

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2010

City of Lucas, Texas

Home-Rule, Council-Manager Form of Government



Interim City Manager
Dan Savage

Finance Manager
Elizabeth Exum



CITY OF LUCAS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTORY SECTION	
Letter of Transmittal.....	v
Organizational Chart.....	ix
Elected Officials and Administrative Officers.....	x
II. FINANCIAL SECTION	
Independent Auditor's Report on Financial Statements.....	3
A. Management Discussion and Analysis.....	5
B. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets.....	19
Statement of Activities.....	20
Fund Financial Statements:	
Governmental Fund Financial Statements	
Balance Sheet.....	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	25
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Modified Accrual Basis) and Actual.....	26
Proprietary Fund Financial Statements	
Statement of Net Assets.....	27
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	28
Statement of Cash Flows.....	29
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets.....	30
Statement of Changes in Fiduciary Net Assets.....	31
Notes to the Financial Statements	33
C. Required Supplementary Information	
Schedule of Pension Trust - TMRS Funding Progress and Contributions.....	51
D. Supplementary Information	
Budgetary Comparison Schedule - Debt Service Fund.....	55
Budgetary Comparison Schedule - Capital Improvements Fund.....	56

**CITY OF LUCAS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS

	<u>Page</u>
STATISTICAL SECTION (UNAUDITED)	
Statistical Section Table of Contents.....	59
Table	
1 Net Assets by Component.....	61
2 Changes in Net Assets.....	62
3 Governmental Activities Tax Revenues by Source.....	64
4 Fund Balances, Governmental Funds.....	65
5 Changes in Fund Balances of Governmental Funds.....	66
6 Assessed Value and Estimated Actual Value of Taxable Property.....	67
7 Direct and Overlapping Property Tax Rates.....	68
8 Principal Taxpayers.....	69
9 Property Tax Levies and Collections.....	70
10 Ratio of Outstanding Debt by Type.....	71
11 Ratios of Net General Bonded Debt Outstanding.....	72
12 Direct and Overlapping Governmental Activities Debt.....	73
13 Legal Debt Margin Information.....	74
14 Pledged-Revenue Coverage.....	75
15 Demographic and Economic Statistics.....	76
16 Full-Time Equivalent City Government Employees by Function/Program.....	77
17 Operating Indicators by Function.....	78
18 Capital Asset Statistics by Function.....	79

INTRODUCTORY SECTION





665 Country Club Rd.
Lucas, Texas 75002

January 31, 2011

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, 2010, 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, 2010. 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 2010, the North Central Texas Council of Governments estimated the population of Lucas at 5,400, 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 administered 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 1 or 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 5,400.

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:

- An average of 70 new homes permitted annually with an average cost of \$462,380.
- Construction of a new sewer system for the FM 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. As of the end of 2010, 21,442 linear feet, or 4.1 miles, have been completed.
- Asphalt resurfacing was completed late summer including Meadow Drive, Harvest Way, Broadmoor Way, Greenfield Way, Woodmore Drive, Glencove Circle, Highland Circle, Crestview Circle and Estelle Lane for a total of 9,800 linear feet, or 1.9 miles.
- Water line construction was completed at Country Club Road and Forest Grove, Southview Drive, and Brockdale Park Road and Brookhaven Drive for a total of 35,230 linear feet or 6.7 miles.

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

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

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

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

General Governmental Functions

Tax Rates All eligible property within the City 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 2006-2007	0.375000
FY 2007-2008	0.375000
FY 2008-2009	0.374177
FY 2009-2010	0.374177
FY 2010-2011	0.374177

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

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

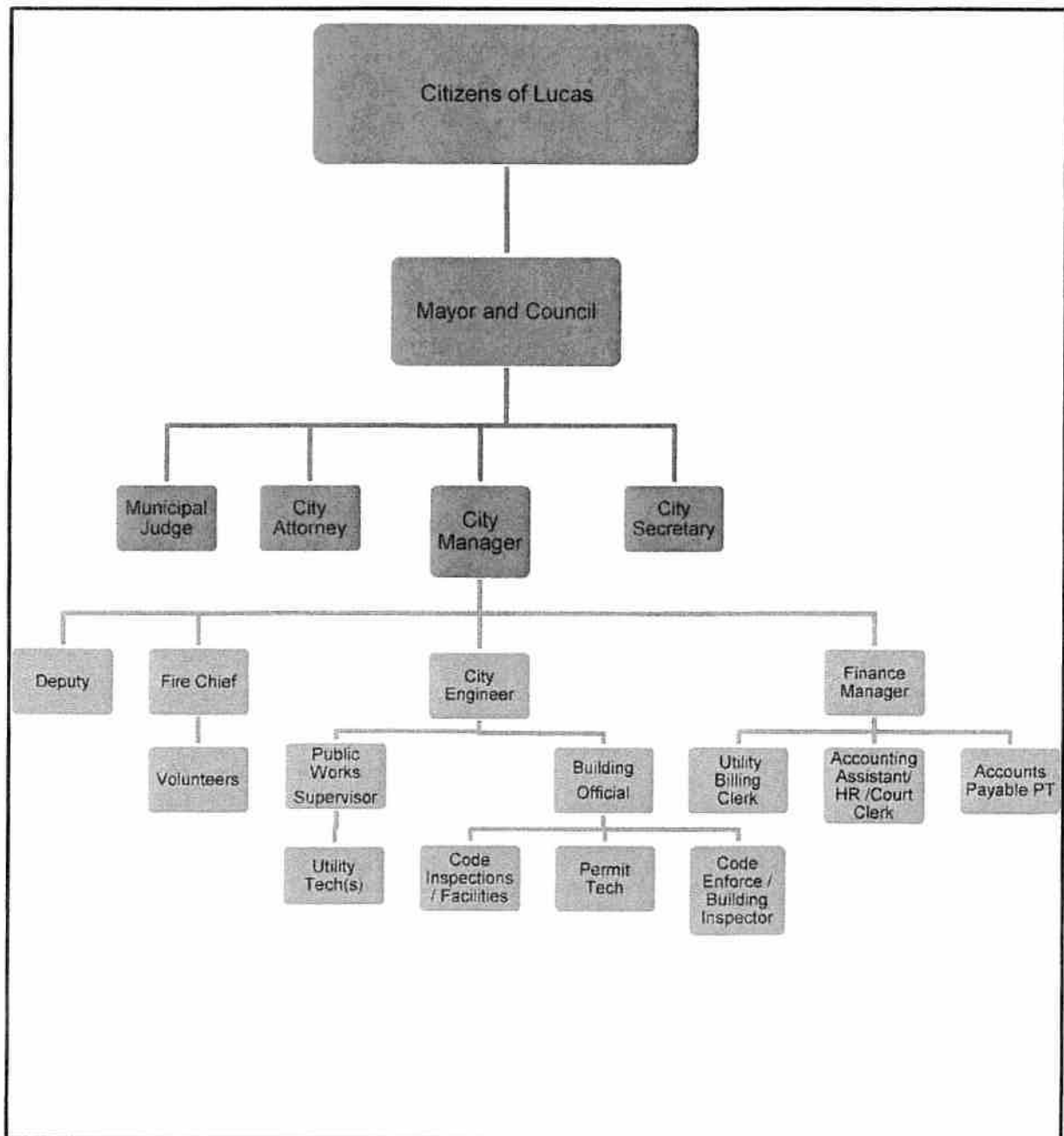
Respectfully submitted,

Dan Savage
INTERIM CITY MANAGER

Elizabeth Exum
FINANCE MANAGER



City of Lucas



**CITY OF LUCAS, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS**

City Council:

Rebecca Mark	Mayor
Kathleen Peele	Mayor Pro Tem, Seat 6
Mark Barratt	Seat 1
Vacant	Seat 2
Don Zriny	Seat 3
Philip Lawrence	Seat 4
Debbie Fisher	Seat 5

Administrative Officers:

Dan Savage	Interim City Manager
Elizabeth Exum	Finance Manager
Kathy Wingo	City Secretary

FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

Toll Free (800) 594-7951
Metro (903) 450-1200

CONWAY COMPANY CPAs PC
ACCOUNTANTS & ADVISORS

www.conwaycpas.com

PO Box 8234
Greenville, Texas 75404-8234

Member
American Institute of CPAs
Texas Society of CPAs

January 31, 2011

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, 2010, 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's 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, Texas as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

1021 Park Street
Commerce, Texas 75428
Office (903) 886-2123
Fax (903) 886-6580

8910 Wesley Street
Greenville, Texas 75402
Office (903) 455-9898
Fax (903) 454-3181

#1 Horizon Court
Rockwall, Texas 75032
Office (972) 771-1065
Fax (903) 454-3181

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated January 31, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 to 15 and the Schedule of Pension Trust – TMRS Funding Progress and Contributions on page 51 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's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The individual fund budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory 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, 2010

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, 2010. 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

