



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**City of  
LUCAS, TEXAS**

**Fiscal Year Ended September 30, 2009**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2009

City of Lucas, Texas

Home-Rule, Council-Manager Form of Government

*City Manager*  
*Robert Patrick*

*Director of Finance*  
*Elizabeth Exum*



CITY OF LUCAS, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

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## INTRODUCTORY SECTION





665 Country Club Rd.  
Lucas, Texas 75002

March 31, 2010

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, 2009, 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's financial statements for the year ended September 30, 2009. The independent auditor's report is located in the beginning of the financial section of the CAFR.

This letter of transmittal is designed to compliment 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 January 2009, the North Central Texas Council of Governments estimated the population of Lucas at 5,350, 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 administrated by a City Manager appointed by the City Council. City Council meetings are held the first 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 2 acre lots. The population of Lucas is expected to slightly 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 NCTOG population estimates, the City's population is 5,350.

The City has weathered the national recession well and residential construction activity has continued through the down economy. The City Council has agreed to provide the Commercial areas on the outskirts of Lucas with wastewater services, which should prompt Commercial Development in those two areas to be served. The creation 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:

- The newly renovated Lucas City Hall building, acquired in 2009, and has served very useful for many local community events.
- Collin County awarded \$250,000 for a pavilion, and playground equipment to be constructed beside the New City Hall complex.
- Construction of a new sewer system for the 2551, and Parker Road commercial areas. \$1,000,000 has been placed in escrow by the developer for the City to utilize for this project.
- Asphalt resurfacing was completed late summer including Blondy Jhune Road, Estates Road, Graham Lane, Holly Lane, Ingram Lane, Lakeview Drive, and Long Road for a total of 19,000 linear feet or 3.6 miles.
- Engineering and design is mostly complete for the water line improvements for the Southeast water project.

### MAJOR INITIATIVES

The City Council has authorized an election for the creation of a 1% sales tax for Economic Development purposes. This tax will consist of ½ a percent for community development projects, commonly known as type "B" project, and ½ of a percent for economic development projects known as type "A" projects. If this tax is approved by the voter's, two separate boards will serve at the will of the City Council and Mayor to oversee the utilization of the funds.

## 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 Director of Finance. 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 is subject to assessment, levy, and collection by the City of 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 as approved by the City Council. The tax rates adopted by the City Council are shown below:

Year	Tax Rate
FY 2005-2006	0.376600
FY 2006-2007	0.375000
FY 2007-2008	0.375000
FY 2008-2009	0.374177
FY 2009-2010	0.374177

## OTHER INFORMATION

Independent Audit The City of Lucas has engaged the firm of Conway Company CPAs, P.C. to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City at September 30, 2009, and the changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Acknowledgements

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 Accounting Department who were instrumental in the successful completion of this report.

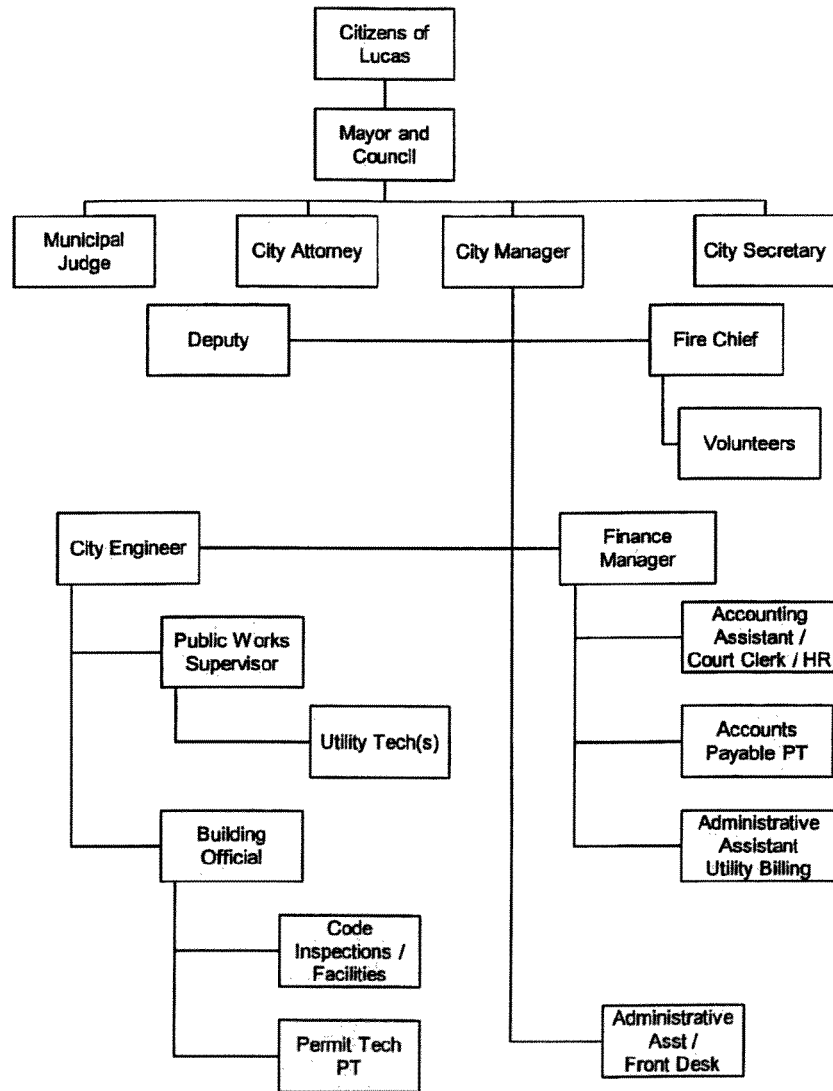
Our appreciation is also extended to the Mayor and members of the City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

Robert Patrick  
CITY MANAGER

Elizabeth Exum  
FINANCE MANAGER

# City of Lucas



***City Council:***

Bill Carmickle	Mayor
Kathleen Peele	Mayor Pro Tem, Seat 6
Mark Barratt	Seat 1
Rebecca Mark	Seat 2
Don Zriny	Seat 3
Wayne Millsap	Seat 4
Debbie Fisher	Seat 5

***Administrative Officers:***

Robert Patrick	City Manager
Elizabeth Exum	Director of Finance
Kathy Wingo	City Secretary

## FINANCIAL SECTION





Michael Conway, CPA  
Neil Conway, CPA

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**CONWAY COMPANY CPAs PC**  
**ACCOUNTANTS & ADVISORS**

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*Member*  
American Institute of CPAs  
Texas Society of CPAs

March 8, 2010

**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, and each major fund of the City of Lucas, Texas (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lucas, Texas' management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and each major fund of the City of Lucas as of September 30, 2009, 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.

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In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated March 8, 2010, on our consideration of the City of Lucas, Texas' 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 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.

The Management's Discussion and Analysis and the Schedule of Pension Trust – TMRS Funding Progress and Contributions on pages 5 to 15 and page 49 identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lucas, Texas' basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully Submitted,

CONWAY COMPANY CPAs, PC

*Conway Company CPAs, P.C.*

**CITY OF LUCAS, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

As management of the City of Lucas, we offer the readers of the City of Lucas' financial statements this narrative overview and analysis of the financial activities of the City of Lucas for the fiscal year ended September 30, 2009. 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 follow this narrative.

**Financial Highlights**

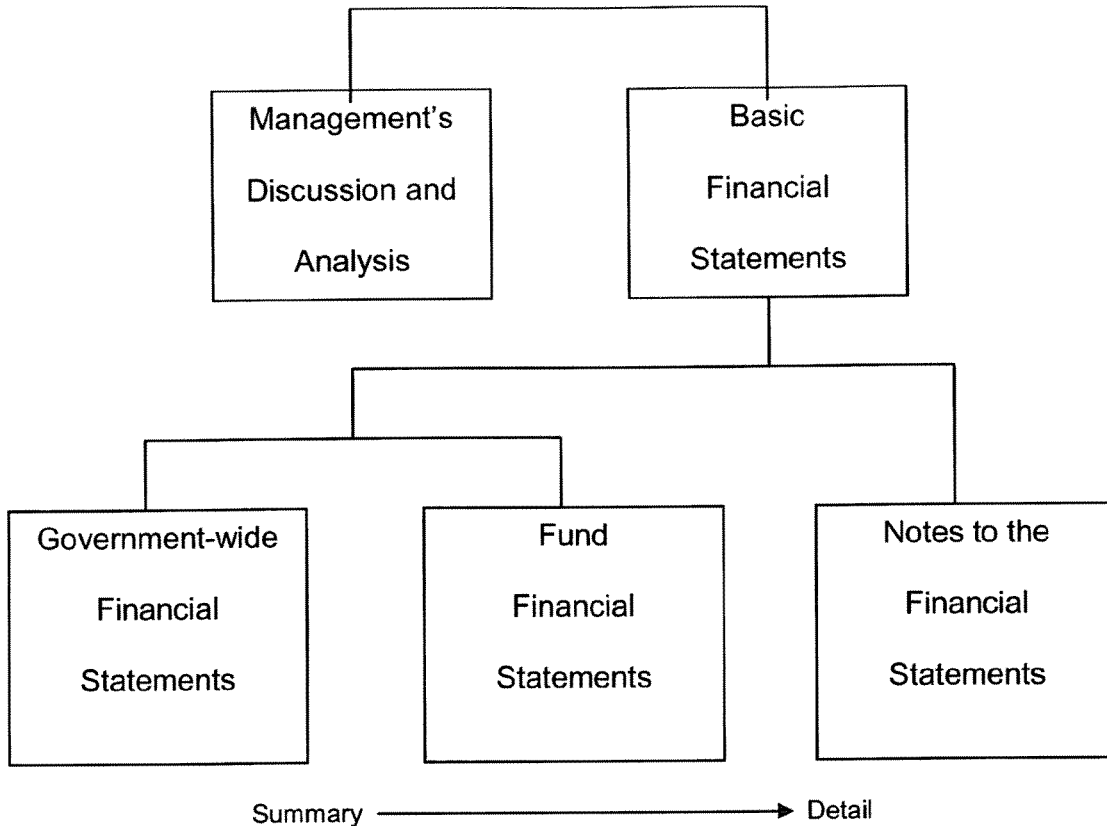
- The assets of the City of Lucas exceeded its liabilities at the close of the fiscal year by \$19,452,471 (net assets). Of this amount, \$1,022,170 is restricted for use of impact fees, municipal court and debt service. The amount of unrestricted net assets is \$8,794,703.
- The government's total net assets increased by \$1,507,280, due to increases in both the Government-type activities net assets and Business-type net assets.
- As of the close of the current fiscal year, the City of Lucas's governmental funds reported combined ending fund balances of \$4,810,104, a decrease of \$1,824,650 or 18% excluding prior period adjustments, in comparison with the prior year. A total of \$4,405,680 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General fund of \$2,199,402 was 66% of total general fund expenditures for the fiscal year.
- The City of Lucas' total bonded debt decreased by (\$867,000) or 9% during the current fiscal year.

**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 (see Figure 1). 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 of Lucas.

