

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2011

City of Lucas, Texas

Home-Rule, Council-Manager Form of Government

City Manager
Jeff Jenkins

Finance Manager
Elizabeth Exum



**CITY OF LUCAS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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INTRODUCTORY SECTION





665 Country Club Rd.
Lucas, Texas 75002

February 10, 2012

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, 2011, is submitted herewith.

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

Conway Company CPAs, P.C. have issued an unqualified ("clean") opinion on the City of Lucas' financial statements for the year ended September 30, 2011. 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 5,320, 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 NCTCOG population estimates, the City's population is 5,320.

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. Currently, the City expects an 185,000 square foot Walmart to be completed on West Lucas Road in the Spring of 2013. 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 92 new homes permitted annually with an average cost of \$500,000.
- Construction of a new sewer system for the FM 2551, and Parker Road commercial areas. As of the end of 2011, 21,442 linear feet, or 4.1 miles, have been completed. Remaining in escrow is \$180,216 that will be utilized to complete the project once pumps are purchased and installed at the lift stations. The pumps will not be installed until future development occurs which is estimated to be around 5 years.
- Asphalt resurfacing was completed this spring and summer for Stinson Road, Lewis Lane, Ingram Lane, and Shady Lane for a total of 19,675 linear feet, or 3.73 miles.
- Water line construction was completed for Shady Lane for a total of 2,750 linear feet or .52 miles.
- The water meter replacement project was completed this year which changed out the old meters for new ones in the City for a total of approximately 1,900 meters.
- The 500,000 water ground storage tank at the North Pump station was rehabilitated and repainted.
- Certificates of Obligation were issued for \$5,750,000 to improve the City's streets, water systems, and to construct, improve, and renovate a fire station facility. \$3,500,000 was issued for General Fund projects, and \$2,250,000 was issued for Water Fund projects. The City was able to obtain a very low interest rate of 3.54% because of its outstanding S&P rating of AA-.

FOR THE FUTURE

At the end of 2011, the City of Lucas was working on these projects:

- A City appointed committee called the Lucas Fire Department Advisory Committee was reviewing options to expand the Lucas Fire Department. This planning group is looking at: construction options on the Fire Department facility, personnel needs, equipment upgrades and future EMS services. Construction work for the fire station modifications are expected to begin sometime in 2012.
- Engineering design for an addition 375,000 gallon water ground storage tank will continue until early 2012. We expect this project to be complete by June 2012.
- The City of Lucas currently is working on updating the City's Water Master Plan.
- Stinson Road will be a major focus of infrastructure changes in the coming year including: a road bridge and water line upgrades.
- Planning/Prioritizing a multi-year street rehab priority list

LONGER-TERM FINANCIAL PLANNING

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

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

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

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

Fiscal policies provide for a General Fund reserve equal to at least 6 months of working capital, which equates to 50% of expenditures. The City considers a balance of less than 3 months or 25% of expenditures to be cause for concern, barring unusual or deliberate circumstances. The current reserve in the general fund is at 15 months with funds equaling 129% of this year's budgeted expenditures.

The City's fiscal policy for the Water Fund requires the maintenance of the minimum reserve of 6 months of working capital, which equates to 50% of expenditures. Water bond covenants require the City to maintain reserve amounts sufficient to cover the average annual debt service requirements. The City's current reserve in the Water Fund is at 20 months with current funds equaling 172% of this year's expenditures.

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

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

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

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

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

General Governmental Functions

Tax Rates All eligible property within the City 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
FY 2011-2012	0.374177

Awards and Acknowledgements

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

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

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

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

Respectfully submitted,

Jeff Jenkins
CITY MANAGER

Elizabeth Exum
FINANCE MANAGER



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lucas
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