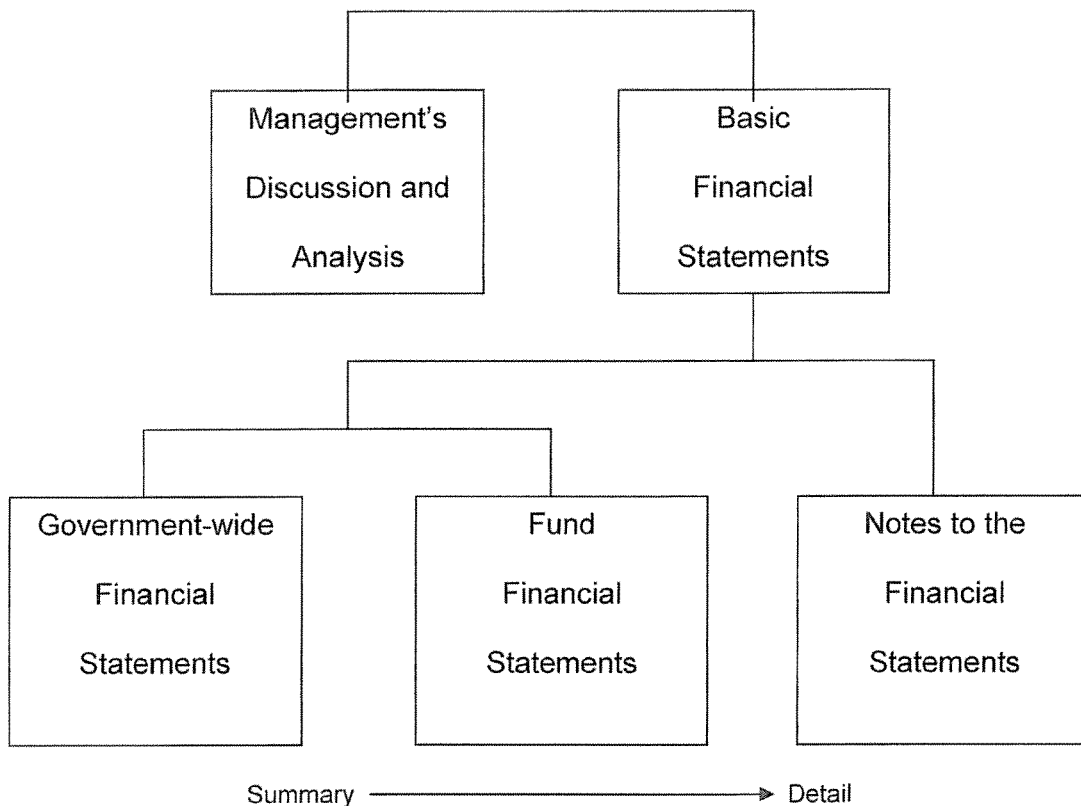
- The assets of the City of Lucas exceeded its liabilities at the close of the fiscal year by \$20,716,747 (net assets). Of this amount, \$870,694 is restricted for use of impact fees, municipal court and debt service. The amount of unrestricted net assets is \$7,545,021.
- The government's total net assets increased by \$1,247,373, due a decrease in the Government-type activities net assets and an increase Business-type net assets.
- As of the close of the current fiscal year, the City of Lucas' governmental funds reported combined ending fund balances of \$3,762,853, a decrease of \$1,601,254 or 23% in comparison with the prior year. A total of \$2,429,724 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 \$2,429,724 was 81% of total general fund expenditures for the fiscal year.
- The City of Lucas' total bonded debt decreased by (\$790,000) or 10% 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 the 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 22-31) 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, 2010**

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 22-31) 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, 2010**

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 33 to 47 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 51 of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended September 30, 2010 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 were 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, 2010**

The City of Lucas' Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 4,107,520	\$ 5,010,980	\$ 5,097,856	\$ 5,494,416	\$ 9,205,376	\$ 10,505,396
Capital assets	9,457,822	8,754,666	10,543,420	9,358,435	20,001,242	18,113,101
Total assets	<u>13,565,342</u>	<u>13,765,646</u>	<u>15,641,276</u>	<u>14,852,851</u>	<u>29,206,618</u>	<u>28,618,497</u>
Current liabilities	341,441	109,920	204,316	390,594	545,757	500,514
Long-term liabilities	4,196,374	4,575,476	3,747,740	4,090,036	7,944,114	8,665,512
Total liabilities	<u>4,537,815</u>	<u>4,685,396</u>	<u>3,952,056</u>	<u>4,480,630</u>	<u>8,489,871</u>	<u>9,166,026</u>
Net assets:						
Invested in capital assets, net of related debt	5,429,217	4,308,459	6,871,815	5,327,139	12,301,032	9,635,598
Restricted	500,694	495,249	370,000	526,921	870,694	1,022,170
Unrestricted	3,097,616	4,276,542	4,447,405	4,518,161	7,545,021	8,794,703
Total net assets	<u>\$ 9,027,527</u>	<u>\$ 9,080,250</u>	<u>\$ 11,689,220</u>	<u>\$ 10,372,221</u>	<u>\$ 20,716,747</u>	<u>\$ 19,452,471</u>

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 \$20,716,747 as of September 30, 2010. The City's net assets increased by \$1,247,373, excluding prior period adjustments, for fiscal year ended September 30, 2010. However, the largest portion (59%) 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, 4%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,545,021 is unrestricted.

CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010

The City of Lucas' Changes in Net Assets

Figure 3

	Governmental Activities		Business Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 742,131	\$ 626,639	\$ 2,085,458	\$ 2,205,460	\$ 2,827,589	\$ 2,832,099
Capital Grants and Contributions	19,860	-	-	-	19,860	-
General Revenues:						
Property Taxes	2,004,665	1,939,859	-	-	2,004,665	1,939,859
Sales Taxes	157,918	160,314	-	-	157,918	160,314
Franchise Taxes	258,522	220,729	-	-	258,522	220,729
Investment Income	50,305	100,960	4,555	29,359	54,860	130,319
Intergovernmental	164,739	203,682	-	-	164,739	203,682
Miscellaneous	57,418	53,842	-	150	57,418	53,992
Total Revenues	3,455,558	3,306,025	2,090,013	2,234,969	5,545,571	5,540,994
Expenses:						
General Government	\$ 583,494	\$ 503,433	\$ -	\$ -	\$ 583,494	\$ 503,433
Public Safety	615,541	518,869	-	-	615,541	518,869
Public Works	581,006	587,841	-	-	581,006	587,841
Parks and Recreation	79,758	67,630	-	-	79,758	67,630
Trash Service	302,779	290,328	-	-	302,779	290,328
Building Official	225,401	144,485	-	-	225,401	144,485
Interest on Long-Term Debt	175,627	217,022	-	-	175,627	217,022
Water and Sewer	-	-	1,734,592	1,704,106	1,734,592	1,704,106
Total Expenses	2,563,606	2,329,608	1,734,592	1,704,106	4,298,198	4,033,714
Change in Net Assets before Other						
Revenues and Financing Sources (Uses)	891,952	976,417	355,421	530,863	1,247,373	1,507,280
Other Revenues & Financing Sources (Uses):						
Transfers	(970,175)	(424,647)	970,175	424,647	-	-
Total Other Financing Sources (Uses)	(970,175)	(424,647)	970,175	424,647	-	-
Total Change in Net Assets	(78,223)	551,770	1,325,596	955,510	1,247,373	1,507,280
Net assets - October 1	9,080,250	8,527,471	10,372,221	9,323,946	19,452,471	17,851,417
Prior Period Adjustments	25,500	1,009	(8,597)	92,765	16,903	93,774
Net assets - September 30	\$ 9,027,527	\$ 9,080,250	\$ 11,689,220	\$ 10,372,221	\$ 20,716,747	\$ 19,452,471

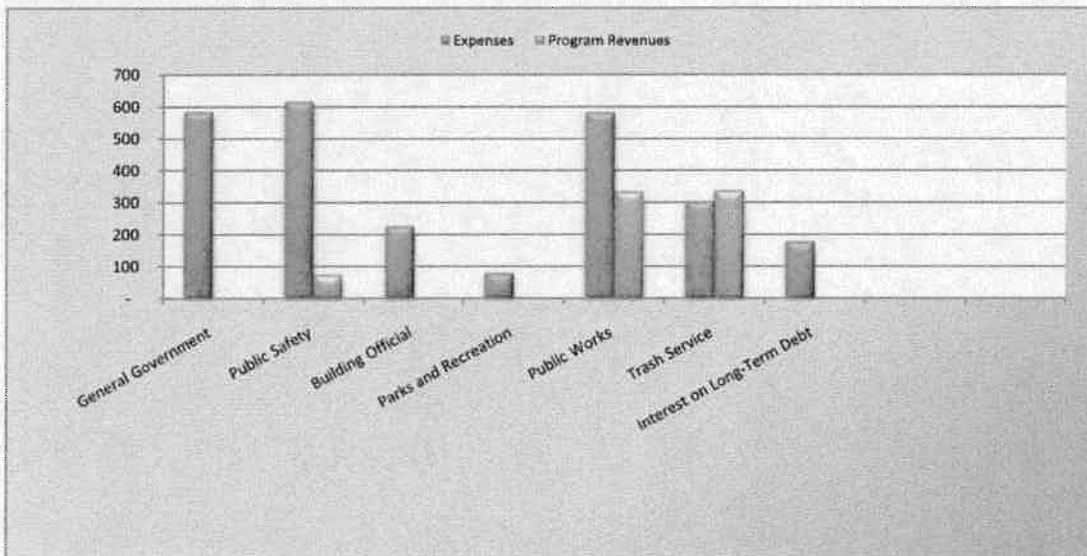
CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010