Required Components of Annual Financial Report

Figure 1



**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 22-30) 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 funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund 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, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

**CITY OF LUCAS, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2009**

**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 two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) fiduciary funds. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City of Lucas. The final category is the fiduciary funds. The fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the City's own programs.

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

**Fund Financial Statements**

The fund financial statements (pages 22-30) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lucas, 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 funds of the City of Lucas can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Lucas 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) the original budget; 2) the final budget as amended by the council; 3) the

**CITY OF LUCAS, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2009**

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.

**Proprietary Funds** – The City of Lucas has one proprietary fund, the Utility Fund. *Proprietary Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lucas uses proprietary funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. To account for the difference between the accrual basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**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 31 to 46 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lucas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 of this report.

**Government-Wide Financial Analysis**

The government-wide financial statements for the fiscal year ended September 30, 2009 continue the implementation of a new standard of financial reporting for the City of Lucas, and many other units of government across the United States. Prior to fiscal year 2004, the City of Lucas maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City of Lucas. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the City of Lucas' financial reports as well as those of many other units of government. While the City of Lucas was required to implement these changes for the fiscal year ended September 30, 2004, other units were required to implement Statement 34 in 2002, and any remaining governments implemented in 2003 and 2004.

CITY OF LUCAS, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2009

The City of Lucas Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 5,010,980	\$ 6,100,446	\$ 5,494,416	\$ 6,209,399	\$ 10,505,396	\$ 12,309,845
Capital assets	8,754,665	7,545,286	9,358,435	7,986,117	18,113,100	15,531,403
Total assets	13,765,645	13,645,732	14,852,851	14,195,516	28,618,496	27,841,248
Current liabilities	109,920	190,349	390,594	619,585	500,514	809,934
Long-term liabilities	4,575,475	4,927,912	4,090,036	4,251,986	8,665,511	9,179,898
Total liabilities	4,685,395	5,118,261	4,480,630	4,871,571	9,166,025	9,989,832
Net assets:						
Invested in capital assets, net of related debt	4,308,459	2,611,818	5,327,139	4,895,746	9,635,598	7,507,564
Restricted	495,249	3,204,311	526,921	-	1,022,170	3,204,311
Unrestricted	4,276,542	2,711,342	4,518,161	4,428,199	8,794,703	7,139,541
Total net assets	\$ 9,080,250	\$ 8,527,471	\$ 10,372,221	\$ 9,323,945	\$ 19,452,471	\$ 17,851,416

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The net assets of the City of Lucas exceeded liabilities by \$19,452,471 as of September 30, 2009. The City's net assets increased by \$1,507,280, excluding prior period adjustments, for fiscal year ended September 30, 2009. However, the largest portion (49.53%) 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 of Lucas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lucas' 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. An additional portion of the City of Lucas' net assets, 5%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,794,703 is unrestricted.

The City of Lucas Changes in Net Assets

Figure 3

	Governmental Activities		Business Activities		Totals	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 626,639	\$ 780,227	\$ 2,205,460	\$ 2,229,136	\$ 2,832,099	\$ 3,009,363
Operating Grants and Contributions	-	88,260	-	-	-	88,260
<b>General Revenues:</b>						
Property Taxes	1,939,859	1,736,812	-	-	1,939,859	1,736,812
Sales Taxes	160,314	158,380	-	-	160,314	158,380
Franchise Taxes	220,729	204,310	-	-	220,729	204,310
Investment Income	100,960	258,007	29,359	119,102	130,319	377,109
Intergovernmental	203,682	-	-	-	203,682	-
Miscellaneous	53,842	58,370	150	-	53,992	58,370
<b>Total Revenues</b>	<b>3,306,025</b>	<b>3,284,366</b>	<b>2,234,969</b>	<b>2,348,238</b>	<b>5,540,994</b>	<b>5,632,604</b>
<b>Expenses:</b>						
<b>Program Expenses</b>						
General Government	\$ 503,433	\$ 539,061	\$ -	\$ -	\$ 503,433	\$ 539,061
Public Safety	518,869	448,930	-	-	518,869	448,930
Public Works	587,841	474,705	-	-	587,841	474,705
Parks and Recreation	67,630	64,339	-	-	67,630	64,339
Trash Service	290,328	259,180	-	-	290,328	259,180
Building Official	144,485	308,474	-	-	144,485	308,474
Interest on Long-Term Debt	217,022	216,839	-	-	217,022	216,839
Water and Sewer	-	-	1,704,106	1,633,258	1,704,106	1,633,258
<b>Total Expenses</b>	<b>2,329,608</b>	<b>2,311,528</b>	<b>1,704,106</b>	<b>1,633,258</b>	<b>4,033,714</b>	<b>3,944,786</b>
<b>Change in Net Assets before Other</b>						
Revenues and Financing Sources (Uses)	976,417	972,838	530,863	714,980	1,507,280	1,687,818
<b>Other Revenues &amp; Financing Sources (Uses):</b>						
Transfers	(424,647)	(1,056,888)	424,647	1,056,888	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(424,647)</b>	<b>(1,056,888)</b>	<b>424,647</b>	<b>1,056,888</b>	<b>-</b>	<b>-</b>
<b>Total Change in Net Assets</b>	<b>551,770</b>	<b>(84,050)</b>	<b>955,510</b>	<b>1,771,868</b>	<b>1,507,280</b>	<b>1,687,818</b>
Net assets - October 1	8,527,471	8,611,521	9,323,946	7,552,078	17,851,417	16,163,599
Prior Period Adjustments	1,009	-	92,765	-	93,774	-
<b>Net assets - September 30</b>	<b>\$ 9,080,250</b>	<b>\$ 8,527,471</b>	<b>\$ 10,372,221</b>	<b>\$ 9,323,946</b>	<b>\$ 19,452,471</b>	<b>\$ 17,851,417</b>

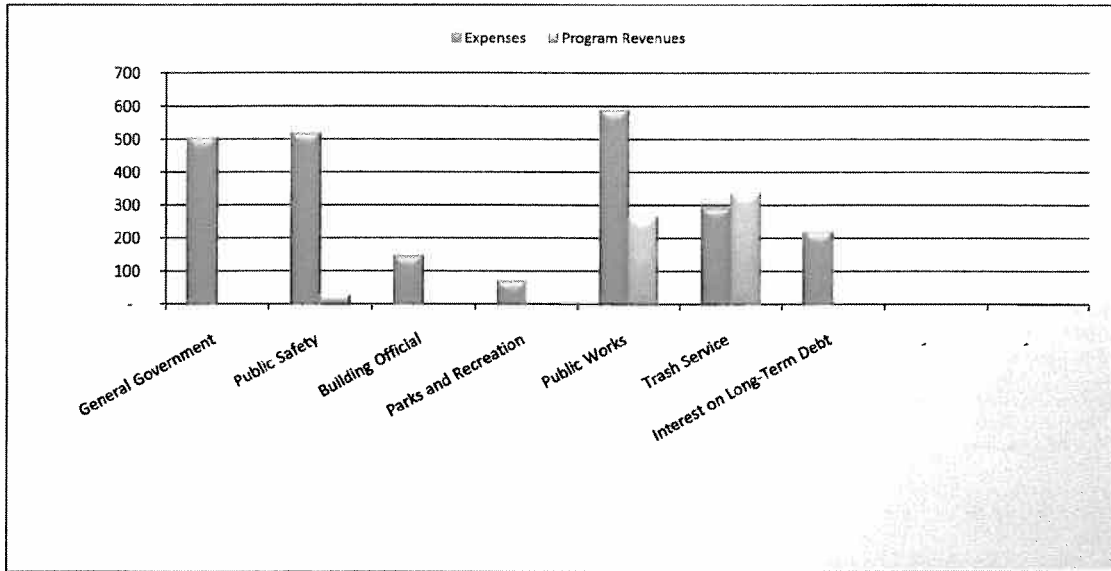
**CITY OF LUCAS, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2009**

**Governmental-type activities** - The Governmental-type activities increased the City's net assets by \$551,770, excluding prior period adjustments. A key element of this increase is as follows:

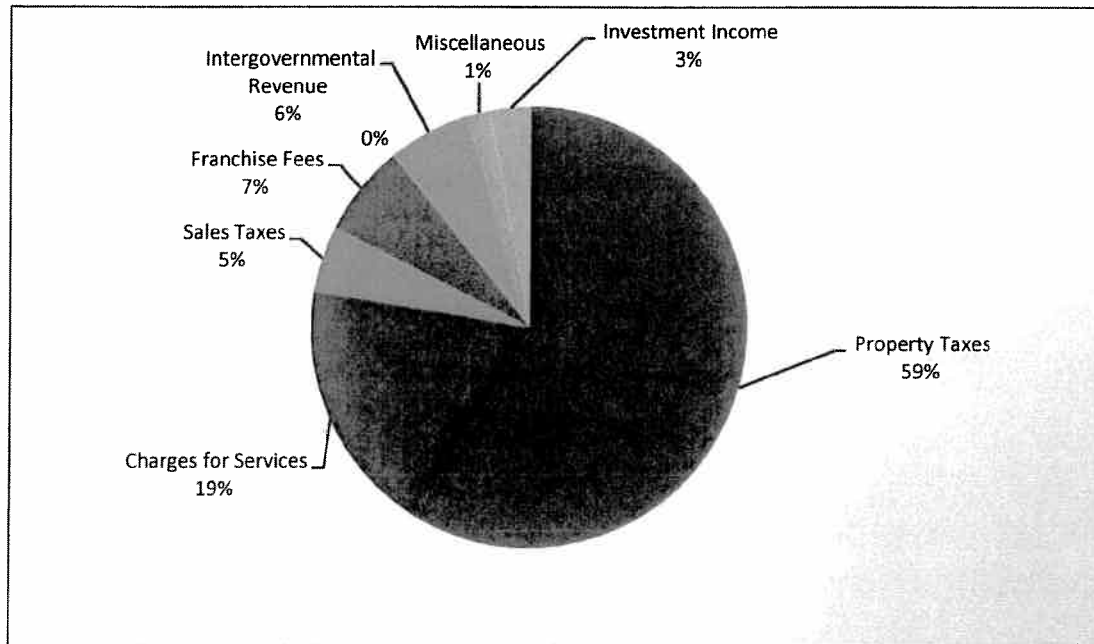
Property tax revenues increased by 11.6%.