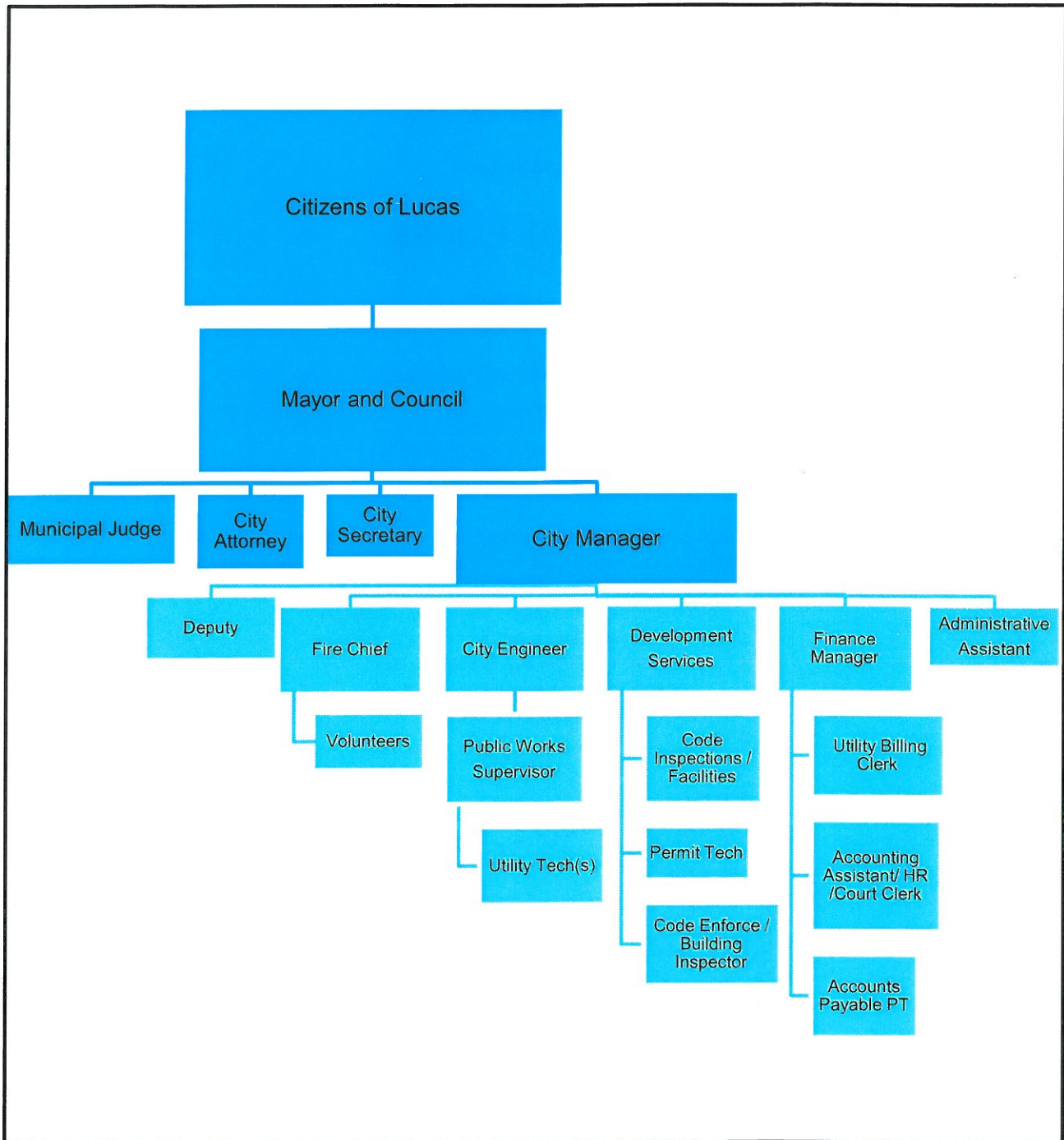
Linda C. Sandison

President

Jeffrey R. Enner

Executive Director

City of Lucas



**CITY OF LUCAS, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

City Council:

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

Administrative Officers:

Jeff Jenkins	City Manager
Elizabeth Exum	Finance Manager
Kathy Wingo	City Secretary



FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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CONWAY COMPANY CPAs PC
ACCOUNTANTS & ADVISORS

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Member
American Institute of CPAs
Texas Society of CPAs

February 10, 2012

Independent Auditor's Report on Financial Statements

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

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas (the "City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lucas, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas as of September 30, 2011, 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.

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In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated February 10, 2012, 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.

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

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

Respectfully Submitted,

CONWAY COMPANY CPAs, PC

Conway Company CPAs, P.C.

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CITY OF LUCAS, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2011

As management of the City of Lucas (the 'City'), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Lucas for the fiscal year ended September 30, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which immediately follow this section.

Financial Highlights

- The assets of the City of Lucas exceeded its liabilities at the close of the fiscal year by \$22,796,770 (net assets). Of this amount, \$14,989,941 represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets. \$727,803 is restricted for impact fee use, municipal court use, and debt obligations, and unrestricted net assets is \$7,079,026.
- The government's total net assets increased by \$2,080,023 or 10% over the prior year. The \$2,688,909 increase in net assets invested in capital assets, net of related debt, represents capital expenditures less depreciation, retirement of current debt, and issuance of new long-term debt. See further discussion of capital assets and long-term debt on page 14. The \$(142,891) decrease in restricted net assets represents the change in resources that are subject to external restrictions on their use. The \$(465,995) decrease in unrestricted net assets represents the change in resources available to fund City programs to citizens.
- The City's governmental funds combined ending fund balance of \$7,657,201 was an increase of 103% from the prior year ending fund balance of \$3,762,853. Amounts available for spending include restricted, committed, assigned, and unassigned fund balances; these totaled \$7,657,201, or 100% of ending fund balance. Of this amount, \$4,477,572 is restricted by law or externally imposed requirements, and \$3,179,629 is unassigned. Available fund balance for the General Fund increased \$840,921 to \$3,282,432, which equates to 126% of total General Fund expenditures for the year.
- The City's investment in capital assets (net of accumulated depreciation) increased by \$2,688,909, or 22%, to \$14,989,941. During the current fiscal year, the City issued a new bond for purposes of street renovations, utility system improvements, and improvements to the public works building, all of which are capital assets. The City recorded depreciation of \$799,851 against its assets. The City's long-term debt outstanding had an increase of \$4,895,000, or 62%, to \$12,735,000 mainly due to the issuance of new debt in the amount of \$5,750,000.

Overview of the Financial Statements

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

**CITY OF LUCAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2011**

Basic Financial Statements

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

The next statements (pages 22-30) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the Governmental Fund financial statements; 2) the General Fund Budgetary Comparison Statement; 3) the Proprietary Fund financial statements; and 4) the Fiduciary Fund Statement of Net Assets.