Governmental-type activities - The Governmental-type activities decreased the City's net assets by \$(78,223), excluding prior period adjustments. A key element of this decrease is as follows:

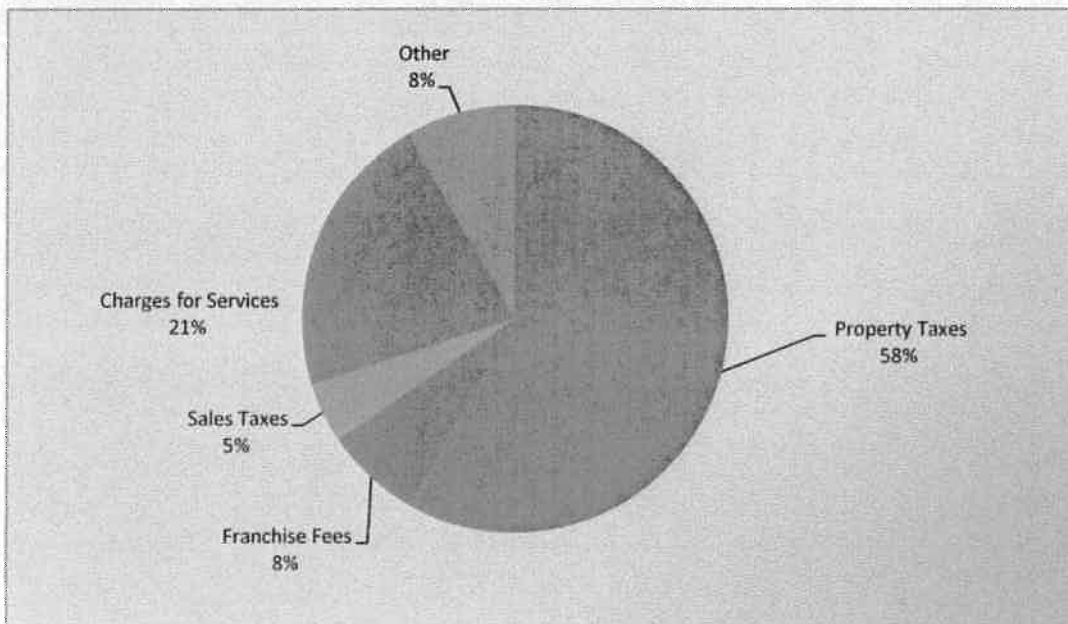
Operating expenses increased by 10%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues By Source - Governmental Activities

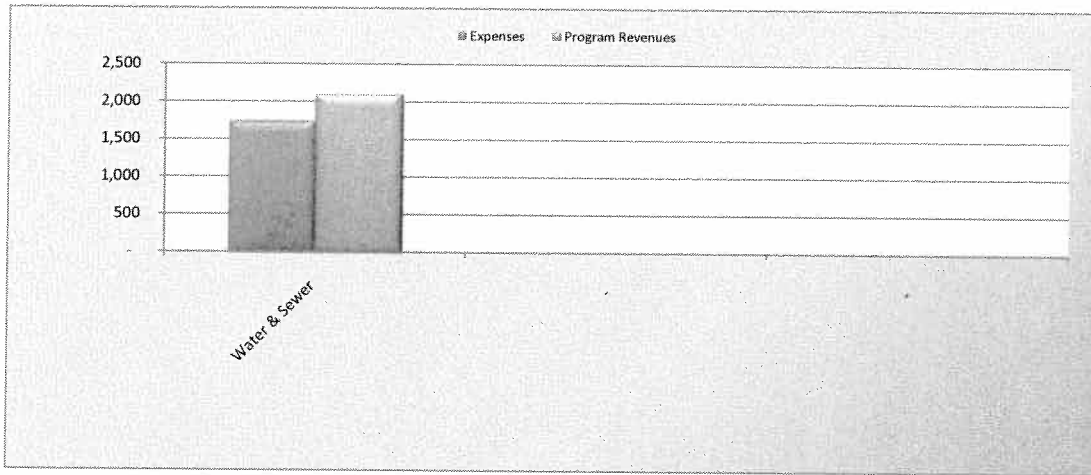


CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010

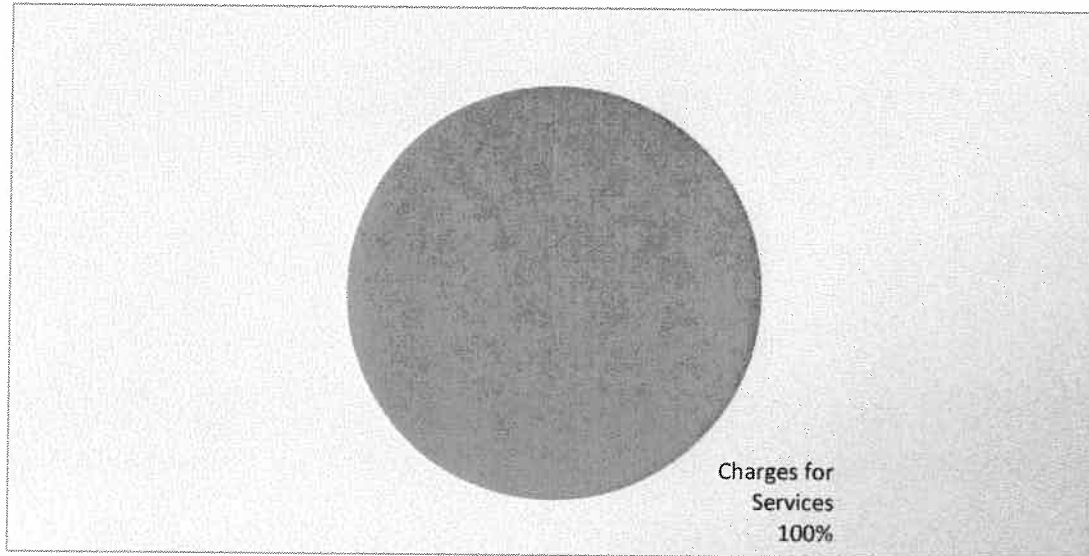
Business-type Activities - Business-type activities increased the City of Lucas's net assets by \$1,325,596. A key element of this increase is as follows:

Program revenues exceeded program expenses by 21% in the current year.

Expenses and Program Revenues - Business Activities
(amounts expressed in thousands)



Revenues By Source - Business Activities



**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010**

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 \$2,429,724. 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 81% of total General Fund expenditures.

At September 30, 2010, the governmental funds of the City of Lucas reported a combined fund balance of \$3,762,853, a 23% decrease from last year.

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 impact fees and permit and licenses. Expenditures were generally lower than budgeted amounts mainly in the area of public safety and public works.

Proprietary Funds - The City of Lucas' 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 \$4,447,405.

CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010

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, 2010, totals \$20,001,242 (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 8%. The capital assets for the business-type activities increased by 13%.

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

- Roadway projects and improvements
- Completion of water and sewer infrastructure
- Construction in progress includes projects for construction and improvement of water systems. Related interest of \$20,049 was capitalized using the weighted average interest rate method.

Figure 4

City of Lucas
Capital Assets
September 30, 2010
(net of accumulated depreciation)

	Governmental		Business-type		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 903,447	\$ 517,480	\$ 415,756	\$ 65,338	\$ 1,319,203	\$ 582,818
Construction in Progress	-	107,605	885,973	1,573,183	885,973	1,680,788
Furniture & Equipment	462,294	368,899	292,901	270,241	755,195	639,140
Vehicles	631,768	379,143	73,793	-	705,561	379,143
Buildings & Improvements	1,435,037	1,638,658	681,647	1,003,835	2,116,684	2,642,493
Infrastructure	6,025,276	5,742,881	8,193,350	6,445,838	14,218,626	12,188,719
Total	<u>\$ 9,457,822</u>	<u>\$ 8,754,666</u>	<u>\$ 10,543,420</u>	<u>\$ 9,358,435</u>	<u>\$ 20,001,242</u>	<u>\$ 18,113,101</u>

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, 2010 the City of Lucas had total long-term bonded debt outstanding of \$7,840,000, a decrease of \$790,000 or 10% in comparison with the prior year.

City of Lucas
Outstanding Bonded Debt
As of September 30, 2010

	Governmental		Business-type		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 1,735,000	\$ 1,745,000	\$ 1,300,000	\$ 1,360,000	\$ 3,035,000	\$ 3,105,000
Certificates of Obligation	2,375,000	2,790,000	2,430,000	2,735,000	4,805,000	5,525,000
	<u>\$ 4,110,000</u>	<u>\$ 4,535,000</u>	<u>\$ 3,730,000</u>	<u>\$ 4,095,000</u>	<u>\$ 7,840,000</u>	<u>\$ 8,630,000</u>

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, 2010**

Economic Factors and Next Year's Budgets and Rates

The approved budget for all funds for FY 2010-2011 reflects total anticipated revenues of \$4,966,793 and total anticipated expenditures of \$4,964,190. This amount includes a projected increase in expenditures related to building and park projects.

The adopted tax rate for FY 2010-2011 will remain at \$0.374177 per \$100 valuation.