**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, 2009

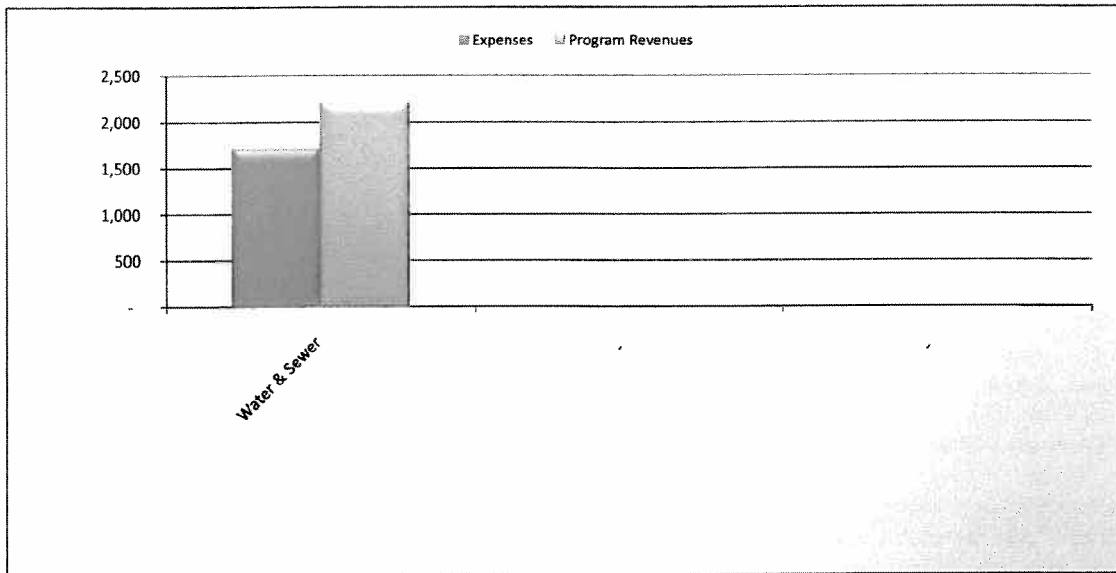
**Business-type Activities** - Business-type activities increased the City of Lucas's net assets by \$955,510. A key element of this increase is as follows:

Program revenues exceeded program expenses by 29% in the current year.

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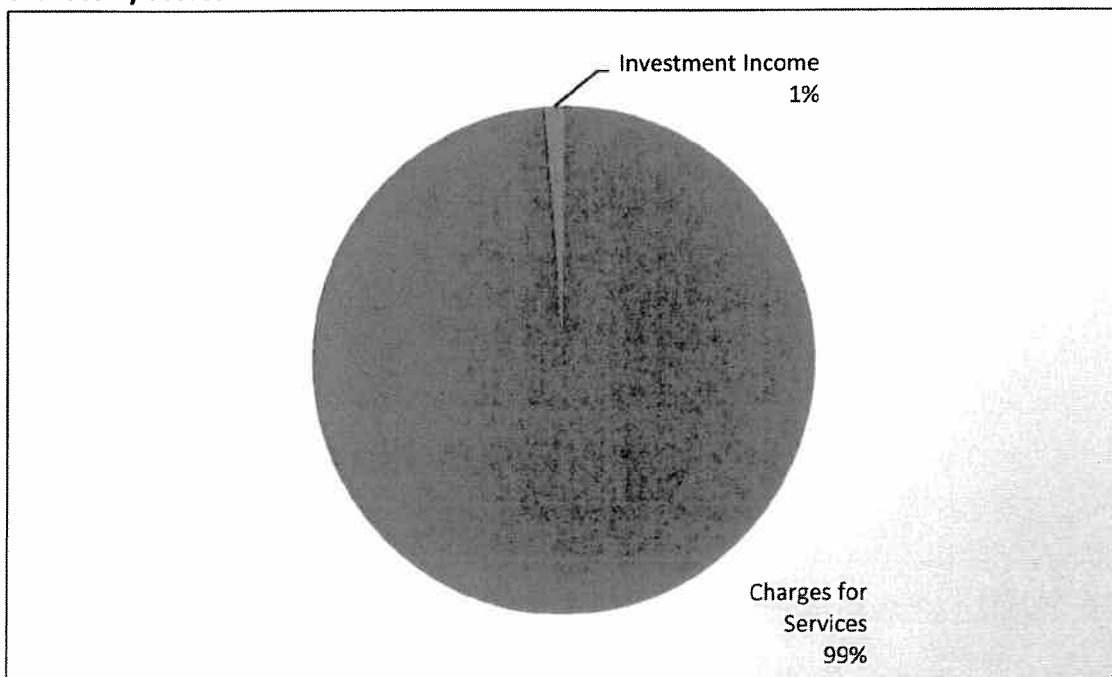
**Expenses and Program Revenues - Business Activities**

(amounts expressed in thousands)



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**Revenues By Source - Business Activities**



**CITY OF LUCAS, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2009**

**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 of Lucas governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Lucas' financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Lucas. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,199,402. As a measure of the general fund's liquidity, it may be useful to compare the unrestricted fund balance to total fund expenditures. Unreserved fund balance represents 66% of total General Fund expenditures.

At September 30, 2009, the governmental funds of the City of Lucas reported a combined fund balance of \$4,810,104, a 19% decrease from last year, excluding prior period adjustments.

**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.

Revenues were higher than the budgeted amounts mainly in the area of property taxes and public works. Expenditures were also higher than budgeted amounts mainly in the area of fire department and capital outlays.

**Proprietary Funds** - The City of Lucas's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the proprietary funds at the end of the fiscal year amounted to \$4,518,161.

**CITY OF LUCAS, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2009**

**Capital Asset and Debt Administration**

**Capital assets** - The City of Lucas' investment in capital assets for its governmental and business-type activities as of September 30, 2009, totals \$18,113,100 (net of accumulated depreciation). These assets include land, buildings, infrastructure, improvements, machinery & equipment, vehicles and construction in progress. The increase in the City of Lucas' capital assets for governmental activities was 16%. The capital assets for the business-type activities increased by 17%.

Major capital asset transactions during the year include the following additions and disposals:

- Construction in progress due to improvements of the water system.
- Roadway projects and improvements
- Construction and improvements for the new City Hall building.

**Figure 4**

**City of Lucas  
Capital Assets  
September 30, 2009  
(net of accumulated depreciation)**

	Governmental		Business-type		Total	
	2009	2008	2009	2008	2009	2008
Land	517,480	517,480	65,338	65,338	582,818	582,818
Construction in Progress	107,605	-	1,573,183	1,070,954	1,680,788	1,070,954
Buildings & Improvements	1,638,658	656,701	1,003,835	10,273	2,642,493	666,974
Infrastructure	5,742,880	5,599,524	6,445,838	6,644,826	12,188,718	12,244,350
Machinery & Equipment	748,042	771,582	270,241	194,726	1,018,283	966,308
<b>Total</b>	<b>\$8,754,665</b>	<b>\$7,545,287</b>	<b>\$9,358,435</b>	<b>\$7,986,117</b>	<b>\$18,113,100</b>	<b>\$15,531,404</b>

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, 2009 the City of Lucas had total long-term debt outstanding of \$8,630,000, a decrease of \$867,000 or 9% in comparison with the prior year.

**City of Lucas  
Outstanding Debt  
As of September 30, 2009**

	Governmental		Business-type		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	1,745,000	-	1,360,000	-	3,105,000	-
Revenue Bonds	-	-	-	327,000	-	327,000
Certificates of Obligation	2,790,000	4,872,500	2,735,000	4,297,500	5,525,000	9,170,000
	<b>\$4,535,000</b>	<b>\$4,872,500</b>	<b>\$4,095,000</b>	<b>\$4,624,500</b>	<b>\$8,630,000</b>	<b>\$9,497,000</b>

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

**CITY OF LUCAS, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2009**

**Economic Factors and Next Year's Budgets and Rates**

The approved budget for all funds for FY 2009-2010 totals \$20,700 and reflects a decrease of 5% or \$99,946 over the prior year's adopted budget. This amount includes a projected increase in expenditures related to building and park projects.

The adopted tax rate for FY 2009-2010 will remain at \$0.374177 per \$100 valuation.

This budget allows for the funding and expenditures related to the new park and pavilion for which \$250,000 grant monies were received.

**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, 665 Country Club Rd., City of Lucas, Texas 75002.



## BASIC FINANCIAL STATEMENTS



CITY OF LUCAS, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009

Primary Government

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,417,533	\$ 4,463,075	\$ 8,880,608
Receivables (net of allow for uncollectibles)	77,282	313,688	390,970
Deferred Charges	27,006	40,345	67,351
Restricted assets:			
Cash and Cash Equivalents	489,159	677,308	1,166,467
Non-depreciable Capital Assets:			
Land	517,480	65,338	582,818
Construction in Progress	107,605	1,573,183	1,680,788
Depreciable Capital Assets (net):			
Furniture & Equipment	748,042	270,241	1,018,283
Building & Improvements	1,638,658	1,003,835	2,642,493
Infrastructure	5,742,880	6,445,838	12,188,718
<b>Total Assets</b>	<u>13,765,645</u>	<u>14,852,851</u>	<u>28,618,496</u>
<b>LIABILITIES</b>			
Accounts Payable	61,230	203,510	264,740
Wages Payable	17,380	7,783	25,163
Customer Deposits	-	150,987	150,987
Accrued Interest Payable	31,310	28,314	59,624
Noncurrent Liabilities:			
Due within one year:			
Compensated Absences	1,053	292	1,345
Bonds Payable	10,000	60,000	70,000
Certificates of Obligation	415,000	305,000	720,000
Due in more than one year:			
Unfunded Pension Liability	109,401	47,905	157,306
Compensated Absences	18,815	10,543	29,358
Bonds Payable	1,646,206	1,236,296	2,882,502
Certificates of Obligation	2,375,000	2,430,000	4,805,000
<b>Total Liabilities</b>	<u>4,685,395</u>	<u>4,480,630</u>	<u>9,166,025</u>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	4,308,459	5,327,139	9,635,598
Restricted for:			
Use of Impact Fees	75,309	-	75,309
Municipal Court	5,010	-	5,010
Debt Service	414,930	526,921	941,851
Unrestricted	4,276,542	4,518,161	8,794,703
<b>Total Net Assets</b>	<u>\$ 9,080,250</u>	<u>\$ 10,372,221</u>	<u>\$ 19,452,471</u>

The notes to the financial statements are an integral part of these financial statements



CITY OF LUCAS, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Function/Program Activities</b>			
<b>Primary Government</b>			
Governmental Activities:			
General Government	\$ 503,433	\$ -	\$ -
Police	79,877	-	-
Fire	438,992	27,762	-
Building Official	144,485	-	-
Parks and Recreation	67,630	-	-
Public Works	587,841	262,503	-
Trash Service	290,328	336,374	-
Interest on Long-Term Debt	217,022	-	-
<b>Total governmental activities</b>	<u>2,329,608</u>	<u>626,639</u>	<u>-</u>
Business-type Activities:			
Water and Sewer	1,704,106	2,205,460	-
<b>Total business-type activities</b>	<u>1,704,106</u>	<u>2,205,460</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 4,033,714</u>	<u>\$ 2,832,099</u>	<u>\$ -</u>

**General revenues:**

Property Taxes  
Sales Taxes  
Franchise Taxes  
Investment Income  
Intergovernmental  
Miscellaneous  
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Prior Period Adjustment

Net assets - ending

**Net (Expense) Revenue  
and Changes in Net Assets**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Total</b>
\$ (503,433)	\$ -	\$ (503,433)
(79,877)	-	(79,877)
(411,230)	-	(411,230)
(144,485)	-	(144,485)
(67,630)	-	(67,630)
(325,338)	-	(325,338)
46,046	-	46,046
(217,022)	-	(217,022)
<u>(1,702,969)</u>	<u>-</u>	<u>(1,702,969)</u>
-	501,354	501,354
-	501,354	501,354
<u>\$ (1,702,969)</u>	<u>\$ 501,354</u>	<u>\$ (1,201,615)</u>