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

Government-wide Financial Statements

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

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

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported as business-type activities. The final category is the component unit. As of September 30, 2011, the City does not have any component units.

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

Fund Financial Statements

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

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

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

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

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

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

Fiduciary Funds – Fiduciary funds account for resources held for the benefit of parties outside the City. The City is the trustee, or fiduciary, for Developer's Escrow Funds. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets. Activities of this fund are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

**CITY OF LUCAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2011**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 31 – 48 of this report.

Other Information

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

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended September 30, 2011 continue the implementation of a new standard of financial reporting for the City, and many other units of government across the United States. Prior to fiscal year 2004, the City 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. These statements were basically the equivalent of the fund financial statements that appear in this report and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the City's financial reports as well as those of many other units of government. While the City 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 2003.

**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011**

The City of Lucas' Net Assets

Figure 1

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 8,056,797	\$ 4,107,520	\$ 7,149,187	\$ 5,097,856	\$ 15,205,984	\$ 9,205,376
Capital assets	9,785,795	9,457,822	11,370,939	10,543,420	21,156,734	20,001,242
Total assets	17,842,592	13,565,342	18,520,126	15,641,276	36,362,718	29,206,618
Long-term liabilities	6,966,216	4,196,374	5,364,555	3,747,740	12,330,771	7,944,114
Current liabilities	682,842	341,441	552,335	204,316	1,235,177	545,757
Total liabilities	7,649,058	4,537,815	5,916,890	3,952,056	13,565,948	8,489,871
Net assets:						
Invested in capital assets, net of related debt	6,946,186	5,429,217	8,043,755	6,871,815	14,989,941	12,301,032
Restricted	427,803	500,694	300,000	370,000	727,803	870,694
Unrestricted	2,819,545	3,097,616	4,259,481	4,447,405	7,079,026	7,545,021
Total net assets	\$ 10,193,534	\$ 9,027,527	\$ 12,603,236	\$ 11,689,220	\$ 22,796,770	\$ 20,716,747

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 \$22,796,770 as of September 30, 2011. The City's net assets increased by \$2,080,023, for fiscal year ended September 30, 2011. However, the largest portion (66%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net assets, 3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,079,026 is unrestricted.

CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011

The City of Lucas' Changes in Net Assets

Figure 2

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 629,225	\$ 906,870	\$ 3,427,231	\$ 2,085,458	\$ 4,056,456	\$ 2,992,328
Capital grants and contributions	218,510	19,860	-	-	218,510	19,860
General Revenues:						
Property taxes	2,053,573	2,004,665	-	-	2,053,573	2,004,665
Sales taxes	186,642	157,918	-	-	186,642	157,918
Franchise taxes	244,161	258,522	-	-	244,161	258,522
Investment income	30,079	50,305	6,122	4,555	36,201	54,860
Miscellaneous	53,362	57,418	-	-	53,362	57,418
Total revenues	3,415,552	3,455,558	3,433,353	2,090,013	6,848,905	5,545,571
Expenses:						
General government	\$ 684,352	583,494	-	-	684,352	583,494
Public safety	653,625	615,541	-	-	653,625	615,541
Public works	605,274	581,006	-	-	605,274	581,006
Parks and recreation	87,811	79,758	-	-	87,811	79,758
Trash service	-	302,779	-	-	-	302,779
Development services	289,492	225,401	-	-	289,492	225,401
Interest on long-term debt	184,707	175,627	-	-	184,707	175,627
Water and Sewer	-	-	2,263,621	1,734,592	2,263,621	1,734,592
Total expenses	2,505,261	2,563,606	2,263,621	1,734,592	4,768,882	4,298,198
Change in net assets before transfers	910,291	891,952	1,169,732	355,421	2,080,023	1,247,373
Transfers	255,716	(970,175)	(255,716)	970,175	-	-
Change in net assets	1,166,007	(78,223)	914,016	1,325,596	2,080,023	1,247,373
Net assets - beginning	9,027,527	9,080,250	11,689,220	10,372,221	20,716,747	19,452,471
Prior period adjustments	-	25,500	-	(8,597)	-	16,903
Net assets - end	\$ 10,193,534	\$ 9,027,527	\$ 12,603,236	\$ 11,689,220	\$ 22,796,770	\$ 20,716,747

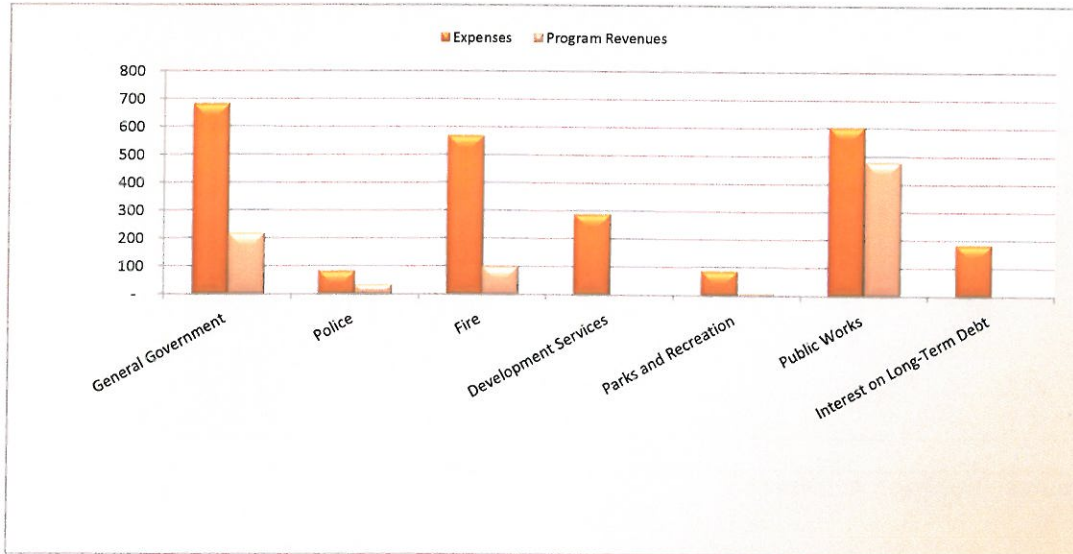
CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011