This budget will raise more total property taxes than last year's budget by \$107,179 or 5.99%, and of that amount, \$45,247 is tax revenue to be raised from new property added to the tax roll.

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, 2010**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,515,880	\$ 4,252,648	\$ 7,768,528
Receivables (net of allowance for uncollectibles)	70,097	271,577	341,674
Deferred Charges	24,756	37,093	61,849
Restricted assets:			
Cash and Cash Equivalents	496,787	536,538	1,033,325
Non-depreciable Capital Assets:			
Land	903,447	415,756	1,319,203
Construction in Progress	-	885,973	885,973
Depreciable Capital Assets (net):			
Furniture & Equipment	462,294	292,901	755,195
Vehicles	631,768	73,793	705,561
Building & Improvements	1,435,037	681,647	2,116,684
Infrastructure	6,025,276	8,193,350	14,218,626
Total Assets	13,565,342	15,641,276	29,206,618
LIABILITIES			
Accounts Payable	303,280	8,106	311,386
Wages Payable	9,415	4,014	13,429
Customer Deposits	-	166,538	166,538
Accrued Interest Payable	28,146	25,658	53,804
Other Liabilities	600	-	600
Noncurrent Liabilities:			
Due within one year:			
Compensated Absences	957	292	1,249
Bonds Payable	10,000	60,000	70,000
Certificates of Obligation	475,000	310,000	785,000
Due in more than one year:			
Unfunded Pension Liability	143,365	60,995	204,360
Compensated Absences	23,447	14,848	38,295
Bonds Payable	1,643,605	1,181,605	2,825,210
Certificates of Obligation	1,900,000	2,120,000	4,020,000
Total Liabilities	4,537,815	3,952,056	8,489,871
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	5,429,217	6,871,815	12,301,032
Restricted for:			
Use of Impact Fees	1,500	-	1,500
Municipal Court	10,287	-	10,287
Debt Service	488,907	370,000	858,907
Unrestricted	3,097,616	4,447,405	7,545,021
Total Net Assets	\$ 9,027,527	\$ 11,689,220	\$ 20,716,747

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, 2010

		Program Revenues	
		Charges for	Capital
Expenses		Services	Grants and Contributions
Function/Program Activities			
Primary Government:			
Governmental Activities:			
General Government	\$ 583,494	\$ -	\$ 19,860
Police	83,010	-	-
Fire	532,531	72,689	-
Building Official	225,401	-	-
Parks and Recreation	79,758	-	-
Public Works	581,006	333,596	-
Trash Service	302,779	335,846	-
Interest on Long-Term Debt	175,627	-	-
Total governmental activities	2,563,606	742,131	19,860
Business-type Activities:			
Water and Sewer	1,734,592	2,085,458	-
Total business-type activities	1,734,592	2,085,458	-
Total primary government	\$ 4,298,198	\$ 2,827,589	\$ 19,860

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

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Activities	Total
\$ (563,634)	\$ -	\$ (563,634)
(83,010)	-	(83,010)
(459,842)	-	(459,842)
(225,401)	-	(225,401)
(79,758)	-	(79,758)
(247,410)	-	(247,410)
33,067	-	33,067
(175,627)	-	(175,627)
(1,801,615)	-	(1,801,615)
-	350,866	350,866
-	350,866	350,866
\$ (1,801,615)	\$ 350,866	\$ (1,450,749)

\$ 2,004,665	\$ -	\$ 2,004,665
157,918	-	157,918
258,522	-	258,522
50,305	4,555	54,860
164,739	-	164,739
57,418	-	57,418
(970,175)	970,175	-
1,723,392	974,730	2,698,122
(78,223)	1,325,596	1,247,373
9,080,250	10,372,221	19,452,471
25,500	(8,597)	16,903
\$ 9,027,527	\$ 11,689,220	\$ 20,716,747

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

CITY OF LUCAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General Fund	Debt Service Fund	Capital Improvements Funds	Total
ASSETS				
Cash and Cash Equivalents	\$ 2,416,699	\$ -	\$ 1,099,181	\$ 3,515,880
Receivables (net of allowances for uncollectibles)	64,008	6,089	-	70,097
Cash and Cash Equivalents - Restricted	11,787	485,000	-	496,787
Total Assets	2,492,494	491,089	1,099,181	4,082,764
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	36,534	-	266,746	303,280
Wages Payable	9,415	-	-	9,415
Other Liabilities	600	-	-	600
Deferred Revenues	4,434	2,182	-	6,616
Total Liabilities	50,983	2,182	266,746	319,911
Fund Balance:				
Reserved for:				
Use of Impact Fees	1,500	-	-	1,500
Municipal Court	10,287	-	-	10,287
Debt Service	-	488,907	-	488,907
Unreserved, Designated for:				
Capital Projects	-	-	832,435	832,435
Unreserved, Undesignated:	2,429,724	-	-	2,429,724
Total Fund Balance	2,441,511	488,907	832,435	3,762,853
Total Liabilities and Fund Balances	\$ 2,492,494	\$ 491,089	\$ 1,099,181	\$ 4,082,764

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
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

Total fund balances - governmental funds balance sheet	\$ 3,762,853
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.	11,387,939
Accumulated depreciation is not included in the governmental fund financial statements.	(1,930,117)
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.	24,756
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.	(4,028,605)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(24,404)
Unfunded pension liability is not reflected in the fund financial statements.	(143,365)
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.	(28,146)
	<hr/>
Net assets of governmental activities - statement of net assets	<u><u>\$ 9,027,527</u></u>

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, 2010

	General Fund	Debt Service Fund	Capital Improvements Fund	Total Governmental Funds
REVENUES				
Taxes:				
Property including P&I	1,350,252	\$ 654,413	\$ -	\$ 2,004,665
Sales	157,918	-	-	157,918
Franchise Fees	258,522	-	-	258,522
Fines and Forfeitures	18,608	-	-	18,608
Licenses and Permits	262,463	-	-	262,463
Fire Department	68,143	-	-	68,143
Trash Service	335,846	-	-	335,846
Impact Fees	57,070	-	-	57,070
Grant Revenues	19,860	-	-	19,860
Intergovernmental Revenue	-	-	164,739	164,739
Investment Income	24,477	1,051	24,777	50,305
Miscellaneous	57,418	-	-	57,418
Total Revenues	2,610,577	655,464	189,516	3,455,557
EXPENDITURES				
Current:				
City Council	39,213	-	-	39,213
City Secretary	102,203	-	-	102,203
Administrative	366,150	-	-	366,150
Public Works	305,651	-	-	305,651
Animal Control	33,570	-	-	33,570
Parks and Recreation	71,479	-	-	71,479
Fire Department	444,785	-	-	444,785
Police	83,010	-	-	83,010
Trash Service	302,779	-	-	302,779
Building Official	221,931	-	-	221,931
Debt Service:				
Principal Retirement	-	425,000	-	425,000
Interest and Fiscal Agent Fees	-	178,791	-	178,791
Capital Outlays	1,046,718	-	-	1,046,718
Total Expenditures	3,017,489	603,791	-	3,621,280
Excess (deficiency) of revenues over (under) expenditures	(406,912)	51,673	189,516	(165,723)
Other Revenues and Financing Sources (uses)				
Transfers	568,699	24,486	(1,563,359)	(970,174)
Total Other Financing Sources (uses)	568,699	24,486	(1,563,359)	(970,174)
Net Change in Fund Balances	161,787	76,159	(1,373,843)	(1,135,897)
Fund Balances, October 1	2,279,724	412,748	2,206,278	4,898,750
Fund Balances, September 30	\$ 2,441,511	\$ 488,907	\$ 832,435	\$ 3,762,853

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, 2010**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ (1,135,897)
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.	1,046,717
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.	(369,061)
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.	425,000
Amortization of debt issuance costs is not recognized in the governmental funds. The effect of recording current years amortization is to decrease net assets.	(9,650)
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.	(3,165)
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year decrease is to increase net assets.	(4,820)
Changes in Unfunded Pension Liability are not reported at the fund level, however, they are reported at the government-wide level.	(33,963)
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
Change in net assets - statement of activities	<u>\$ (78,223)</u>

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 1,374,029	\$ 1,374,029	\$ 1,350,252	\$ (23,777)
Sales	140,000	140,000	157,918	17,918
Franchise Fees	224,540	224,540	258,522	33,982
Fines and Forfeitures	3,600	3,600	18,608	15,008
Licenses and Permits	186,900	206,760	262,463	55,703
Fire Department	13,500	63,638	68,143	4,505
Trash Service	328,000	328,000	335,846	7,846
Impact Fees	-	-	57,070	57,070
Grant Revenues	-	240,546	19,860	(220,686)
Investment Income	11,856	11,856	24,477	12,621
Miscellaneous	32,400	49,920	57,418	7,498
Total Revenues	2,314,825	2,642,889	2,610,577	(32,312)
EXPENDITURES				
Current:				
General Government:				
City Council	61,050	61,050	39,213	21,837
City Secretary	98,382	108,169	102,203	5,966
Administrative	393,069	403,324	366,150	37,174
Total general government	552,501	572,543	507,566	64,977
Public Safety:				
Fire Department	389,542	479,463	444,785	34,678
Police	82,250	84,250	83,010	1,240
Total public safety	471,792	563,713	527,795	35,918
Public Works:				
Public Works	400,254	411,095	305,651	105,444
Parks and Recreation	88,297	90,620	71,479	19,141
Animal Control	33,570	33,570	33,570	-
Total public works	522,121	535,285	410,700	124,585
Trash Service	300,000	303,000	302,779	221
Building Official	264,458	263,283	221,931	41,352
Capital Outlays	1,662,638	1,000,996	1,046,718	(45,722)
Total Expenditures	3,773,510	3,238,820	3,017,489	221,331
Excess of revenues over expenditures	(1,458,685)	(595,931)	(406,912)	189,019
Other Financing Sources (uses)				
Transfers	-	-	568,699	568,699
Total Other Financing Sources and uses	-	-	568,699	568,699
Net Change in Fund Balances	(1,458,685)	(595,931)	161,787	757,718
Fund Balances/Equity, October 1	2,279,724	2,279,724	2,279,724	
Fund Balances/Equity, September 30	\$ 821,039	\$ 1,683,793	\$ 2,441,511	