\$ 1,939,859	\$ -	\$ 1,939,859
160,314	-	160,314
220,729	-	220,729
100,960	29,359	130,319
203,682	-	203,682
53,842	150	53,992
(424,647)	424,647	-
<u>2,254,739</u>	<u>454,156</u>	<u>2,708,895</u>
551,770	955,510	1,507,280
8,527,471	9,323,946	17,851,417
1,009	92,765	93,774
<u>\$ 9,080,250</u>	<u>\$ 10,372,221</u>	<u>\$ 19,452,471</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF LUCAS, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009

	General Fund	Debt Service Fund	Capital Improvements Funds	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,188,108	\$ -	\$ 2,229,424	\$ 4,417,532
Receivables (net of allowances for uncollectibles)	71,192	6,090	-	77,282
Cash and Cash Equivalents - Restricted	80,319	408,841	-	489,160
<b>Total Assets</b>	<u>2,339,619</u>	<u>414,931</u>	<u>2,229,424</u>	<u>4,983,974</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	38,084	-	23,146	61,230
Wages Payable	17,380	-	-	17,380
Deferred Revenues	4,434	2,182	-	6,616
<b>Total Liabilities</b>	<u>59,898</u>	<u>2,182</u>	<u>23,146</u>	<u>85,226</u>
<b>Fund Balances</b>				
Reserved for:				
Use of Impact Fees	75,309	-	-	75,309
Municipal Court	5,010	-	-	5,010
Debt Service	-	412,749	-	412,749
Unreserved-Designated for, reported in:				
Capital Projects	-	-	2,206,278	2,206,278
Unreserved-Undesignated reported in:	2,199,402	-	-	2,199,402
<b>Total Fund Balances</b>	<u>2,279,721</u>	<u>412,749</u>	<u>2,206,278</u>	<u>4,898,748</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,339,619</u>	<u>\$ 414,931</u>	<u>\$ 2,229,424</u>	<u>\$ 4,983,974</u>

The notes to the financial statements are an integral part of these financial statements

**CITY OF LUCAS, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2009**

<b>Total fund balances - governmental funds balance sheet</b>	<b>\$ 4,898,748</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,479,160
Accumulated depreciation has not been included in the governmental fund financial statements.	(1,724,495)
Certain bond related items are expensed at the fund level, but are capitalized at the government-wide level and amortized over the life of the asset.	27,006
Other assets not available to pay for current-period expenditures and, therefore are deferred in the funds.	6,616
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,446,206)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(19,868)
Unfunded pension liability has not been reflected in the fund financial statements.	(109,401)
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.	(31,310)
	<hr/>
<b>Net assets of governmental activities - statement of net assets</b>	<b><u>\$ 9,080,250</u></b>

The notes to the financial statements are an integral part of these financial statements

CITY OF LUCAS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Debt Service Fund	Capital Improvements Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property including P&I	\$ 1,293,839	\$ 639,404	\$ -	\$ 1,933,243
Sales	160,314	-	-	160,314
Franchise Fees	220,729	-	-	220,729
Fines and Forfeitures	10,026	-	-	10,026
Licenses and Permits	181,306	-	-	181,306
Fire Department	23,624	-	-	23,624
Donations	3,250	-	-	3,250
Trash Service	336,374	-	-	336,374
Impact Fees	75,309	-	-	75,309
Intergovernmental Revenue	-	-	203,682	203,682
Investment Income	55,847	2,062	43,051	100,960
Miscellaneous	50,592	-	-	50,592
<b>Total Revenues</b>	<b>2,411,210</b>	<b>641,466</b>	<b>246,733</b>	<b>3,299,409</b>
<b>EXPENDITURES</b>				
Current:				
City Council	33,683	-	-	33,683
City Secretary	87,036	-	-	87,036
Administrative	335,470	-	-	335,470
Public Works	331,327	-	-	331,327
Animal Control	31,295	-	-	31,295
Parks and Recreation	62,083	-	-	62,083
Fire Department	357,680	-	-	357,680
Police	75,267	-	-	75,267
Trash Service	290,327	-	-	290,327
Building Official	144,485	-	-	144,485
Debt Service:				
Principal Retirement	42,740	432,500	-	475,240
Interest and Fiscal Agent Fees	-	198,384	-	198,384
Capital Outlays	1,540,886	-	-	1,540,886
<b>Total Expenditures</b>	<b>3,332,279</b>	<b>630,884</b>	<b>-</b>	<b>3,963,163</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(921,069)</b>	<b>10,582</b>	<b>246,733</b>	<b>(663,754)</b>
<b>Other Revenues and Financing Sources (uses)</b>				
Transfers	417,954	169,689	(1,012,290)	(424,647)
<b>Total Other Financing Sources (uses)</b>	<b>417,954</b>	<b>169,689</b>	<b>(1,012,290)</b>	<b>(424,647)</b>
<b>Net Change in Fund Balances</b>	<b>(503,115)</b>	<b>180,271</b>	<b>(765,557)</b>	<b>(1,088,401)</b>
<b>Fund Balances, October 1</b>	<b>2,694,192</b>	<b>232,478</b>	<b>2,971,835</b>	<b>5,898,505</b>
<b>Prior Period Adjustments</b>	<b>88,644</b>	<b>-</b>	<b>-</b>	<b>88,644</b>
<b>Fund Balances, September 30</b>	<b>\$ 2,279,721</b>	<b>\$ 412,749</b>	<b>\$ 2,206,278</b>	<b>\$ 4,898,748</b>

The notes to the financial statements are an integral part of these financial statements

**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, 2009**

<b>Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds</b>	<b>\$ (1,088,401)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,540,885
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 assets.	(341,157)
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.	455,372
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.	(18,638)
Governmental funds report notes receivable as revenue. This transaction, however, has no effect on net assets.	
Changes in Unfunded Pension Liability are not reported at the fund level, however, they are reported at the government-wide level.	(2,907)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	6,616
<b>Net change in fund balances - statement of activities</b>	<b><u>\$ 551,770</u></b>

The notes to the financial statements are an integral part of these financial statements

**CITY OF LUCAS, TEXAS**  
**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual	Difference
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,180,000	\$ 1,282,613	\$ 1,293,839	\$ 11,226
Sales	130,000	146,724	160,314	13,590
Franchise Fees	217,000	220,663	220,729	66
Fines and Forfeitures	26,800	47,112	10,026	(37,086)
Licenses and Permits	120,800	174,735	181,306	6,571
Fire Department	15,000	22,824	23,624	800
Donations	26,500	3,250	3,250	-
Trash Service	300,000	323,048	336,374	13,326
Impact Fees	-	3,409	75,309	71,900
Investment Income	100,000	56,000	55,847	(153)
Miscellaneous	37,500	51,492	50,592	(900)
Total Revenues	<u>2,153,600</u>	<u>2,331,870</u>	<u>2,411,210</u>	<u>79,340</u>
<b>EXPENDITURES</b>				
Current:				
General Government:				
City Council	58,350	49,823	35,098	14,725
City Secretary	96,386	96,939	87,036	9,903
Administrative	426,570	435,062	338,770	96,292
Total general government	<u>581,306</u>	<u>581,824</u>	<u>460,904</u>	<u>120,920</u>
Public Safety:				
Fire Department	457,734	425,133	406,052	19,081
Police	75,000	75,267	75,267	-
Total public safety	<u>532,734</u>	<u>500,400</u>	<u>481,319</u>	<u>19,081</u>
Public Works:				
Public Works	367,582	351,231	365,658	(14,427)
Parks and Recreation	76,611	77,022	62,083	14,939
Animal Control	31,000	31,295	31,295	-
Total public works	<u>475,193</u>	<u>459,548</u>	<u>459,036</u>	<u>512</u>
Trash Service	245,000	290,257	290,327	(70)
Building Official	187,879	186,052	144,485	41,567
Debt Service:				
Principal Retirement	44,191	44,191	42,740	1,451
Total debt service	<u>44,191</u>	<u>44,191</u>	<u>42,740</u>	<u>1,451</u>
Capital Outlays	1,382,000	2,401,449	1,453,468	947,981
Total Expenditures	<u>3,448,303</u>	<u>4,463,721</u>	<u>3,332,279</u>	<u>1,131,442</u>
Excess of revenues over expenditures	<u>(1,294,703)</u>	<u>(2,131,851)</u>	<u>(921,069)</u>	<u>1,210,782</u>
<b>Other Financing Sources (uses)</b>				
Transfers	-	-	417,954	417,954
Total Other Financing Sources and uses	<u>-</u>	<u>-</u>	<u>417,954</u>	<u>417,954</u>
Net Change in Fund Balances	(1,294,703)	(2,131,851)	(503,115)	1,628,736
Fund Balances/Equity, October 1	2,694,192	2,694,192	2,694,192	
Prior Period Adjustments	-	-	88,644	
Fund Balances/Equity, September 30	<u>\$ 1,399,489</u>	<u>\$ 562,341</u>	<u>\$ 2,279,721</u>	

The notes to the financial statements are an integral part of these financial statements

**CITY OF LUCAS, TEXAS  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2009**

	<u>Water &amp; Sewer</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 4,463,075
Receivables (net of allow for uncollectibles)	313,688
Prepaid Expenses	
Total Current Assets	<u>4,776,763</u>
Noncurrent Assets:	
Cash and Cash Equivalents - Restricted	677,308
Deferred Charges	40,345
Capital Assets:	
Land	65,338
Machinery & Equipment	517,395
Buildings	1,025,236
Infrastructure	7,959,553
Construction-In-Progress	1,573,183
Less Accumulated Depreciation	<u>(1,782,270)</u>
Total Capital Assets (net of accumulated depreciation)	<u>9,358,435</u>
Total Noncurrent Assets	<u>10,076,088</u>
<b>Total Assets</b>	<u><u>14,852,851</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	203,510
Wages Payable	7,783
Customer Deposits	150,987
Accrued Interest	28,314
Compensated Absences - current	292
Certificates of Obligation - current	305,000
Bonds Payable - current	60,000
Total Current Liabilities	<u>755,886</u>
Noncurrent Liabilities:	
Unfunded Pension Liability	47,905
Compensated Absences	10,543
Certificates of Obligation	2,430,000
Bonds Payable	1,236,296
Total Noncurrent Liabilities	<u>3,724,744</u>
<b>Total Liabilities</b>	<u><u>4,480,630</u></u>
 <b>NET ASSETS</b>	
Invested in capital assets (net of related debt)	5,327,139
Restricted for:	
Debt Service	526,921
Unrestricted	<u>4,518,161</u>
<b>Total Net Assets</b>	<u><u>\$ 10,372,221</u></u>

The notes to the financial statements are an integral part of these financial statements