Governmental-type activities - The Governmental-type activities increased the City's net assets by \$1,166,007. A key element of this increase is as follows:

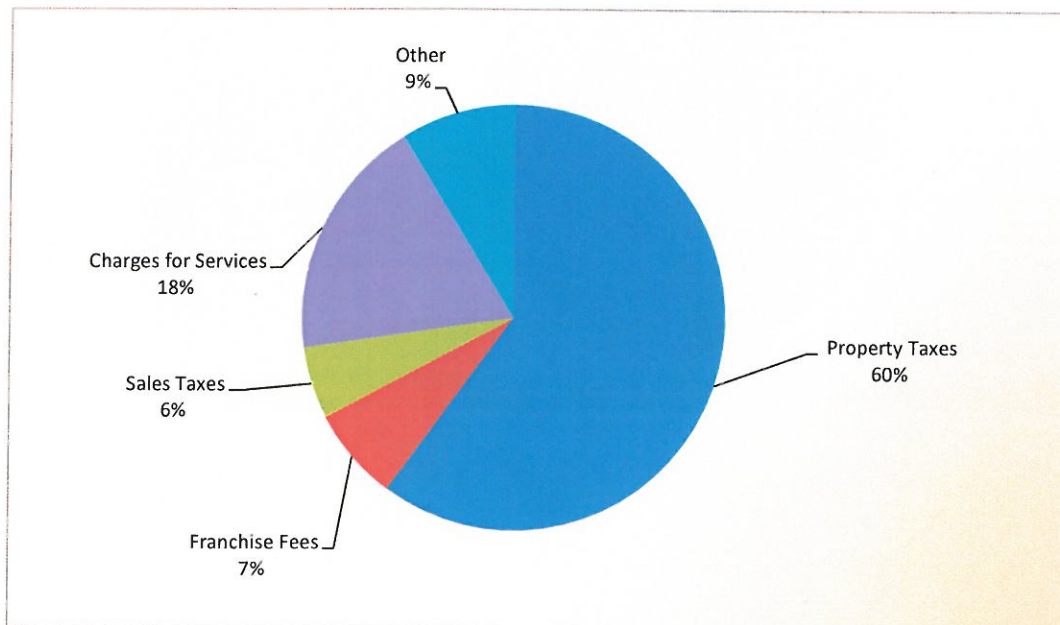
Transfers in exceeded the amount of transfers out in the prior year by \$1,225,891.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues By Source - Governmental Activities