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

**CITY OF LUCAS, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2010**

	Water & Sewer
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,252,648
Receivables (net of allowance for uncollectibles)	271,577
Total Current Assets	<u>4,524,225</u>
Noncurrent Assets:	
Cash and Cash Equivalents - Restricted	536,538
Deferred Charges	37,093
Capital Assets:	
Land	415,756
Machinery & Equipment	558,030
Buildings	734,067
Vehicles	80,738
Infrastructure	9,920,682
Construction-In-Progress	885,973
Less: accumulated depreciation	<u>(2,051,826)</u>
Total Capital Assets (net of accumulated depreciation)	<u>10,543,420</u>
Total Noncurrent Assets	<u>11,117,051</u>
Total Assets	<u><u>15,641,276</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities:	
Accounts Payable	8,106
Wages Payable	4,014
Customer Deposits	166,538
Accrued Interest	25,658
Compensated Absences - current	292
Certificates of Obligation - current	310,000
Bonds Payable - current	60,000
Total Current Liabilities	<u>574,608</u>
Noncurrent Liabilities:	
Unfunded Pension Liability	60,995
Compensated Absences	14,848
Certificates of Obligation	2,120,000
Bonds Payable	1,181,605
Total Noncurrent Liabilities	<u>3,377,448</u>
Total Liabilities	<u><u>3,952,056</u></u>
NET ASSETS	
Invested in capital assets (net of related debt)	6,871,815
Restricted for:	
Debt Service	370,000
Unrestricted	4,447,405
Total Net Assets	<u><u>\$ 11,689,220</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 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Water & Sewer
OPERATING REVENUES:	
Charges for Services	\$ 2,053,184
Impact Fees	32,274
Total Operating Revenues	<u>2,085,458</u>
OPERATING EXPENSES:	
Personnel Services	366,691
Contractual Services	871,808
Supplies and Materials	13,011
Maintenance and Repair	35,784
Bad Debt Expense	4,798
Miscellaneous Expense	2,000
Depreciation	292,724
Total Operating Expenses	<u>1,586,816</u>
Operating Income	<u>498,642</u>
NON-OPERATING REVENUES (EXPENSES):	
Amortization Expense	(8,559)
Interest Revenue	4,555
Interest Expense	(139,217)
Total Non-Operating Revenues (Expenses)	<u>(143,221)</u>
Income Before Transfers	355,421
Transfers	970,175
Change in Net Assets	1,325,596
Net Assets, October 1	10,372,221
Prior Period Adjustments	(8,597)
Net Assets, September 30	<u><u>\$ 11,689,220</u></u>

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

**CITY OF LUCAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Business-Type Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 2,095,295
Cash Received from Other Sources	32,274
Cash Paid to Employees	(366,691)
Cash Paid to Suppliers	(1,106,530)
Net Cash Provided by Operating Activities	<u>654,348</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	970,175
Net Cash Provided by Non-capital Financing Activities	<u>970,175</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(1,483,016)
Principal Paid	(355,386)
Interest Paid	(141,873)
Net Cash Used for Capital & Related Financing Activities	<u>(1,980,275)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	4,555
Net Cash Provided by Investing Activities	<u>4,555</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(351,197)
Cash and Cash Equivalents at Beginning of Year	5,140,383
Cash and Cash Equivalents at End of Year	<u><u>\$ 4,789,186</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operation Activities:	
Operating Income	\$ 498,642
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation and Amortization	292,724
Prior Period Adjustment	(8,597)
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivables	42,111
(Decrease) Increase in:	
Accounts payable	(199,173)
Customer deposits	15,551
Unfunded Pension Liability	13,090
Total Adjustments	<u>155,706</u>
Net Cash Provided by Operating Activities	<u><u>\$ 654,348</u></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 FUND
SEPTEMBER 30, 2010**

	<u>Developers Escrow</u>
ASSETS	
Cash and Investments - Restricted	\$ 49,524
Total Assets	<u>49,524</u>
LIABILITIES	
Developers Escrow	49,524
Total Liabilities	<u>\$ 49,524</u>

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

CITY OF LUCAS, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2010

	Balance September 2009	Additions	Deductions	Balance September 2010
ASSETS				
Cash and Investments - Restricted	\$ 24,084	\$ 25,440	\$ -	\$ 49,524
Total Assets	<u>24,084</u>	<u>25,440</u>	<u>-</u>	<u>49,524</u>
LIABILITIES				
Developers Escrow	24,084	25,440	-	49,524
Total Liabilities	<u>\$ 24,084</u>	<u>\$ 25,440</u>	<u>\$ -</u>	<u>\$ 49,524</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, 2010**

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 ("GAAP"). 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 business-type funds, each displayed in a separate column. All remaining governmental and business-type 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, 2010**

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, 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, 2010**

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 the 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 proprietary 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

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, 2010

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

c. Property Taxes

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

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

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

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2010, the City had a tax rate of \$0.374177 per \$100 assessed valuation based upon the maximum rates described above.

d. Restricted Assets

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

e. Capital Assets

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

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.

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

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

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

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

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.

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.

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

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, 2010

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 Finance Manager 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, 2010**

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, 2010, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,801,853 and the bank balance was \$9,075,547. The City's cash deposits at September 30, 2010 and during the year ended September 30, 2010, 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 \$9,075,547. Cash and investments as of September 30, 2010 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary Government	
Cash and Cash Equivalents	\$ 4,142,954
Investments	<u>4,658,899</u>
Total cash and cash equivalents	<u>\$ 8,801,853</u>
Cash on hand	\$ 300
Savings and checking accounts	4,142,654
Investments	<u>4,658,899</u>
Total cash and cash equivalents	<u>\$ 8,801,853</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, 2010

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, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity - days</u>
LOGIC	\$ 1,519,754	48
TexPool	485,422	42
Lone Star	2,653,723	47
	<u>\$ 4,658,899</u>	

As of September 30, 2010 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	\$ 1,519,754	N/A	AAA-m
TexPool	485,422	N/A	AAA-m
Lone Star	2,653,723	N/A	AAA-m
	<u>\$ 4,658,899</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, 2010, 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, 2010

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	\$ 12,365	\$ 6,089	\$ -	\$ 18,454
Fees and Charges	53,773	-	305,942	359,715
Gross Receivables	66,138	6,089	305,942	378,169
Less: allowance for uncollectibles	(2,130)	-	(34,365)	(36,495)
Net Total Receivables	<u>\$ 64,008</u>	<u>\$ 6,089</u>	<u>\$ 271,577</u>	<u>\$ 341,674</u>

E. Capital Assets

Capital asset activity for the period ended September 30, 2010 was as follows:

	Beginning Balances	Prior Period Adjustments	Transfers	Additions	Decreases	Ending Balances
Governmental Activities						
Capital assets not being depreciated:						
Land	\$ 517,480	\$ 385,967	\$ -	\$ -	\$ -	\$ 903,447
Construction-In-Progress	107,605	-	(107,605)	-	-	-
Total capital assets not being depreciated:	<u>625,085</u>	<u>385,967</u>	<u>(107,605)</u>	<u>-</u>	<u>-</u>	<u>903,447</u>
Capital assets being depreciated:						
Buildings and Improvements	1,850,252	(385,967)	-	219,084	-	1,683,369
Furniture & Equipment	767,798	-	-	165,016	(132,924)	799,890
Vehicles	940,818	36,435	-	288,517	(41,450)	1,224,320
Infrastructure	6,295,208	-	107,605	374,100	-	6,776,913
Total capital assets being depreciated:	<u>9,854,076</u>	<u>(349,532)</u>	<u>107,605</u>	<u>1,046,717</u>	<u>(174,374)</u>	<u>10,484,492</u>
Less accumulated depreciation for:						
Buildings and Improvements	(211,594)	-	-	(36,738)	-	(248,332)
Furniture & Equipment	(398,899)	-	-	(71,621)	132,924	(337,596)
Vehicles	(561,675)	(10,935)	-	(61,392)	41,450	(592,552)
Infrastructure	(552,327)	-	-	(199,310)	-	(751,637)
Total accumulated depreciation:	<u>(1,724,495)</u>	<u>(10,935)</u>	<u>-</u>	<u>(369,061)</u>	<u>174,374</u>	<u>(1,930,117)</u>
Total capital assets being depreciated, net	<u>8,129,581</u>	<u>(360,467)</u>	<u>107,605</u>	<u>677,656</u>	<u>-</u>	<u>8,554,375</u>
Governmental activities capital assets, net	<u>\$ 8,754,666</u>	<u>\$ 25,500</u>	<u>\$ -</u>	<u>\$ 677,656</u>	<u>\$ -</u>	<u>\$ 9,457,822</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