CITY OF LUCAS, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Water &amp; Sewer</u>
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 2,162,369
Miscellaneous	150
Impact Fees	43,091
<b>Total Operating Revenues</b>	<u>2,205,610</u>
<b>OPERATING EXPENSES:</b>	
Personnel Services	312,527
Supplies and Materials	13,971
Maintenance and Repair	40,909
Contractual Services	834,918
Bad Debt Expense	29,568
Depreciation	248,141
<b>Total Operating Expenses</b>	<u>1,480,034</u>
<b>Operating Income (Loss)</b>	<u>725,576</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Bond Issuance Costs	(17,657)
Interest Revenue	29,359
Interest Expense	(206,415)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(194,713)</u>
<b>Transfers</b>	424,647
<b>Change in Net Assets</b>	955,510
<b>Net Assets, October 1</b>	9,323,946
<b>Prior Period Adjustments</b>	92,765
<b>Net Assets, September 30</b>	<u>\$ 10,372,221</u>

The notes to the financial statements are an integral part of these financial statements

**CITY OF LUCAS, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Business-Type Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 2,084,330
Cash Received from Other Sources	43,241
Cash Paid to Employees	(312,527)
Cash Paid to Suppliers	(633,359)
<b>Net Cash Provided by Operating Activities</b>	<u>1,181,685</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers to Other Funds	424,647
<b>Net Cash Provided by Non-capital Financing Activities</b>	<u>424,647</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and Construction of Capital Assets	(1,649,705)
Principal Paid	(593,855)
Interest Paid	(196,743)
<b>Net Cash Used for Capital &amp; Related Financing Activities</b>	<u>(2,440,303)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Earnings	29,359
<b>Net Cash Provided by Investing Activities</b>	<u>29,359</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(804,612)
<b>Cash and Cash Equivalents at Beginning of Year</b>	5,944,995
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 5,140,383</u>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operation Activities:</b>	
Operating Income (Loss)	\$ 725,576
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation and Amortization	248,141
Prior Period Adjustment	92,765
Change in Assets and Liabilities	
Decrease (Increase) in Receivables	(78,040)
Increase (Decrease) in Accounts Payable	144,064
Increase (Decrease) in Customer Deposits	1,274
Increase (Decrease) in Unfunded Pension Liability	47,905
Total Adjustments	<u>456,109</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 1,181,685</u>

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

**CITY OF LUCAS, TEXAS  
 STATEMENT OF ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2009**

	<u>Developers Escrow</u>
<b>ASSETS</b>	
Cash and Investments - Restricted	\$ 24,084
<b>Total Assets</b>	<u>24,084</u>
<b>LIABILITIES</b>	
Developers Escrow	24,084
<b>Total Liabilities</b>	<u>\$ 24,084</u>

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

**CITY OF LUCAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**A. Summary of Significant Accounting Policies**

The combined financial statements of the City of Lucas, Texas (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The City is a municipal corporation governed by an elected mayor and six-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by Government Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39 "Determining Whether Certain Organizations are Component Units".

Under GASB 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 units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB 39 added clarification to GASB 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.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Statements:** The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

CITY OF LUCAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

- A. Summary of Significant Accounting Policies  
2. Basis of Presentation, Basis of Accounting  
a. Basis of Presentation (continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings result from nonexchange transactions or ancillary activities.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support City programs, these funds are not included in the government-wide statements.

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

- b. Measurement Focus, Basis of Accounting

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.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

CITY OF LUCAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting
  - b. Measurement Focus, Basis of Accounting (continued)

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 assets. 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 City's water, sewer and environmental waste 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 non-operating revenues and expenses.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

The City reports the following major enterprise fund:

The *Water and Sewer 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.

Agency funds account for amounts held on behalf of developers, property owners and others by the City as a trustee, or fiduciary. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. The activities of these funds are excluded from the City's other financial statements because the City cannot use these funds to finance its operations. The City is responsible for ensuring that the assets reported are used for their intended purpose.

The *Developers Escrow fund* is used for assets held by the City in an agency capacity for developers. This fiduciary fund records only assets and liabilities and therefore has no measurement focus.

3. Financial Statement Amounts

- a. Cash and Cash Equivalents

For purposes of the statement of cash flows, 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.

- b. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

**CITY OF LUCAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

c. Property Taxes

Property taxes attach as an enforceable lien on property located in the City as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. The Titus County Tax Assessor/Collector's office bills and collects the City's property taxes.

The statutes of the State of Texas do not prescribe a legal limit. However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 in population, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year ended September 30, 2009, 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 enterprise 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.

e. Capital Assets

Capital assets, which include land, buildings, equipment, 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.

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-like activities is included as part of the capitalized value of the assets constructed.

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
Furniture and equipment	5-10
Fire trucks and equipment	10-20

f. 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 governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**CITY OF LUCAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**A. Summary of Significant Accounting Policies**

**3. Financial Statement Amounts (continued)**

**g. Long-term Obligations**

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

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.

**h. Fund Equity**

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

**i. 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.

**j. 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 assets.

**k. Use of Estimates**

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

**l. Program Revenues**

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

**m. Program Expenses**

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



**CITY OF LUCAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**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 Assets of Individual Funds**

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

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

**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 in the combining and individual fund statements.

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 fund level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

Budgets are legally adopted on a modified accrual basis of accounting. 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 balances 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.

**CITY OF LUCAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**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, 2009, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$10,047,075 and the bank balance was \$10,341,796. The City's cash deposits at September 30, 2009 and during the year ended September 30, 2009, 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 \$10,341,796. Cash and investments as of September 30, 2009 consist of and are classified in the accompanying financial statements as follows:

**Statement of net assets:**

Primary Government	
Cash and Cash Equivalents	\$ 5,749,647
Investments	4,297,428
 Total cash and cash equivalents	 <u>\$ 10,047,075</u>
 Cash on hand	 \$ 300
Savings and checking accounts	5,749,347
Investments	<u>4,297,428</u>
 Total cash and cash equivalents	 <u>\$ 10,047,075</u>

**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 market value to report net assets 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. Finally, TexPool is rated AAAM by Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the office of the Comptroller for public review.

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 fund is rated AAAM by Standard & Poor's.

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. The fund is rated AAAM by Standard & Poor's.

**CITY OF LUCAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**C. Deposits and Investments (continued)**

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, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
LOGIC	\$ 1,539,068	56
TexPool	78,894	44
Lone Star	2,679,466	52
	<u>\$ 4,297,428</u>	

As of September 30, 2009 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 below 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:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
LOGIC	\$ 1,539,068	N/A	AAA-m
TexPool	78,894	N/A	AAA-m
Lone Star	2,679,466	N/A	AAA-m
	<u>\$ 4,297,428</u>		

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, 2009, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

CITY OF LUCAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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:

	General	Debt Service	Water & Sewer	Total
Receivables:				
Taxes	\$ 12,364	\$ 6,090	\$ -	\$ 18,454
Fees and Charges	60,950	-	343,256	404,206
Gross Receivables	73,314	6,090	343,256	422,660
Less: allowance for uncollectibles	2,122	-	29,568	31,690
Net Total Receivables	<u>\$ 71,192</u>	<u>\$ 6,090</u>	<u>\$ 313,688</u>	<u>\$ 390,970</u>

E. Capital Assets

Capital asset activity for the period ended September 30, 2009 was as follows:

	Beginning Balances	Prior Period Adjustments	Transfers	Additions	Decreases	Ending Balances
<b>Governmental Activities</b>						
Capital assets, not being depreciated:						
Land	\$ 517,480	-	\$ -	\$ -	\$ -	\$ 517,480
Construction-In-Progress	-	-	(333,277)	440,882	-	107,605
<b>Total capital assets, not being depreciated:</b>	<u>517,480</u>	<u>-</u>	<u>(333,277)</u>	<u>440,882</u>	<u>-</u>	<u>625,085</u>
Capital assets, being depreciated:						
Buildings and Improvements	837,665	-	-	1,012,587	-	1,850,252
Furniture & Equipment	684,881	-	-	87,416	(4,500)	767,797
Vehicles	940,818	-	-	-	-	940,818
Infrastructure	5,961,930	-	333,277	-	-	6,295,207
Total capital assets being depreciated:	<u>8,425,294</u>	<u>-</u>	<u>333,277</u>	<u>1,100,003</u>	<u>(4,500)</u>	<u>9,854,074</u>
Total Fixed Assets	<u>8,942,774</u>	<u>-</u>	<u>-</u>	<u>1,540,885</u>	<u>(4,500)</u>	<u>10,479,159</u>
Less accumulated depreciation for:						
Buildings and Improvements	(180,964)	-	-	(30,630)	-	(211,594)
Furniture & Equipment	(345,809)	-	-	(57,590)	4,500	(398,899)
Vehicles	(508,308)	-	-	(53,366)	-	(561,674)
Infrastructure	(362,406)	-	-	(189,921)	-	(552,327)
Total accumulated depreciation:	<u>(1,397,487)</u>	<u>-</u>	<u>-</u>	<u>(331,507)</u>	<u>4,500</u>	<u>(1,724,494)</u>
Total capital assets, being depreciated, net	<u>7,027,807</u>	<u>-</u>	<u>333,277</u>	<u>768,496</u>	<u>-</u>	<u>8,129,580</u>
Governmental activities capital assets, net	<u>\$ 7,545,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,209,378</u>	<u>\$ -</u>	<u>\$ 8,754,665</u>

**CITY OF LUCAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**E. Capital Assets (continued)**

	Beginning Balances	Prior Period Adjustments	Transfers	Additions	Decreases	Ending Balances
<b>Business-type Activities</b>						
Capital assets, not being depreciated:						
Land	\$ 65,338	\$ -	\$ -	\$ -	\$ -	\$ 65,338
Construction-In-Progress	1,070,954	91,751	(310,476)	720,954	-	1,573,183
Total capital assets, not being depreciated:	1,136,292	91,751	(310,476)	720,954	-	1,638,521
Capital assets, being depreciated:						
Buildings & improvements	20,679	-	268,309	736,248	-	1,025,236
Infrastructure	7,959,553	-	-	-	-	7,959,553
Furniture & Equipment	403,723	-	42,167	71,505	-	517,395
Total capital assets being depreciated:	8,383,955	-	310,476	807,753	-	9,502,184
<b>Total Fixed Assets</b>	<b>9,520,247</b>	<b>91,751</b>	<b>-</b>	<b>1,528,707</b>	<b>-</b>	<b>11,140,705</b>
Less accumulated depreciation for:						
Buildings & improvements	(10,406)	-	-	(10,995)	-	(21,401)
Infrastructure	(1,314,727)	-	-	(198,989)	-	(1,513,715)
Furniture & Equipment	(208,997)	-	-	(38,157)	-	(247,154)
Total accumulated depreciation:	(1,534,130)	-	-	(248,141)	-	(1,782,270)
Total capital assets, being depreciated, net	6,849,825	-	310,476	559,612	-	7,719,914
<b>Business-type activities capital assets, net</b>	<b>\$ 7,986,117</b>	<b>\$ 91,751</b>	<b>\$ -</b>	<b>\$ 1,280,566</b>	<b>\$ -</b>	<b>\$ 9,358,435</b>

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

Governmental activities:		
Administration		\$ 14,818
Fire Department		81,312
Parks & Recreation		5,548
Police Department		4,611
Public Works		225,218
Total depreciation expense - governmental activities		<u>\$ 331,507</u>
Business-type activities:		
Water and Sewer		\$ 248,141
Total depreciation expense - business-type activities		<u>\$ 248,141</u>