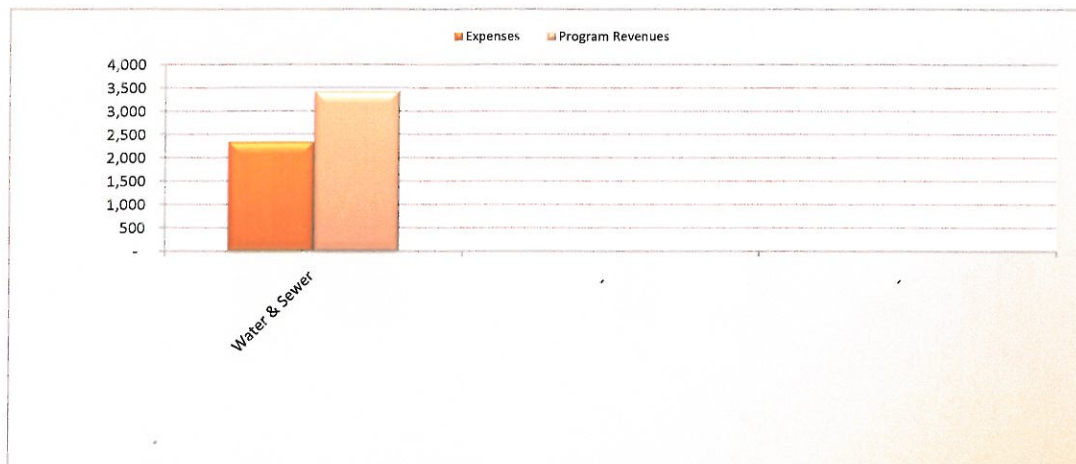


CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011

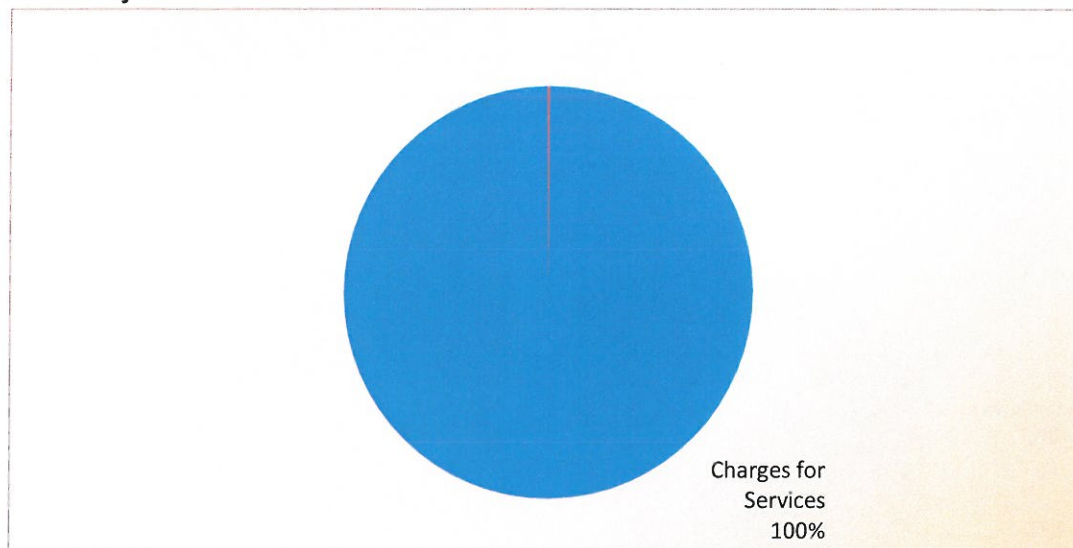
Business-type Activities - Business-type activities increased the City's net assets by \$914,016. A key element of this increase is as follows:

Program revenues increased in total by \$1,343,340, or 64%, over the prior year, while operating expenses only increased \$617,863, or 36% over the prior 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, 2011**

Financial Analysis of the City's Funds

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

Governmental Funds

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

At September 30, 2011, the City's governmental funds reported total fund balances of \$7,657,201, a 103% increase in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows:

- Restricted fund balance, \$4,477,572, consists of amounts restricted by external laws or contractual obligations as follows: \$86,416 for use of impact fees, \$16,387 for municipal court use, \$326,368 for debt service payments and \$4,048,401 for capital improvement projects.
- Unassigned fund balance, \$3,179,629, represents residual available fund balances that have not been restricted, committed, assigned, or designated by management, City Council, or otherwise.

General Fund - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,179,629, compared to \$2,429,724 at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 122% of total General Fund expenditures.

Other Governmental Funds - As compared with the prior year, the total fund balances of the remaining governmental funds increased 231%, or \$3,053,427 to \$4,374,769 with the following significant changes:

- The fund balance of the Debt Service Fund decreased 33%, or \$162,539, primarily as a result of increased principal and interest expenditures on long-term debt.
- The fund balance of the Capital Improvements Fund increased 386%, or \$3,215,966, primarily as a result of receiving bond proceeds in the amount of \$3,500,000.

Proprietary Funds

The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets of the proprietary funds at the end of the fiscal year amounted to \$4,259,481, a 4% decrease from the prior year. The majority of this decrease is the result of increased operating expenses, mainly contractual services expenses, which increased by \$197,754, or 4%.

Net assets invested in capital assets net of related debt increased from \$6,871,815 to \$8,043,755, a 17% change from the prior year. This increase is the result of several projects that were completed and capitalized during the year.

CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011, totals \$21,156,734 (net of accumulated depreciation). These assets include land, construction in progress, furniture and equipment, vehicles, buildings and improvements, and infrastructure. The increase in the City's capital assets for governmental activities was 3%. The capital assets for the business-type activities increased by 7%.

Major capital asset transactions during the year include the following:

- Water line systems and improvements, including the Southeast water line improvements
- Purchase of a new meter reading system
- Multiple street overlay projects, including Stinson Road, Ingram Lane, and Shady Lane

Figure 3

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

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 903,447	\$ 903,447	\$ 415,756	\$ 415,756	\$ 1,319,203	\$ 1,319,203
Construction in Progress	28,868	-	219,356	885,973	248,224	885,973
Furniture & Equipment	565,323	462,294	514,529	292,901	1,079,852	755,195
Vehicles	567,510	631,768	30,483	73,793	597,993	705,561
Buildings & Improvements	1,392,344	1,435,037	648,201	681,647	2,040,545	2,116,684
Infrastructure	6,328,303	6,025,276	9,542,614	8,193,350	15,870,917	14,218,626
Total	\$ 9,785,795	\$ 9,457,822	\$ 11,370,939	\$ 10,543,420	\$ 21,156,734	\$ 20,001,242

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, 2011 the City of Lucas had total long-term debt outstanding of \$12,735,000, an increase of \$4,895,000, or 62%, in comparison with the prior year.

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

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 1,725,000	\$ 1,735,000	\$ 1,240,000	\$ 1,300,000	\$ 2,965,000	\$ 3,035,000
Certificates of Obligation	5,400,000	2,375,000	4,370,000	2,430,000	9,770,000	4,805,000
	\$ 7,125,000	\$ 4,110,000	\$ 5,610,000	\$ 3,730,000	\$ 12,735,000	\$ 7,840,000

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, 2011**

Budgetary Highlights

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget for several items. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services. Current year amendments for the General Fund include a \$204,745 increase in revenues and a \$177,407 decrease in expenditures.