E. Capital Assets (continued)

Business-type Activities	Beginning Balances	Prior Period Adjustments	Transfers	Additions	Decreases	Ending Balances
Capital assets not being depreciated:						
Land	\$ 65,338	\$ 291,169	\$ -	\$ 59,249	\$ -	\$ 415,756
Construction-In-Progress	1,573,183	-	(1,468,878)	781,668	-	885,973
Total capital assets not being depreciated:	1,638,521	291,169	(1,468,878)	840,917	-	1,301,729
Capital assets being depreciated:						
Buildings & improvements	1,025,236	(291,169)	-	-	-	734,067
Infrastructure	7,959,553	-	1,468,878	492,251	-	9,920,682
Furniture & Equipment	517,395	-	(55,782)	125,520	(29,103)	558,030
Vehicles	-	-	55,782	24,955	-	80,737
Total capital assets being depreciated:	9,502,184	(291,169)	1,468,878	642,726	(29,103)	11,293,516
Less accumulated depreciation for:						
Buildings & improvements	(21,401)	-	-	(31,019)	-	(52,420)
Infrastructure	(1,513,715)	-	-	(213,617)	-	(1,727,332)
Furniture & Equipment	(247,154)	-	-	(41,144)	23,169	(265,129)
Vehicles	-	-	-	(6,944)	-	(6,944)
Total accumulated depreciation:	(1,782,270)	-	-	(292,724)	23,169	(2,051,825)
Total capital assets being depreciated, net	7,719,914	(291,169)	1,468,878	350,002	(5,934)	9,241,691
Business-type activities capital assets, net	<u>\$ 9,358,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,190,919</u>	<u>\$ (5,934)</u>	<u>\$ 10,543,420</u>

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

Governmental activities:	
Administration	\$ 27,781
Fire Department	87,746
Parks & Recreation	8,279
Building Official	3,470
Public Works	241,785
Total depreciation expense - governmental activities	<u>\$ 369,061</u>
Business-type activities:	
Water and Sewer	\$ 292,724
Total depreciation expense - business-type activities	<u>\$ 292,724</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, 2010

G. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2010, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
General Obligation Bonds	\$ 1,745,000	\$ -	\$ (10,000)	\$ 1,735,000	\$ 10,000
Certificates of Obligation	2,790,000	-	(415,000)	2,375,000	475,000
	4,535,000	-	(425,000)	4,110,000	485,000
Less deferred amounts:					
Bond Defeasance	(88,794)	-	7,399	(81,395)	-
Total bonds payable	4,446,206	-	(417,601)	4,028,605	485,000
Compensated absences	19,868	16,024	(11,488)	24,404	957
Governmental activity					
Long-term liabilities	<u>\$ 4,466,074</u>	<u>\$ 16,024</u>	<u>\$ (429,089)</u>	<u>\$ 4,053,009</u>	<u>\$ 485,957</u>
	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable:					
General Obligation Bonds	\$ 1,360,000	\$ -	\$ (60,000)	\$ 1,300,000	\$ 60,000
Certificates of Obligation	2,735,000	-	(305,000)	2,430,000	310,000
	4,095,000	-	(365,000)	3,730,000	370,000
Less deferred amounts:					
Bond Defeasance	(63,704)	-	5,309	(58,395)	-
Total Bonds Payable	4,031,296	-	(359,691)	3,671,605	370,000
Compensated absences	10,835	4,890	(585)	15,140	292
Business-type activity					
Long-term liabilities	<u>\$ 4,042,131</u>	<u>\$ 4,890</u>	<u>\$ (360,276)</u>	<u>\$ 3,686,745</u>	<u>\$ 370,292</u>

Changes in Governmental Long-term Debt

Description	Interest Rate	Amounts Payable	Amounts Issue	Amounts Outstanding September 30, 2009	Increase	Retired	Amounts Outstanding September 30, 2010	Due Within One Year
2007 Refunding G.O.	3.76%	\$	1,790,000	\$ 1,745,000	\$ -	\$ (10,000)	\$ 1,735,000	\$ 10,000
2002 CO	4.5-5.25%		3,000,000	735,000	-	(130,000)	605,000	140,000
2007 CO	4.25%		2,500,000	2,055,000	-	(285,000)	1,770,000	335,000
Total Debt Payable			7,290,000	4,535,000	-	(425,000)	4,110,000	485,000
Compensated absences				19,868	16,024	(11,488)	24,404	957
Totals			<u>\$ 7,290,000</u>	<u>\$ 4,554,868</u>	<u>\$ 16,024</u>	<u>\$ (436,488)</u>	<u>\$ 4,134,404</u>	<u>\$ 485,957</u>

Debt service requirements are as follows:

Years Ending September 30:	Principal	Interest	Total Requirements
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	260,000	109,861	369,861
2016 -2020	1,480,000	382,932	1,862,932
2021-2025	960,000	113,011	1,073,011
2026-2027	200,000	8,500	208,500
Totals	<u>\$ 4,110,000</u>	<u>\$ 1,167,113</u>	<u>\$ 5,277,113</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

G. Long-Term Obligations (continued)

A description of each debt series follows:

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

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

\$2,500,000 Combination Tax and Limited Pledge Revenue Certificate of Obligation, Series 2007 (\$5,000,000 divided equally between Governmental and Business-type Funds), issued for the purposes of paying contractual permanent public obligations of the City to be incurred for making improvements, 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 Outstanding September 30, 2009	Increase	Retired	Amounts Outstanding September 30, 2010	Due Within One Year
2007 Refunding G.O.	3.76%	\$ 1,455,000	\$ 1,360,000	\$ -	\$ (60,000)	\$ 1,300,000	\$ 60,000
2002 CO	4.5-5.25%	2,500,000	495,000	-	(95,000)	400,000	100,000
2007 CO	4.25%	2,500,000	2,240,000	-	(210,000)	2,030,000	210,000
Total Bonds Payable		6,455,000	4,095,000	-	(365,000)	3,730,000	370,000
Compensated Absences			10,835	4,890	(585)	15,140	292
Totals		<u>\$ 6,455,000</u>	<u>\$ 4,105,835</u>	<u>\$ 4,890</u>	<u>\$ (365,585)</u>	<u>\$ 3,745,140</u>	<u>\$ 370,292</u>

Debt service requirements are as follows:

Years Ending September 30:	Principal	Interest	Total Requirements
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	275,000	99,989	374,989
2016-2020	1,240,000	343,250	1,583,250
2021-2025	835,000	127,427	962,427
2026-2027	250,000	10,625	260,625
Totals	<u>\$ 3,730,000</u>	<u>\$ 1,093,161</u>	<u>\$ 4,823,161</u>

A description of each debt series follows:

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

\$2,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2002, issued for the purpose of paying contractual obligations of the City to be incurred for constructing, acquiring, purchasing, 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 purposes of paying contractual permanent public obligations of the City to be incurred for making improvements, 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, 2010**

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 percentage (100%, 150%, or 200%) of each 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 employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the 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 percentage, which are the obligations 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 percentage 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, 2010

H. Pension Plan (continued)

2. Contributions (continued)

		City of Lucas Schedule of Actuarial Liabilities and Funding Progress		
		12/31/07	12/31/08	12/31/09
Actuarial Valuation Date		\$ 505,916	\$ 616,951	\$ 692,369
Actuarial Value of Assets		659,042	774,257	896,729
Actuarial Accrued Liability		76.8%	79.7%	77.2%
Percentage Funded		153,126	157,306	204,360
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)		616,387	677,751	752,616
Annual Covered Payroll		24.8%	23.2%	27.2%
UAAL as a Percentage of Covered Payroll				
Net Pension Obligation (NPO) at the Beginning of Period		\$ -	\$ -	\$ -
Annual Pension Cost:				
Annual required contribution (ARC)	Plus	61,864	46,834	58,173
Contributions Made	Less	(61,864)	(46,834)	(58,173)
NPO at the end of the period		\$ -	\$ -	\$ -
Actuarial cost method		Unit Credit	Unit Credit	Unit Credit
Amortization method		Level %	Level %	Level %
Asset Valuation method		Amortized	Amortized	10-year Smoothed
		Cost	Cost	Market
Amortization period		25 years-closed	24 years-closed	23 years-closed
Actuarial assumptions:				
Investment rate of return		7.00%	7.50%	7.50%
Inflation rate		3.00%	3.00%	3.00%
Projected salary increase		Varies by age and service	Varies by age and service	Varies by age and service

I. Health Care Coverage

During the year ended September 30, 2010, 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 health and 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
Automobile Coverage:						
TX Municipal League	4439	Automotive	\$ 500,000	10/01/09 to	\$ 6,152	\$ -
Joint Self Ins Fund			per occurrence	10/01/10		
TX Municipal League	4439	Automobile-	Per Schedule &	10/01/09 to	\$ 4,275	\$ 500
Joint Self Ins Fund		Phys. Damage	Endorsements	10/01/10		
Liability Coverage:						
TX Municipal League	4439	General	\$ 1,000,000	10/01/09 to	\$ 2,284	\$ -
Joint Self Ins Fund			per occurrence	10/01/10		
TX Municipal League	4439	Law	\$ 1,000,000	10/01/09 to	\$ 486	\$ 1,000
Joint Self Ins Fund		Enforcement	per claim	10/01/10		
TX Municipal League	4439	Errors &	\$ 1,000,000	10/01/09 to	\$ 3,189	\$ 2,500
Joint Self Ins Fund		Omissions	per claim	10/01/10		
Property Coverage:						
TX Municipal League	4439	Real and	\$ 5,459,571	10/01/09 to	\$ 12,290	\$ 250
Joint Self Ins Fund		Personal		10/01/10		
TX Municipal League	4439	Mobile	\$ 328,842	10/01/09 to	\$ 1,874	\$ 250
Joint Self Ins Fund		Equipment		10/01/10		
TX Municipal League	4439	Boiler and	\$ 100,000	10/01/09 to	Included	\$ 250
Joint Self Ins Fund		Machinery	Per Accident	10/01/10		

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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	420,695,000
Gallons Billed	335,757,400

The City has a contract with North Texas Municipal Water District (NTMWD) to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2010 were \$773,165.