**F. Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Tax revenues which are reported as deferred revenue 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 revenue reported in the governmental funds were as follows:

	General Fund
Tax Revenue	<u>\$ 6,616</u>

**CITY OF LUCAS, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**G. Long-Term Obligations**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2009, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable:					
General Obligation Bonds	\$ -	\$ 1,790,000	\$ 45,000	\$ 1,745,000	\$ 10,000
Certificates of Obligation	4,872,500	-	2,082,500	2,790,000	415,000
Less deferred amounts:					
Bond Defeasance	-	(88,794)	-	(88,794)	-
Total bonds payable	4,872,500	1,701,206	2,127,500	4,446,206	425,000
Capital Leases	42,740	-	42,740	-	-
Compensated absences	12,672	7,196	-	19,868	1,053
Governmental activity					
Long-term liabilities	<u>\$ 4,927,912</u>	<u>\$ 1,708,402</u>	<u>\$ 2,170,240</u>	<u>\$ 4,466,074</u>	<u>\$ 426,053</u>
<b>Business-type Activities</b>					
Bonds Payable:					
General Obligation Bonds	\$ -	\$ 1,455,000	\$ 95,000	\$ 1,360,000	\$ 60,000
Revenue Bonds	327,000	-	327,000	-	-
Certificates of Obligation	4,297,500	-	1,562,500	2,735,000	305,000
Less deferred amounts:					
Bond Defeasance	-	(63,704)	-	(63,704)	-
Total Bonds Payable	4,624,500	1,391,296	1,984,500	4,031,296	365,000
Compensated absences	11,486	-	651	10,835	292
Business-type activity					
Long-term liabilities	<u>\$ 4,635,986</u>	<u>\$ 1,391,296</u>	<u>\$ 1,985,151</u>	<u>\$ 4,042,131</u>	<u>\$ 365,292</u>

**Changes in Governmental Long-term Debt**

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30,		Retired	Amounts Outstanding September 30, 2009	Due Within One Year
			2008	Increase			
2007 Refunding G.O.	3.76%	\$ 1,790,000	\$ -	\$ 1,790,000	\$ 45,000	\$ 1,745,000	\$ 10,000
2002 CO	4.5-5.25%	3,000,000	2,520,000	-	1,785,000	735,000	130,000
2007 CO	4.25%	2,500,000	2,352,500	-	297,500	2,055,000	285,000
Note Payable-Fire Truck	3.39%	200,138	42,740	-	42,740	-	-
Total Debt Payable		7,490,138	4,915,240	1,790,000	2,170,240	4,535,000	425,000
Compensated absences			12,672	7,196	-	19,868	1,053
Totals		<u>\$ 7,490,138</u>	<u>\$ 4,927,912</u>	<u>\$ 1,797,196</u>	<u>\$ 2,170,240</u>	<u>\$ 4,554,868</u>	<u>\$ 426,053</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2010	425,000	178,365	603,365
2011	485,000	158,064	643,064
2012	230,000	142,213	372,213
2013	240,000	131,822	371,822
2014	255,000	120,710	375,710
2015-2019	1,425,000	439,702	1,864,702
2020-2024	1,175,000	155,477	1,330,477
2025-2027	300,000	19,125	319,125
Totals	<u>\$ 4,535,000</u>	<u>\$ 1,345,479</u>	<u>\$ 5,880,478</u>

**CITY OF LUCAS, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

G. Long-Term Obligations (continued)

\$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 purpose of paying contractual permanent public obligations of the City to be incurred for making improvements and for other public purposes including street improvements and drainage, improving the City's utility system and the purchase of materials, supplies and equipment related to those improvements.

Changes in Business-type Long-term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts	Increase	Retired	Amounts	Due Within One Year
			Outstanding September 30, 2008			Outstanding September 30, 2009	
2007 Refunding G.O.	3.76%	\$ 1,455,000	\$ -	\$ 1,455,000	\$ 95,000	\$ 1,360,000	\$ 60,000
1969 Waterworks Bond	5.00%	250,000	22,000	-	22,000	-	-
1980 Waterworks Bond	5.00%	292,000	150,000	-	150,000	-	-
1989 Waterworks Bond	7.62-8.2%	395,000	155,000	-	155,000	-	-
2002 CO	4.5-5.25%	2,500,000	1,425,000	-	930,000	495,000	95,000
2007 CO	4.25%	2,500,000	2,352,500	-	112,500	2,240,000	210,000
1997 CO	4.9-6.7%	900,000	520,000	-	520,000	-	-
Total Bonds Payable		8,292,000	4,624,500	1,455,000	1,984,500	4,095,000	365,000
Compensated Absences			11,486	-	651	10,835	292
Totals		<u>\$ 8,292,000</u>	<u>\$ 4,635,986</u>	<u>\$ 1,455,000</u>	<u>\$ 1,985,151</u>	<u>\$ 4,105,835</u>	<u>\$ 365,292</u>

Debt service requirements are as follows:

Year Ending September 30:	Total		
	Principal	Interest	Requirements
2010	365,000	161,921	526,921
2011	370,000	145,865	515,865
2012	245,000	132,602	377,602
2013	245,000	122,208	367,208
2014	270,000	111,195	381,195
2015-2019	1,285,000	393,538	1,678,538
2020-2024	940,000	163,848	1,103,848
2025-2027	375,000	23,905	398,905
Totals	<u>\$ 4,095,000</u>	<u>\$ 1,255,082</u>	<u>\$ 5,350,082</u>

\$1,455,000 General Obligation Refunding Bond 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, renovating, 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 purpose of paying contractual permanent public obligations of the City to be incurred for making improvements and for other public purposes including street improvements and drainage, improving the City's utility system and the purchase of materials, supplies and equipment related to those improvements.

**CITY OF LUCAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**H. 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), one of 833 administered by TMRS, an agent multiple-employer public employee retirement system. Benefits depend upon the sum of the employees contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employees accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employees accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employees salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The 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.

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:

Deposit Rate:	7%
Matching Ratio (City to Employee):	2-1
A member is vested after	5 yrs
Members can retire at certain ages, based on the years of service with the City.	
The Service Retirement Eligibilities for the City are: 5 yrs/age 60, 20 yrs/any age.	

**2. Contributions**

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarially liability (asset) over the remainder of the plan's 25-year - closed period - amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions. 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 (i.e. December 31, 2008 valuations effective for rates beginning January 2010).



**CITY OF LUCAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**H. Pension Plan (continued)**

2. Contributions (continued)

		City of Lucas		
		Schedule of Actuarial Liabilities and Funding Progress		
		12/31/06	12/31/07	12/31/08
Actuarial Valuation Date				
Actuarial Value of Assets		\$ 401,550	\$ 505,916	\$ 616,951
Actuarial Accrued Liability		470,495	659,042	774,257
Percentage Funded		85.3%	76.8%	79.7%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)		68,945	153,126	157,306
Annual Covered Payroll		476,828	616,387	677,751
UAAL as a Percentage of Covered Payroll		14.5%	24.8%	23.2%
Net Pension Obligation (NPO) at the Beginning of Period		\$ -	\$ -	\$ -
Annual Pension Cost:				
Annual required contribution (ARC)	Plus	49,397	61,864	46,834
Contributions Made	Less	(49,397)	(61,864)	(46,834)
NPO at the end of the period		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Actuarial cost method		Unit Credit	Unit Credit	Unit Credit
Amortization method		Level %	Level %	Level %
Asset Valuation method		Amortized	Amortized	Amortized
		Cost	Cost	Cost
Amortization period		25 years-open	25 years-closed	25 years-closed
Actuarial assumptions:				
Investment rate of return		7.00%	7.00%	7.50%
Inflation rate		3.00%	3.00%	3.00%
Projected salary increase		N/A	N/A	N/A

**I. Health Care Coverage**

During the year ended September 30, 2009, employees of the City were covered by a health and dental insurance plan. The City contributed \$441.56 per month per employee for employee coverage for health insurance. The City contributed \$23.50 per employee (100% of the cost per employee) for dental insurance. Employees, at their option, authorized payroll withholdings for dependent dental coverage. Health and dental insurance is provided by TMLIEBP.

**J. Insurance Coverage**

Below is a schedule of insurance in force.

Company	Policy Number	Description of Coverage	Amount of Coverage	Period Covered	Premium	Deductible
<b>Automobile Coverage:</b>						
TX Municipal League	4439	Automotive	\$ 500,000	10/01/08 to	\$ 6,875	\$ -
Joint Self Ins Fund			per occurrence	10/01/09		
TX Municipal League	4439	Automobile-	Per Schedule &	10/01/08 to	\$ 4,619	\$ 500
Joint Self Ins Fund		Phys. Damage	Endorsements	10/01/09		
<b>Liability Coverage:</b>						
TX Municipal League	4439	General	\$ 1,000,000	10/01/08 to	\$ 2,655	\$ -
Joint Self Ins Fund			per occurrence	10/01/09		
TX Municipal League	4439	Law	\$ 1,000,000	10/01/08 to	\$ 474	\$ 1,000
Joint Self Ins Fund		Enforcement	per claim	10/01/09		
TX Municipal League	4439	Errors &	\$ 1,000,000	10/01/08 to	\$ 3,358	\$ 2,500
Joint Self Ins Fund		Omissions	per claim	10/01/09		
<b>Property Coverage:</b>						
TX Municipal League	4439	Real and	\$ 4,401,771	10/01/08 to	\$ 9,708	\$ 250
Joint Self Ins Fund		Personal		10/01/09		
TX Municipal League	4439	Mobile	\$ 313,842	10/01/08 to	\$ 1,707	\$ 250
Joint Self Ins Fund		Equipment		10/01/09		
TX Municipal League	4439	Boiler and	\$ 100,000	10/01/08 to	Included	\$ 250
Joint Self Ins Fund		Machinery	Per Accident	10/01/09		

**CITY OF LUCAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**K. 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.

**L. 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.

**M. 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	420,080,000
Gallons Billed	368,942,100

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, 2009 were \$773,165.

**N. Interfund Transactions**

	<u>Transfers Out</u>	<u>Transfers In</u>
<u>Major Funds</u>		
General Fund	\$ 20,089	\$ 2,684,850
Debt Service Fund	432,500	67,589
Water/Sewer Fund	47,500	472,147
Capital Improvements Fund	2,724,497	-
Total Major Funds	<u>\$ 3,224,586</u>	<u>\$ 3,224,586</u>

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

**O. Prior Period Adjustment**

The City of Lucas had a prior period adjustment in the Governmental Funds of \$(1,009) to correct park donation fees, accounts payable, and sales tax revenue. In addition, the adjustment recorded the 2007 Refunding General Obligation Debt and prior period debt payments. The City had a prior period adjustment in the Proprietary Funds of \$(92,765) to record the 2007 Refunding General Obligation Debt and to adjust construction in progress, accounts payable and amortization expense. Both the Governmental and Proprietary Funds had a prior period adjustment to record the Unfunded Pension Liability.

