375	0.375	0.374177	0.374177	0.374177	0.374177	0.374177
Available Tax Rate	\$ 2.12340	\$ 2.12500	\$ 2.12500	\$ 2.12582	\$ 2.12582	\$ 2.12582	\$ 2.12582	\$ 2.12582

NOTE: Years will continue to be added until 10 years of comparison is listed.

**CITY OF LUCAS, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST EIGHT FISCAL YEARS
 (unaudited)**

Table 14

Water and Sewer Revenue Bonds						
Fiscal Year	Total Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Times Coverage
2006	\$ 2,305,232	\$ 1,153,625	\$ 1,151,607	\$ 290,000	\$ 153,775	3.97
2007	1,464,900	1,331,882	133,018	125,000	57,133	1.06
2008	2,229,136	1,411,365	817,771	277,500	201,579	2.95
2009	2,205,610	1,438,308	767,302	345,000	191,280	2.22
2010	2,085,458	1,586,816	498,642	365,000	139,217	1.37
2011	3,427,231	1,800,605	1,626,626	300,000	219,815	5.42
2012	3,024,736	1,893,302	1,131,434	320,000	195,583	3.54
2013	3,607,299	2,110,397	1,496,902	350,000	183,020	4.28

Note:

Total Revenues does not include non-operating revenues
 Operating Expenses only-no transfer or depreciation
 Includes Principal and Interest

Accrual-basis financial information for the City as a whole is only available back to 2004,
 the year GASB Statement 34 was implemented
 Years will continue to be added until 10 years of comparison is listed

**CITY OF LUCAS, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST EIGHT FISCAL YEARS
 (unaudited)**

Table 15

Fiscal Year	Estimated Population ¹	Personal Income	Per Capita Income	Average Age	Grade School Enrollment ²	Unemployment Rate ³
2006	4,491	\$ 149,855,688	\$ 33,368	39	1122	4.00%
2007	4,710	160,234,200	34,020	41	1316	3.50%
2008	4,914	184,466,646	37,539	39	1254	2.30%
2009	5,397	250,377,624	46,392	41.1	1356	3.90%
2010	5,400	250,776,000	46,440	40	1434	7.20%
2011	5,320	232,026,480	43,614	39	1499	7.00%
2012	5,635	277,208,190	49,194	40.8	1485	6.02%
2013	6,135	315,081,330	51,358	41	1506	5.74%

**CITY OF LUCAS, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT
 EMPLOYEES BY FUNTION/PROGRAM
 LAST EIGHT FISCAL YEARS
 (unaudited)**

Table 16

Function / Program	Full-time Equivalent Employees for Fiscal Year							
	2006	2007	2008	2009	2010	2011	2012	2013
General government	7	8	8	8	10	10	10	10
Municipal Court	1	1	1	1	1	1	1	1.5
Police	0	0	0	0	0	0	0	0
Fire	1	1	1	2	1	1	1	2
Public Works	6	7	8	8	6	6	6	6
Water and Sewer Systems	3	3	4	4	4	4	4	4
	<u>18</u>	<u>20</u>	<u>22</u>	<u>23</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>23.5</u>

Note: Years will continue to be added until 10 years of comparison is listed

**CITY OF LUCAS
OPERATING INDICATORS BY FUNCTION
LAST EIGHT FISCAL YEARS
(unaudited)**

Table 17

Function/Program	Fiscal Year							
	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety								
Municipal Court								
Number of cases filed	109	123	133	2	72	400	333	260
Fire								
Number of calls answered	348	310	357	402	311	352	388	403
Public Works								
Streets maintained	140	155	170	190	210	230	245	263
Water and Wastewater								
New connections	298	298	277	215	298	306	300	323
Annual gallons of water pumped (thousands)	400,000	294,000	428,000	420,080	420,805	587,816	517,953	567,325
Miles of water mains maintained	40	41	41.5	42	42	42	42	45

Note: Indicators are not available for the general government function

Note2: Years will continue to be added until 10 years of comparison is listed

Source: City departments

**CITY OF LUCAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST EIGHT FISCAL YEARS
(unaudited)**

Table 18

Function/Program	Fiscal Year							
	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety								
Fire								
Stations	1	1	1	1	1	1	1	1
Public Works								
Streets (miles)	37	38	38.5	39	39	39	39	45
Parks	2	2	2	2	3	3	3	3
Park Acreage	7	7	7	7	11	11	11	11
Water and Wastewater								
Water main (miles)	40	41	41.5	42	42	42	42	45
Sewer mains (miles)	n/a	n/a	n/a	n/a	n/a	n/a	2	3
Storm drainage (miles)	2.3	2.3	2.4	2.5	2.5	2.5	2.5	2.5

Source: City departments

Note: Years will continue to be added until 10 years of comparison is listed