Revenues were higher than the budgeted amounts mainly in the areas of licenses and permits, sales taxes, and impact fees. Expenditures were generally lower than budgeted amounts mainly in the area of public safety, public works, and capital outlays.

Other Governmental Fund Budgetary Highlights: Other major fund amendments include a \$42,476 increase in property tax revenue in the Debt Service Fund. The only revenue changes to the Capital Improvements Fund include a \$1,599 revenue increase due to an expected reimbursement from the County, and a \$5,000 increase in interest income.

Revenues were higher than the budgeted amounts in the area of property taxes for the Debt Service Fund. Interest income in the Capital Improvements Fund was below the final budget amount.

Economic Factors and Next Year's Budgets and Rates

The following known factors were considered in preparing the City's operating budget for FY 2011-2012:

- This budget will raise more total property taxes than last year's budget by \$53,040 or 2.81%, and of that amount \$62,448 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2011-2012 reflects total anticipated revenues of \$5,644,245 and total anticipated expenditures of \$5,548,517. This amount projects a net increase of \$95,958.
- The adopted tax rate for FY 2010-2011 will remain at \$0.374177 per \$100 valuation.

Requests for Information

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



BASIC FINANCIAL STATEMENTS



CITY OF LUCAS, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 3,218,623	\$ 3,827,662	\$ 7,046,285
Receivables, net of allowance for uncollectibles	99,001	533,064	632,065
Deferred Charges	66,724	62,270	128,994
Restricted assets:			
Cash and Cash Equivalents	4,672,449	2,726,191	7,398,640
Total Current Assets	<u>8,056,797</u>	<u>7,149,187</u>	<u>15,205,984</u>
Non-Current Assets			
Non-depreciable Capital Assets:			
Land	903,447	415,756	1,319,203
Construction in Progress	28,868	219,356	248,224
Depreciable Capital Assets, net:			
Furniture & Equipment	565,323	514,529	1,079,852
Vehicles	567,510	30,483	597,993
Building & Improvements	1,392,344	648,201	2,040,545
Infrastructure	6,328,303	9,542,614	15,870,917
Total Non-Current Assets	<u>9,785,795</u>	<u>11,370,939</u>	<u>21,156,734</u>
Total Assets	<u>17,842,592</u>	<u>18,520,126</u>	<u>36,362,718</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	278,980	22,476	301,456
Wages Payable	12,932	5,222	18,154
Other Liabilities	1,240	-	1,240
Current Portion of Compensated Absences	1,197	1,511	2,708
Payable from Restricted Assets:			
Customer Deposits	-	175,088	175,088
Accrued Interest Payable	63,493	48,038	111,531
Current Portion of Bonds Payable	10,000	65,000	75,000
Current Portion of Certificates of Obligation	315,000	235,000	550,000
Total Current Liabilities	<u>682,842</u>	<u>552,335</u>	<u>1,235,177</u>
Non-Current Liabilities:			
Unfunded Pension Liability	181,926	75,579	257,505
Compensated Absences	25,035	10,688	35,723
Bonds Payable	1,641,005	1,121,913	2,762,918
Certificates of Obligation	5,118,250	4,156,375	9,274,625
Total Non-Current Liabilities	<u>6,966,216</u>	<u>5,364,555</u>	<u>12,330,771</u>
Total Liabilities	<u>7,649,058</u>	<u>5,916,890</u>	<u>13,565,948</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	6,946,186	8,043,755	14,989,941
Restricted for:			
Use of Impact Fees	86,416	-	86,416
Municipal Court	16,387	-	16,387
Debt Service	325,000	300,000	625,000
Unrestricted	2,819,545	4,259,481	7,079,026
Total Net Assets	<u>\$ 10,193,534</u>	<u>\$ 12,603,236</u>	<u>\$ 22,796,770</u>

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

**CITY OF LUCAS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

		Program Revenues	
		Charges for	Capital
	Expenses	Services	Grants and Contributions
Function/Program Activities			
Primary Government:			
Governmental Activities:			
General Government	\$ 684,352	\$ 1,804	\$ 218,510
Police	83,591	35,819	-
Fire	570,034	101,493	-
Development Services	289,492	377,558	-
Parks and Recreation	87,811	9,000	-
Public Works	605,274	103,551	-
Interest on Long-Term Debt	184,707	-	-
Total governmental activities	2,505,261	629,225	218,510
Business-type Activities:			
Water and Sewer	2,263,621	3,427,231	-
Total business-type activities	2,263,621	3,427,231	-
Total primary government	\$ 4,768,882	\$ 4,056,456	\$ 218,510

General revenues:

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Activities	Total
\$ (464,038)	\$ -	\$ (464,038)
(47,772)	-	(47,772)
(468,541)	-	(468,541)
88,066	-	88,066
(78,811)	-	(78,811)
(501,723)	-	(501,723)
(184,707)	-	(184,707)
<u>(1,657,526)</u>	<u>-</u>	<u>(1,657,526)</u>
-	1,163,610	1,163,610
-	1,163,610	1,163,610
<u>\$ (1,657,526)</u>	<u>\$ 1,163,610</u>	<u>\$ (493,916)</u>