**CITY OF LUCAS, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**P. New Accounting Pronouncements**

In May 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 43 addresses the financial reporting for other postemployment benefits plans. This statement is effective for the City's financial statements for periods beginning after December 15, 2008. The City is currently complying with this statement.

In August 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which provides guidance on all aspects of OPEB reporting by employers. The requirements of this statement are effective for fiscal periods beginning after December 15, 2007, for governments that were phase 2 for the implementation of SGAS 34 and after December 15, 2008, for governments that were phase 3 for the implementation of SGAS 34. The City is currently complying with this statement.

In June of 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. GASB No. 47 gives accounting and reporting guidance for early retirement incentives, severance payments for involuntary terminations and termination benefits affecting defined benefit postemployment benefits. The adoption of this statement has no impact on the City's financial statements.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2007, except for the requirement for plans that use the aggregate actuarial cost method to present a schedule of funding progress using the entry age actuarial cost method which is effective for the actuarial valuations as of June 15, 2007. The City is currently complying with this statement.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. The adoption of this statement has no impact on the City's financial statements.

In June 2008, GASB issued Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments"*. This statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2009. The adoption of this statement has no impact on the financial statements.

**Q. Subsequent Events**

In February 2010, the City was awarded a \$250,000 grant for the new City Hall park.

## REQUIRED SUPPLEMENTARY INFORMATION



CITY OF LUCAS, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

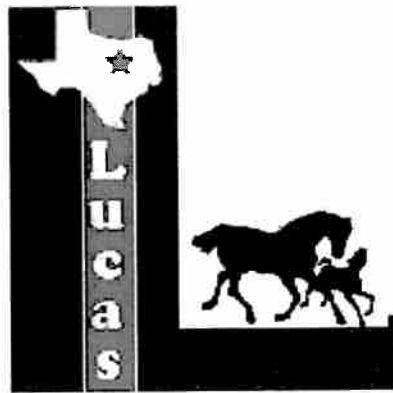
SCHEDULE OF PENSION TRUST - TMRS FUNDING PROGRESS AND CONTRIBUTIONS  
 LAST FOUR FISCAL YEARS (UNAUDITED)

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued 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%



## SUPPLEMENTARY INFORMATION





CITY OF LUCAS, TEXAS  
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND  
 SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Difference
	Original	Final		
<b>REVENUE</b>				
Property Taxes including P&I	\$ 583,000	\$ 633,869	\$ 639,404	\$ 5,535
Interest Income	-	1,975	2,062	87
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<u>583,000</u>	<u>635,844</u>	<u>641,466</u>	<u>5,622</u>
<b>EXPENDITURES</b>				
Current:				
Debt Service				
Installment Payments	385,000	385,000	432,500	(47,500)
Interest and Fiscal Agent Fees	197,985	197,985	198,384	(399)
<b>Total Expenditures</b>	<u>582,985</u>	<u>582,985</u>	<u>630,884</u>	<u>(47,899)</u>
<b>Excess (deficiency) of revenues (under) expenditures</b>	15	52,859	10,582	(42,277)
<b>Other Revenues and Financing Sources (uses)</b>				
Transfers	-	-	169,689	169,689
<b>Total Other Financing Sources (uses)</b>	<u>-</u>	<u>-</u>	<u>169,689</u>	<u>169,689</u>
<b>Net Change in Fund Balances</b>	15	52,859	180,271	127,412
<b>Fund Balances/Equity, October 1</b>	<u>232,478</u>	<u>232,478</u>	<u>232,478</u>	
<b>Fund Balances/Equity, September 30</b>	<u>\$ 232,493</u>	<u>\$ 285,337</u>	<u>\$ 412,749</u>	

CITY OF LUCAS, TEXAS  
 BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENTS FUND  
 SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Difference
	Original	Final		
<b>REVENUE</b>				
Intergovernmental Revenue	\$ -	\$ 79,978	\$ 203,682	\$ 123,704
Interest Income	60,000	42,917	43,051	134
<b>Total Revenues</b>	<u>60,000</u>	<u>122,895</u>	<u>246,733</u>	<u>123,838</u>
<b>EXPENDITURES</b>				
Current:				
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues (under) expenditures</b>	60,000	122,895	246,733	123,838
<b>Other Revenues and Financing Sources (uses)</b>				
Transfers	-	-	(1,012,290)	(1,012,290)
<b>Total Other Financing Sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(1,012,290)</u>	<u>(1,012,290)</u>
<b>Net Change in Fund Balances</b>	60,000	122,895	(765,557)	(888,452)
<b>Fund Balances/Equity, October 1</b>	<u>2,971,835</u>	<u>2,971,835</u>	<u>2,971,835</u>	
<b>Fund Balances/Equity, September 30</b>	<u>\$ 3,031,835</u>	<u>\$ 3,094,730</u>	<u>\$ 2,206,278</u>	

CITY OF LUCAS, TEXAS  
 BUDGETARY COMPARISON SCHEDULE - PROPRIETARY FUNDS  
 SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Difference
	Original	Final		
<b>REVENUE</b>				
Charges for Services	\$1,707,000	\$ 1,972,962	\$ 2,162,369	\$ 189,407
Miscellaneous	-	-	150	150
Impact Fees	-	-	43,091	43,091
<b>Total Revenues</b>	<b>1,707,000</b>	<b>1,972,962</b>	<b>2,205,610</b>	<b>232,648</b>
<b>EXPENDITURES</b>				
Current:				
Personal Services	342,160	313,529	312,527	1,002
Supplies and Materials	27,300	17,871	13,971	3,900
Maintenance and Repair	25,500	33,000	40,909	(7,909)
Contractual Services	843,500	1,015,093	834,918	180,175
Capital Outlays	2,782,000	3,494,916	1,620,459	1,874,457
Depreciation	-	-	248,141	(248,141)
Bad Debt Expense	-	-	29,568	(29,568)
Debt Service				
Installment Payments	349,000	637,000	637,000	-
<b>Total Expenditures</b>	<b>4,369,460</b>	<b>5,511,409</b>	<b>3,737,493</b>	<b>1,773,916</b>
<b>Excess (deficiency) of revenues (under) expenditures</b>	<b>(2,662,460)</b>	<b>(3,538,447)</b>	<b>(1,531,883)</b>	<b>2,006,564</b>
<b>Other Revenues and Financing Sources (uses)</b>				
Transfers	100,000	288,000	424,647	136,647
Bond Issuance Costs	-	-	(17,657)	(17,657)
Interest Income	75,000	29,608	29,359	(249)
Interest Expense	(196,743)	(196,743)	(206,415)	(9,672)
<b>Total Other Financing Sources (uses)</b>	<b>(21,743)</b>	<b>120,865</b>	<b>229,934</b>	<b>109,069</b>
<b>Net Change in Fund Balances</b>	<b>(2,684,203)</b>	<b>(3,417,582)</b>	<b>(1,301,949)</b>	<b>2,115,633</b>
Fund Balances/Equity, October 1	9,323,946	9,323,946	9,323,946	
Prior Period Adjustments	-	-	92,765	
Fund Balances/Equity, September 30	<b>\$6,639,743</b>	<b>\$ 5,906,364</b>		
<b>Total fund balance - budgetary comparison</b>			<b>\$ 8,114,762</b>	
This budgetary comparison reports Capital Outlays as expenditures. However, in the statement of activities the cost of these assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays.				
			1,620,459	
The budgetary comparison reports long-term debt payments as expenditures. This transaction, however, has no effect on net assets. This is the amount of long-term debt payments.				
			637,000	
<b>Total fund balance - statement of net assets</b>			<b>\$ 10,372,221</b>	

CITY OF LUCAS, TEXAS  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2009

	Balance September 2008	Additions	Deductions	Balance September 2009
<b>ASSETS</b>				
Cash and Investments - Restricted	\$ -	\$ 24,084	\$ -	\$ 24,084
<b>Total Assets</b>	<b>-</b>	<b>24,084</b>	<b>-</b>	<b>24,084</b>
<b>LIABILITIES</b>				
Developers Escrow	-	24,084	-	24,084
<b>Total Liabilities</b>	<b>-</b>	<b>24,084</b>	<b>-</b>	<b>24,084</b>

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.

<b><u>Contents</u></b>	<b><u>Table #s</u></b>
<b>Financial Trends</b> 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
<b>Revenue Capacity</b> 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
<b>Debt Capacity</b> 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
<b>Economic and Demographic Information</b> These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	15,16
<b>Operating Information</b> 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.	17,18,19

**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. Tables presenting government-wide information include information beginning that year. Information prior to 2007 was not available in the current desired format.





**CITY OF LUCAS, TEXAS**  
**NET ASSETS BY COMPONENT**  
**LAST THREE FISCAL YEARS**  
 (accrual basis of accounting)  
 (unaudited)

Table 1

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 1,481,729	\$ 2,611,818	\$ 4,308,459
Restricted	177,421	3,204,311	495,249
Unrestricted	4,337,470	2,711,342	4,276,542
Total governmental activities net assets	<u>5,996,620</u>	<u>8,527,471</u>	<u>9,080,250</u>
Business-type activities			
Invested in capital assets, net of related debt	1,994,986	4,895,746	5,327,139
Restricted	-	-	526,921
Unrestricted	3,141,792	4,428,199	4,518,161
Total business-type activities net assets	<u>5,136,778</u>	<u>9,323,945</u>	<u>10,372,221</u>
Primary government			
Invested in capital assets, net of related debt	3,476,715	7,507,564	9,635,598
Restricted	177,421	3,204,311	1,022,170
Unrestricted	7,479,262	7,139,541	8,794,703
Total primary government net assets	<u>\$ 11,133,398</u>	<u>\$ 17,851,416</u>	<u>\$ 19,452,471</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  
 Years will continue to be added until 10 years of comparison is listed

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

	2007	2008	2009
<b>EXPENSES</b>			
Governmental activities:			
General government	\$ 527,758	\$ 539,061	\$ 503,433
Public Safety	565,227	448,930	518,869
Public Works	365,295	474,705	587,841
Building Official	-	308,474	144,485
Parks and Recreation	70,927	64,339	67,630
Trash Service	240,312	259,180	290,328
Interest and Agent Fees	145,751	216,839	217,022
Total governmental activities expenses	<u>1,915,270</u>	<u>2,311,528</u>	<u>2,329,608</u>
Business-type activities:			
Water and Sewer	1,483,115	1,633,259	1,704,106
Total business-type activities expenses	<u>1,483,115</u>	<u>1,633,259</u>	<u>1,704,106</u>
Total primary government expenses	<u>3,398,385</u>	<u>3,944,787</u>	<u>4,033,714</u>
<b>PROGRAM REVENUES</b>			
Governmental activities:			
Charge for services:			
General government	335,760	-	-
Public Safety	81,023	53,003	27,762
Public Works	88,450	74,700	262,503
Building Official	-	354,009	-
Parks and Recreation	-	-	-
Trash Service	283,755	298,515	336,374
Operating grants and contributions	104,794	88,260	-
Total governmental activities program revenues	<u>893,782</u>	<u>868,487</u>	<u>626,639</u>
Business-type activities:			
Charge for services:			
Water and Sewer	1,464,900	2,229,136	2,205,460
Total business-type activities program services	<u>1,464,900</u>	<u>2,229,136</u>	<u>2,205,460</u>
Total primary government program revenues	<u>2,358,682</u>	<u>3,097,623</u>	<u>2,832,099</u>
<b>NET (EXPENSE)/REVENUE</b>			
Governmental activities	(1,021,488)	(1,443,041)	(1,702,969)
Business-type activities	(18,215)	595,877	501,354
Total primary government program net expenses	<u>\$ (1,039,703)</u>	<u>\$ (847,164)</u>	<u>\$ (1,201,615)</u>