N. Interfund Transactions

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Funds</u>		
General Fund	\$ 568,699	\$ -
Debt Service Fund	24,486	
Water/Sewer Fund	970,175	-
Capital Improvements Fund	-	1,563,360
Total Major Funds	<u>\$ 1,563,360</u>	<u>\$ 1,563,360</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 \$25,500 to correct prior year fixed asset balances. The City also had a prior period adjustment in the Proprietary Funds of \$(8,597) to record adjustments to fixed asset balances.

P. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2010 up through January 31, 2011, the date the financial statements were issued. During this period, there were no subsequent events requiring disclosure.



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF LUCAS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010

SCHEDULE OF PENSION TRUST - TMRS FUNDING PROGRESS AND CONTRIBUTIONS
LAST FIVE 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%
2010	12/31/2009	692,369	896,729	204,360	77.2%	752,616	27.2%	58,173	58,173	100%



SUPPLEMENTARY INFORMATION



CITY OF LUCAS, TEXAS
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property Taxes including P&I	\$ 603,865	\$ 603,865	\$ 654,413	\$ 50,548
Interest Income	-	-	1,051	1,051
Miscellaneous	-	-	-	-
Total Revenues	<u>603,865</u>	<u>603,865</u>	<u>655,464</u>	<u>51,599</u>
EXPENDITURES				
Current:				
Debt Service				
Installment Payments	425,000	425,000	425,000	-
Interest and Fiscal Agent Fees	178,865	178,865	178,791	74
Total Expenditures	<u>603,865</u>	<u>603,865</u>	<u>603,791</u>	<u>74</u>
Excess (deficiency) of revenues (under) expenditures	-	-	51,673	51,673
Other Revenues and Financing Sources (uses)				
Transfers	-	-	24,486	24,486
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>24,486</u>	<u>24,486</u>
Net Change in Fund Balances	-	-	76,159	76,159
Fund Balances/Equity, October 1	412,748	412,748	412,748	
Fund Balances/Equity, September 30	<u>\$ 412,748</u>	<u>\$ 412,748</u>	<u>\$ 488,907</u>	

CITY OF LUCAS, TEXAS
BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENTS FUND
SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Intergovernmental Revenue	\$ 653,000	\$ 165,000	\$ 164,739	\$ (261)
Interest Income	44,357	25,796	24,777	(1,019)
Total Revenues	<u>697,357</u>	<u>190,796</u>	<u>189,516</u>	<u>(1,280)</u>
EXPENDITURES				
Current:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues (under) expenditures	697,357	190,796	189,516	(1,280)
Other Revenues and Financing Sources (uses)				
Transfers	-	-	(1,563,359)	(1,563,359)
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>(1,563,359)</u>	<u>(1,563,359)</u>
Net Change in Fund Balances	697,357	190,796	(1,373,843)	(1,564,639)
Fund Balances/Equity, October 1	<u>2,206,278</u>	<u>2,206,278</u>	<u>2,206,278</u>	
Fund Balances/Equity, September 30	<u>\$ 2,903,635</u>	<u>\$ 2,397,074</u>	<u>\$ 832,435</u>	

STATISTICAL SECTION (UNAUDITED)



STATISTICAL SECTION (unaudited)

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

Contents

Table #s

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1,2,3,4,5

Revenue Capacity

These tables contain information to help the reader assess the City's two most significant local revenue sources, the property, and sales taxes.

6,7,8,9

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

10,11,12,13,14

Economic and Demographic Information

These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

15

Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

16,17,18

Source: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2004. 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 FIVE FISCAL YEARS
(accrual basis of accounting)
(unaudited)

Table 1

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

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

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

	2006	2007	2008	2009	2010
EXPENSES					
Governmental activities:					
General government	\$ 657,256	\$ 527,758	\$ 539,061	\$ 503,433	\$ 583,494
Public Safety	379,159	565,227	448,930	518,869	615,541
Public Works	599,392	365,295	474,705	587,841	581,006
Building Official	-	-	308,474	144,485	225,401
Parks and Recreation	79,525	70,927	64,339	67,630	79,758
Trash Service	244,403	240,312	259,180	290,328	302,779
Interest and Agent Fees	148,669	145,751	216,839	217,022	175,627
Total governmental activities expenses	<u>2,108,404</u>	<u>1,915,270</u>	<u>2,311,528</u>	<u>2,329,608</u>	<u>2,563,606</u>
Business-type activities:					
Water and Sewer	1,297,183	1,483,115	1,633,259	1,704,106	1,734,592
Total business-type activities expenses	<u>1,297,183</u>	<u>1,483,115</u>	<u>1,633,259</u>	<u>1,704,106</u>	<u>1,734,592</u>
Total primary government expenses	<u>3,405,587</u>	<u>3,398,385</u>	<u>3,944,787</u>	<u>4,033,714</u>	<u>4,298,198</u>
PROGRAM REVENUES					
Governmental activities:					
Charge for services:					
General government	338,797	335,760	-	-	-
Public Safety	63,140	81,023	53,003	27,762	72,689
Public Works	-	88,450	74,700	262,503	333,596
Building Official	-	-	354,009	-	-
Trash Service	256,989	283,755	298,515	336,374	335,846
Capital grants and contributions	-	-	-	-	19,860
Operating grants and contributions	36,932	104,794	88,260	-	-
Total governmental activities program revenues	<u>695,858</u>	<u>893,782</u>	<u>868,487</u>	<u>626,639</u>	<u>761,991</u>
Business-type activities:					
Charge for services:					
Water and Sewer	2,305,232	1,464,900	2,229,136	2,205,460	2,085,458
Total business-type activities program services	<u>2,305,232</u>	<u>1,464,900</u>	<u>2,229,136</u>	<u>2,205,460</u>	<u>2,085,458</u>
Total primary government program revenues	<u>3,001,090</u>	<u>2,358,682</u>	<u>3,097,623</u>	<u>2,832,099</u>	<u>2,847,449</u>
NET (EXPENSE)/REVENUE					
Governmental activities	(1,412,546)	(1,021,488)	(1,443,041)	(1,702,969)	(1,801,615)
Business-type activities	1,008,049	(18,215)	595,877	501,354	350,866
Total primary government program net expenses	<u>\$ (404,497)</u>	<u>\$ (1,039,703)</u>	<u>\$ (847,164)</u>	<u>\$ (1,201,615)</u>	<u>\$ (1,450,749)</u>

(continued)

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

Table 2

	2006	2007	2008	2009	2010
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS					
Governmental activities:					
Taxes:					
Property tax	\$ 1,398,075	\$ 1,572,181	\$ 1,736,812	\$ 1,939,859	\$ 2,004,665
Sales tax	138,116	162,591	158,380	160,314	157,918
Franchise tax	169,711	182,080	204,310	220,729	258,522
Investment Income	115,403	306,599	258,007	100,960	50,305
Miscellaneous	75,993	64,764	58,370	53,842	57,418
Intergovernmental	-	-	-	203,682	164,739
Transfers	-	2,248,643	(1,056,888)	(424,647)	(970,175)
Total governmental activities	<u>1,897,298</u>	<u>4,536,858</u>	<u>1,358,991</u>	<u>2,254,739</u>	<u>1,723,392</u>
Business-type activities:					
Investment Income	128,284	160,093	119,102	29,359	4,555
Miscellaneous	-	-	-	150	-
Transfers	-	(2,248,643)	1,056,888	424,647	970,175
Total business-type activities	<u>128,284</u>	<u>(2,088,550)</u>	<u>1,175,990</u>	<u>454,156</u>	<u>974,730</u>
Total primary government	<u>2,025,582</u>	<u>2,448,308</u>	<u>2,534,981</u>	<u>2,708,895</u>	<u>2,698,122</u>
CHANGE IN NET ASSETS					
Governmental activities	484,752	3,515,370	(84,050)	551,770	(78,223)
Business-type activities	1,136,333	(2,106,765)	1,771,867	955,510	1,325,596
Total primary government	<u>\$ 1,621,085</u>	<u>\$ 1,408,605</u>	<u>\$ 1,687,817</u>	<u>\$ 1,507,280</u>	<u>\$ 1,247,373</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 FIVE FISCAL YEARS
(accrual basis of accounting)
(unaudited)