\$ 2,053,573	\$ -	\$ 2,053,573
186,642	-	186,642
244,161	-	244,161
30,079	6,122	36,201
53,362	-	53,362
255,716	(255,716)	-
<u>2,823,533</u>	<u>(249,594)</u>	<u>2,573,939</u>
1,166,007	914,016	2,080,023
9,027,527	11,689,220	20,716,747
<u>\$ 10,193,534</u>	<u>\$ 12,603,236</u>	<u>\$ 22,796,770</u>

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

CITY OF LUCAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Capital Improvements Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ 3,218,623	\$ -	\$ -	\$ 3,218,623
Accounts Receivable, net				
Taxes	84,531	14,470	-	99,001
Cash and Cash Equivalents - Restricted	102,803	324,999	4,244,647	4,672,449
Total Assets	<u>3,405,957</u>	<u>339,469</u>	<u>4,244,647</u>	<u>7,990,073</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	82,734	-	196,246	278,980
Wages Payable	12,932	-	-	12,932
Other Liabilities	1,240	-	-	1,240
Deferred Revenue	26,619	13,101	-	39,720
Total Liabilities	<u>123,525</u>	<u>13,101</u>	<u>196,246</u>	<u>332,872</u>
Fund Balances:				
Restricted	102,803	326,368	4,048,401	4,477,572
Unassigned	3,179,629	-	-	3,179,629
Total Fund Balances	<u>3,282,432</u>	<u>326,368</u>	<u>4,048,401</u>	<u>7,657,201</u>
Total Liabilities and Fund Balances	<u>\$ 3,405,957</u>	<u>\$ 339,469</u>	<u>\$ 4,244,647</u>	<u>\$ 7,990,073</u>

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

**CITY OF LUCAS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

Total fund balances - governmental funds balance sheet **\$ 7,657,201**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet. 12,100,214

Accumulated depreciation is not included in the governmental fund financial statements. (2,314,419)

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. 66,724

Other assets not available to pay for current-period expenditures and, therefore are deferred in the funds. 39,720

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the balance sheet. (7,084,255)

Accrued liabilities for compensated absences are not reflected in the fund financial statements. (26,232)

Unfunded pension liability is not reflected in the fund financial statements. (181,926)

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. (63,493)

Net assets of governmental activities - statement of net assets \$ 10,193,534

CITY OF LUCAS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Capital Improvements Fund	Total Governmental Funds
REVENUES				
Taxes:				
Property including P&I	\$ 1,335,069	\$ 685,400	\$ -	\$ 2,020,469
Sales	186,642	-	-	186,642
Franchise Fees	244,161	-	-	244,161
Fines and Forfeitures	53,010	-	-	53,010
Licenses and Permits	369,573	-	-	369,573
Fire Department	101,493	-	-	101,493
Impact Fees	103,550	-	-	103,550
Grant Revenues	218,510	-	-	218,510
Intergovernmental Revenue	-	-	1,599	1,599
Investment Income	18,683	892	19,922	39,497
Miscellaneous	53,362	-	-	53,362
Total Revenues	2,684,053	686,292	21,521	3,391,866
EXPENDITURES				
Current:				
City Council	29,680	-	-	29,680
City Secretary	100,105	-	-	100,105
Administrative	465,921	-	-	465,921
Public Works	311,002	-	-	311,002
Animal Control	33,600	-	-	33,600
Parks and Recreation	76,794	-	-	76,794
Fire Department	456,945	-	-	456,945
Police	83,591	-	-	83,591
Development Services	285,706	-	-	285,706
Debt Service:				
Principal Retirement	-	485,000	-	485,000
Interest and Fiscal Agent Fees	-	158,778	-	158,778
Bond Issuance Costs	-	-	46,546	46,546
Capital Outlays	754,566	-	-	754,566
Total Expenditures	2,597,910	643,778	46,546	3,288,234
Excess (deficiency) of revenues over (under) expenditures	86,143	42,514	(25,025)	103,632
Other Revenues and Financing Sources (uses)				
Bond Proceeds	-	-	3,500,000	3,500,000
Premium on sale of bonds	-	-	70,200	70,200
Discount on sale of bonds	-	-	(35,200)	(35,200)
Transfers	754,778	(205,053)	(294,009)	255,716
Total Other Financing Sources (uses)	754,778	(205,053)	3,240,991	3,790,716
Net Change in Fund Balances	840,921	(162,539)	3,215,966	3,894,348
Fund Balances, October 1	2,441,511	488,907	832,435	3,762,853
Fund Balances, September 30	\$ 3,282,432	\$ 326,368	\$ 4,048,401	\$ 7,657,201

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

**CITY OF LUCAS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**Net change in fund balances - statement of revenues, expenditures and changes
in fund balances - governmental funds** **\$ 3,894,348**

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. 754,566

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. (418,283)

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. 485,000

Current year bond proceeds are other finance sources in the fund financial statements but are shown as an increase in the liabilities government-wide financial statements. (3,500,000)

Bond premiums and discounts are recognized as an other financing source in the governmental funds, whereas premiums and discounts are deferred and amortized over the life of the bonds in the statement of activities. (35,000)

Amortization of debt issuance costs is not recognized in the governmental funds. The effect of recording current years amortization is to decrease net assets. (22,193)

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. (35,347)