(continued)

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

**Table 2**

	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>			
Governmental activities:			
Taxes:			
Property tax	\$ 1,572,181	\$ 1,736,812	\$ 1,939,859
Sales tax	162,591	158,380	160,314
Franchise tax	182,080	204,310	220,729
Investment Income	306,599	258,007	100,960
Miscellaneous	64,764	58,370	53,842
Intergovernmental	-	-	203,682
Transfers	2,248,643	(1,056,888)	(424,647)
<b>Total governmental activities</b>	<u>4,536,858</u>	<u>1,358,991</u>	<u>2,254,739</u>
Business-type activities:			
Investment Income	160,093	119,102	29,359
Miscellaneous	-	-	150
Transfers	(2,248,643)	1,056,888	424,647
<b>Total business-type activities</b>	<u>(2,088,550)</u>	<u>1,175,990</u>	<u>454,156</u>
<b>Total primary government</b>	<u>2,448,308</u>	<u>2,534,981</u>	<u>2,708,895</u>
<b>CHANGE IN NET ASSETS</b>			
Governmental activities	3,515,370	(84,050)	551,770
Business-type activities	(2,106,765)	1,771,867	955,510
<b>Total primary government</b>	<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  
Years will continue to be added until 10 years of comparison is listed

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

Table 3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
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

Note: 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**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST THREE FISCAL YEARS**  
(modified accrual basis of accounting  
(unaudited)

Table 4

	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund			
Reserved	\$ -	\$ -	\$ 80,319
Unreserved	2,030,773	2,694,193	2,199,402
Total General Fund	<u>2,030,773</u>	<u>2,694,193</u>	<u>2,279,721</u>
All other governmental funds			
Reserved	177,421	232,477	412,749
Unreserved, designated for:			
Construction	4,505,477	2,971,834	2,206,278
Unreserved, undesignated	-	-	-
Total all other governmental funds	<u>\$ 4,682,898</u>	<u>\$ 3,204,311</u>	<u>\$ 2,619,027</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  
Years will continue to be added until 10 years of comparison is listed

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>REVENUES</b>			
Property taxes	\$ 1,599,525	\$ 1,731,793	\$ 1,933,243
Sales tax	162,591	158,380	160,314
Franchise Fees	182,080	204,310	220,729
Fines and Forfeitures	24,008	16,126	10,026
Licenses and Permits	318,842	272,607	181,306
Fire Department	57,015	36,877	23,624
Charge for Services	16,918	81,402	-
Trash Service	283,755	298,515	336,374
Grants	97,985	8,260	-
Donations	6,809	80,000	3,250
Impact Fees	88,450	74,700	75,309
Intergovernmental	-	-	203,682
Investment Income	306,599	258,007	100,960
Miscellaneous	64,764	58,370	50,592
<b>Total Revenues</b>	<u>3,209,341</u>	<u>3,279,347</u>	<u>3,299,409</u>
<b>EXPENDITURES</b>			
City Council	46,370	73,020	33,683
City Secretary	-	98,228	87,036
Administrative	477,770	361,230	335,470
Public Works	420,241	268,793	362,622
Parks and Recreation	60,295	56,218	62,083
Police	75,000	75,000	75,267
Fire Department	420,246	402,471	357,680
Building Official	-	308,474	144,485
Trash Service	240,312	259,180	290,327
Capital Outlay	315,816	631,116	1,540,886
Debt Service			
Principal Retirement	394,983	277,500	475,240
Interest and other charges	144,638	226,396	198,384
<b>Total Expenditures</b>	<u>2,595,671</u>	<u>3,037,626</u>	<u>3,963,163</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Note Proceeds	2,500,000	-	-
Transfers In(Out)	2,248,643	(1,056,888)	(424,647)
<b>Total other financing sources (uses)</b>	<u>4,748,643</u>	<u>(1,056,888)</u>	<u>(424,647)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 5,362,313</u>	<u>\$ (815,167)</u>	<u>\$ (1,088,401)</u>
Debt service as a percentage of noncapital expenditures	<u>23.67%</u>	<u>20.94%</u>	<u>27.81%</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  
Years will continue to be added until 10 years of comparison is listed.

**CITY OF LUCAS, TEXAS**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST THREE 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 <sup>1</sup> as a Percentage of Actual Value	
	Residential Property	Commercial Property						Personal Property
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)	507,415,733	0.374177	649,969,623	0.7829

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

<sup>1</sup> Includes tax-exempt property



Table 7

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

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 Community College	
2007	0.248146	0.126854	0.375	1.69340	1.7751	1.841	1.5784	1.5914	1.7025	0.245	0.87683							
2008	0.244260	0.130740	0.375	1.47630	1.4703	1.517	1.2684	1.3687	1.39	0.245	0.86984							
2009	0.250509	0.123668	0.374177	1.515	1.4703	1.517	1.3034	1.49	1.51	0.2425	0.86493							

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, 2009  
 (unaudited)**

**Table 8**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>Assessed Taxable Value 2009 Fiscal Year</b>	<b>Rank</b>	<b>Percentage of Assessed Taxable Value</b>
Weekly Homes LP	Home Builder	\$ 3,430,348	1	0.0068
Paul Taylor Homes Limited	Home Builder	2,172,095	2	0.0043
F G Creek Properties LTD	Home Builder	1,887,050	3	0.0037
Wolf Creek Lucas Investors LP	Home Builder	1,815,550	4	0.0036
New Lineage Custom Homes LLC	Home Builder	1,670,632	5	0.0033
Holmes Family Interests Inc	Home Builder	1,495,505	6	0.0029
Rockland Farms Lot Venture JV	Home Builder	1,419,778	7	0.0028
Weekly Homes LP	Home Builder	1,407,421	8	0.0028
RH Texas LTD	Home Builder	1,106,943	9	0.0022
Plains Capital Bank	Home Builder	1,083,015	10	0.0021
		<b>\$ 17,488,337</b>		<b>0.0345</b>

**Source:** Collin County Appraisal District

CITY OF LUCAS, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST THREE 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
2007	1,540,374	1,555,359	100.97%	44,167	1,599,526	103.84%
2008	1,692,109	1,719,644	101.63%	23,502	1,743,146	103.02%
2009	1,827,126	1,901,081	104.05%	30,526	1,931,607	105.72%

**Source:** Collin County Appraisal District

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

**Note2:** Tax levy amounts do not include arbitrated amounts, therefore the portion arbitrated is higher than the uncollected amount which results in a current collected percentage higher than 100%.

Table 10

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	General Certificates of Obligation	Other Obligations	General Obligation Bonds	Other Obligations	Revenue Bonds			
2007	-	5,150,000	-	365,000	4,575,000	-	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

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

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

Table 11

Fiscal Year	Estimated Population <sup>1</sup>	Assessed Value <sup>2</sup>	Gross Bonded Debt <sup>3</sup>	Less Debt Service Fund <sup>4</sup>	Net Bonded Debt	% of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
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	412,749	4,122,251	0.81%	764

**Source:**

<sup>1</sup> City Staff

<sup>2</sup> Collin County Appraisal District

<sup>3</sup> Schedule of Bonds Payable and Total Bonds for Fiscal Year

<sup>4</sup> 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, 2009  
 (unaudited)

Table 12

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Allen ISD	\$ 322,457,217 *	0.32%	\$ 1,031,863
Collin County	365,495,000 *	0.66%	2,412,267
Collin County CCD	46,215,398	0.66%	305,022
Lovejoy ISD	108,826,571	30.78%	33,496,819
McKinney ISD	459,864,927	0.56%	2,575,244
Plano ISD	963,117,453 *	0.09%	866,806
Princeton ISD	65,334,075	0.07%	45,734
Wylie ISD	232,337,553	0.18%	418,208
	<u>\$ 2,563,648,194</u>		\$ 41,151,963
City of Lucas			<u>4,666,748</u>
			<u>\$45,818,711</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			9.70%
Per capita overlapping bonded debt			<u>\$8,984</u>

\*Gross Debt

Source: "Texas Municipal Report" as of September 30, 2008, 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's 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 THREE FISCAL YEARS  
 (unaudited)**

**Table 13**

	Fiscal Year		
	2007	2008	2009
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.375	0.375	0.374177
Available Tax Rate	<u>\$ 2.12500</u>	<u>\$ 2.12500</u>	<u>\$ 2.12582</u>

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

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

**Table 14**

Water and Sewer Revenue Bonds						
Fiscal Year	Total Revenues <sup>a</sup>	Less: Operating Expenses <sup>b</sup>	Net Available Revenue <sup>c</sup>	Debt Service		Times Coverage
				Principal	Interest	
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

**Note:**

- <sup>a</sup> Total Revenues does not include non-operating revenues
- <sup>b</sup> Operating Expenses only-no transfer or depreciation
- <sup>c</sup> 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 THREE FISCAL YEARS  
 (unaudited)**

**Table 15**

<u>Fiscal Year</u>	<u>Estimated Population <sup>1</sup></u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Average Age</u>	<u>Grade School Enrollment <sup>2</sup></u>	<u>Unemployment Rate <sup>3</sup></u>
2007	4,710	113,450	34,020	41	546	3.50%
2008	4,914	115,161	37,539	39	578	2.30%
2009	5,397	136,249	46,392	41.1	533	3.90%

**Sources:**

- <sup>1</sup> City of LUCAS's staff estimate
- <sup>2</sup> LUCAS I S D
- <sup>3</sup> Texas Workforce Commission

Note: 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  
 FULL-TIME EQUIVALENT CITY GOVERNMENT  
 EMPLOYEES BY FUNTION/PROGRAM  
 LAST THREE FISCAL YEARS  
 (unaudited)**

**Table 16**

<b>Function / Program</b>	<b>Full-time Equivalent Employees for Fiscal Year</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
General government	8	8	8
Municipal Court	1	1	1
Police	0	0	0
Fire	1	1	2
Public Works	7	8	8
Water and Sewer Systems	3	4	4
	<u>20</u>	<u>22</u>	<u>23</u>

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

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

**Table 17**

<b>Function/Program</b>	<b>Fiscal Year</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Public Safety</b>			
Municipal Court			
Number of cases filed	123	133	2
Fire			
Number of calls answered	310	357	402
<b>Public Works</b>			
Streets maintained	140	150	160
<b>Water and Wastewater</b>			
New connections	298	277	215
Annual gallons of water pumped (thousands)	294,000	428,000	420,080
Miles of water mains mainted	41	41.5	42

**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 THREE FISCAL YEARS  
 (unaudited)**

**Table 18**

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

Source: City departments

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