Table 3

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Total
2006	\$ 1,398,075	\$ 138,116	\$ 169,711	\$ 1,705,902
2007	1,572,181	162,591	182,080	1,916,852
2008	1,736,812	158,380	204,310	2,099,502
2009	1,939,859	160,314	220,729	2,320,902
2010	2,004,665	157,918	258,522	2,421,105

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 FIVE FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

Table 4

	2006	2007	2008	2009	2010
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ 80,319	\$ 11,787
Unreserved	815,093	2,030,773	2,694,193	2,199,402	2,429,724
Total General Fund	<u>815,093</u>	<u>2,030,773</u>	<u>2,694,193</u>	<u>2,279,721</u>	<u>2,441,511</u>
 All other governmental funds					
Reserved	132,088	177,421	232,477	412,749	488,907
Unreserved, designated for:					
Capital Projects	-	4,505,477	2,971,834	2,206,278	832,435
Unreserved, undesignated	-	-	-	-	-
Total all other governmental funds	<u>\$ 132,088</u>	<u>\$ 4,682,898</u>	<u>\$ 3,204,311</u>	<u>\$ 2,619,027</u>	<u>\$ 1,321,342</u>

Note: Accrual-basis financial information for the City as a whole is only available back to 2004,
the year GASB Statement 34 was implemented
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 FIVE FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

Table 5

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

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

Table 6

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

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 ¹ as a Percentage of Actual Value
	Residential Property	Commercial Property					
2006	435,231,282	4,246,538	19,809,770	(99,192,210)	360,095,380	0.3766	0.7840
2007	496,997,302	6,795,627	23,554,190	(114,558,686)	412,788,433	0.375	0.7828
2008	544,582,431	7,021,562	24,356,690	(122,054,413)	453,906,270	0.375	0.7881
2009	613,414,766	7,052,481	29,502,376	(141,084,260)	508,885,363	0.374177	0.7829
2010	639,489,715	7,131,627	33,135,759	(141,718,774)	538,038,327	0.374177	0.7915

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

¹ Includes tax-exempt property

Table 7

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

Fiscal Year Ended Sept. 30	City Direct Rates			Overlapping Rates *									
	Operating/ General Rate	General		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	Collin County		
		Obligation	Debt										
		Service	Total Direct										
2006	0.243510	0.133090	0.3766	1.82340	1.912459	2.00	1.7334	1.747759	1.817	0.25	0.089422		
2007	0.248146	0.126854	0.375	1.69340	1.7751	1.841	1.5784	1.5914	1.7025	0.245	0.087663		
2008	0.244260	0.130740	0.375	1.47630	1.4703	1.517	1.2684	1.3687	1.39	0.245	0.086984		
2009	0.250509	0.123668	0.374177	1.515	1.4703	1.517	1.3034	1.49	1.51	0.2425	0.086493		
2010	0.252040	0.122137	0.374177	1.53500	1.54	1.54	1.3284	1.49	1.59	0.2425	0.0863		

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, 2010
 (unaudited)

Table 8

(unaudited)		Assessed Taxable Value		Percentage of Assessed Taxable Value	
Taxpayer	Type of Business	2010 Fiscal Year	Rank		
Lucas Partners LTD	Home Builder	\$ 2,008,478	1		0.003733
F G Creek Properties LTD	Home Builder	1,994,289	2		0.003707
Weekly Homes LP	Home Builder	1,714,313	3		0.003186
Designer Homes by Tiffany LLC	Home Builder	1,525,933	4		0.002836
Wolf Creek Lucas Investors LP	Home Builder	1,489,102	5		0.002768
Holmes Family Interests Inc	Home Builder	1,466,380	6		0.002707
Paul Taylor Homes Limited	Home Builder	1,410,526	7		0.002622
New Lineage Custom Homes LLC	Home Builder	1,390,560	8		0.002584
Claremont Springs II LTD	Home Builder	1,326,403	9		0.002465
New Lineage Custom Homes LLC	Home Builder	1,224,955	10		0.002277
		\$ 15,540,939			0.028884

Source: Collin County Appraisal District

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

Table 9

Fiscal Year Ended Sept. 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2006	1,352,439	1,350,222	99.84%	16,189	1,366,411	101.03%
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%
2010	1,914,683	1,981,403	103.48%	25,976	2,007,380	104.84%

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 FIVE FISCAL YEARS
(unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Certificates of Obligation	Other Obligations	General Obligation Bonds	Certificates of Obligation	Other Obligations			
2006	\$ -	\$ 3,005,000	-	\$ -	\$ 2,345,000	\$ 402,000	\$ 5,752,000	5070.07%	169
2007	-	5,150,000	-	-	4,575,000	365,000	10,090,000	8893.79%	297
2008	-	4,872,500	-	-	4,297,500	327,000	9,497,000	8246.72%	253
2009	1,745,000	2,790,000	-	1,360,000	2,735,000	-	8,630,000	6333.99%	186
2010	1,735,000	2,375,000	-	1,300,000	2,430,000	-	7,840,000	5754.17%	169

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 FIVE FISCAL YEARS
(unaudited)

Table 11

Fiscal Year	Estimated Population ¹	Assessed Value ²	Gross Bonded Debt ³	Less Debt Service Fund ⁴	Net Bonded Debt	% of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2006	4,491	360,095,380	3,005,000	132,088	2,872,912	0.80%	640
2007	4,710	412,788,433	5,150,000	177,421	4,972,579	1.20%	1,056
2008	4,914	453,906,270	4,872,500	232,477	4,640,023	1.02%	944
2009	5,397	508,885,363	4,535,000	412,748	4,122,252	0.81%	764
2010	5,400	538,038,327	4,120,000	488,907	3,631,093	0.67%	672

Source:

¹ City Staff

² Collin County Appraisal District

³ Schedule of Bonds Payable and Total Bonds for Fiscal Year

⁴ Budgetary Comparison Statement for Debt Service

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

CITY OF LUCAS, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2010
(unaudited)

Table 12

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Allen ISD	\$ 423,053,422 *	0.32%	\$ 1,353,771
Collin County	383,805,000 *	0.74%	2,840,157
Collin County CCD	45,669,255	0.76%	347,086
Lovejoy ISD	113,144,780	31.69%	35,855,581
McKinney ISD	432,109,273	0.56%	2,419,812
Plano ISD	1,042,987,382 *	0.09%	938,689
Princeton ISD	64,745,273	0.07%	45,322
Wylie ISD	241,205,713	0.18%	434,170
	<u>\$ 2,746,720,098</u>		\$ 44,234,590
City of Lucas			<u>4,666,748</u>
			<u>\$48,901,338</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			9.16%
Per capita overlapping bonded debt			<u>\$9,588</u>
*Gross Debt			

Source: "Texas Municipal Report" as of September 30, 2009, 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 FIVE FISCAL YEARS
(unaudited)**

Table 13

	Fiscal Year				
	2006	2007	2008	2009	2010
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.3766	0.375	0.375	0.374177	0.374177
Available Tax Rate	<u>\$ 2.12340</u>	<u>\$ 2.12500</u>	<u>\$ 2.12500</u>	<u>\$ 2.12582</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 FIVE FISCAL YEARS
 (unaudited)**

Table 14

Water and Sewer Revenue Bonds						
Fiscal Year	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue ^c	Debt Service Principal	Debt Service Interest	Times Coverage
2006	\$ 2,305,232	\$ 1,153,625	\$ 1,151,607	\$ 290,000	\$ 153,775	3.97
2007	1,464,900	1,331,882	133,018	125,000	57,133	1.06
2008	2,229,136	1,411,365	817,771	277,500	201,579	2.95
2009	2,205,610	1,438,308	767,302	345,000	191,280	2.22
2010	2,085,458	1,586,816	498,642	365,000	139,217	1.37

Note:

- ^a Total Revenues does not include non-operating revenues
- ^b Operating Expenses only-no transfer or depreciation
- ^c 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 FIVE FISCAL YEARS
(unaudited)**

Table 15

Fiscal Year	Estimated Population ¹	Personal Income	Per Capita Income	Average Age	Grade School Enrollment ²	Unemployment Rate ³
2006	4,491	108,952	33,368	39	412	4.00%
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%
2010	5,400	136,350	46,440	40	591	7.20%

Sources:

¹ City of Lucas's staff estimate

² Hart Elementary

³ 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 FIVE FISCAL YEARS
(unaudited)**

Table 16

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

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

Table 17

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

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
Public Safety					
Municipal Court					
Number of cases filed	109	123	133	2	72
Fire					
Number of calls answered	348	310	357	402	311
Public Works					
Streets maintained	140	140	150	160	160
Water and Wastewater					
New connections	298	298	277	215	298
Annual gallons of water pumped (thousands)	400,000	294,000	428,000	420,080	420,805
Miles of water mains maintained	40	41	41.5	42	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 FIVE FISCAL YEARS
(unaudited)**

Table 18

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

Source: City departments

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