Bond issuance costs are expenditures in the fund financial statements when debt is issued, but are amortized over the term of the bond in the government-wide financial statements. 46,546

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. 1,828

Changes in Unfunded Pension Liability are not reported at the fund level, however, they are reported at the government-wide level. (38,562)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements. 33,104

Change in net assets - statement of activities \$ 1,166,007

CITY OF LUCAS, TEXAS
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 1,319,847	\$ 1,339,279	\$ 1,335,069	\$ (4,210)
Sales	160,000	150,000	186,642	36,642
Franchise Fees	263,000	242,575	244,161	1,586
Fines and Forfeitures	5,060	39,811	53,010	13,199
Licenses and Permits	175,700	325,831	369,573	43,742
Fire Department	12,500	99,743	101,493	1,750
Trash Service	335,000	-	-	-
Impact Fees	-	68,450	103,550	35,100
Grant Revenues	-	199,677	218,510	18,833
Investment Income	24,000	18,400	18,683	283
Miscellaneous	35,800	51,886	53,362	1,476
Total Revenues	2,330,907	2,535,652	2,684,053	148,401
EXPENDITURES				
Current:				
General Government:				
City Council	63,233	38,331	29,680	8,651
City Secretary	105,697	106,127	100,105	6,022
Administrative	421,312	476,893	465,921	10,972
Total general government	590,242	621,351	595,706	25,645
Public Safety:				
Fire Department	505,463	514,835	456,945	57,890
Police	95,475	83,750	83,591	159
Total public safety	600,938	598,585	540,536	58,049
Public Works:				
Public Works	347,641	344,585	311,002	33,583
Parks and Recreation	40,377	80,093	76,794	3,299
Animal Control	36,927	33,600	33,600	-
Total public works	424,945	458,278	421,396	36,882
Trash Service	303,000	-	-	-
Development Services	248,946	300,664	285,706	14,958
Capital Outlays	887,550	899,336	754,566	144,770
Total Expenditures	3,055,621	2,878,214	2,597,910	280,304
Excess of revenues over expenditures	(724,714)	(342,562)	86,143	428,705
Other Financing Sources (uses)				
Transfers	-	-	754,778	754,778
Total Other Financing Sources and uses	-	-	754,778	754,778
Net Change in Fund Balances	(724,714)	(342,562)	840,921	1,183,483
Fund Balances/Equity, October 1	2,441,511	2,441,511	2,441,511	
Fund Balances/Equity, September 30	\$ 1,716,797	\$ 2,098,949	\$ 3,282,432	

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

CITY OF LUCAS, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2011

	Business-Type Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,827,662
Receivables (net of allowance for uncollectibles)	533,064
Total Current Assets	<u>4,360,726</u>
Noncurrent Assets:	
Cash and Cash Equivalents - Restricted	2,726,191
Deferred Charges	62,270
Capital Assets:	
Land	415,756
Construction-In-Progress	219,356
Machinery & Equipment	812,771
Buildings	734,067
Vehicles	80,737
Infrastructure	11,541,645
Less: accumulated depreciation	<u>(2,433,393)</u>
Total Capital Assets (net of accumulated depreciation)	<u>11,370,939</u>
Total Noncurrent Assets	<u>14,159,400</u>
Total Assets	<u><u>18,520,126</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities:	
Accounts Payable	22,476
Wages Payable	5,222
Compensated Absences - current	1,511
Payable from Restricted Assets:	
Customer Deposits	175,088
Accrued Interest	48,038
Certificates of Obligation - current	235,000
Bonds Payable - current	65,000
Total Current Liabilities	<u>552,335</u>
Noncurrent Liabilities:	
Unfunded Pension Liability	75,579
Compensated Absences	10,688
Certificates of Obligation	4,156,375
Bonds Payable	1,121,913
Total Noncurrent Liabilities	<u>5,364,555</u>
Total Liabilities	<u><u>5,916,890</u></u>
NET ASSETS	
Invested in capital assets (net of related debt)	8,043,755
Restricted for:	
Debt Service	300,000
Unrestricted	4,259,481
Total Net Assets	<u><u>\$ 12,603,236</u></u>

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

**CITY OF LUCAS, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Business-Type Funds
OPERATING REVENUES:	
Charges for Services	\$ 3,330,293
Impact Fees	96,938
Total Operating Revenues	<u>3,427,231</u>
OPERATING EXPENSES:	
Personnel Services	362,899
Contractual Services	1,069,562
Trash Services	316,700
Supplies and Materials	16,547
Maintenance and Repair	33,493
Depreciation	381,568
Miscellaneous Expense	1,404
Total Operating Expenses	<u>2,182,173</u>
Operating Income	<u>1,245,058</u>
NON-OPERATING REVENUES (EXPENSES):	
Amortization Expense	(8,930)
Interest Revenue	6,122
Interest Expense	(72,518)
Total Non-Operating Revenues (Expenses)	<u>(75,326)</u>
Income Before Transfers	1,169,732
Transfers	(255,716)
Change in Net Assets	914,016
Net Assets, October 1	11,689,220
Net Assets, September 30	<u><u>\$ 12,603,236</u></u>

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

**CITY OF LUCAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Business-Type Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 3,067,807
Cash Received from Other Sources	97,938
Cash Paid to Employees	(362,899)
Cash Paid to Suppliers	(1,398,994)
Net Cash Provided by Operating Activities	<u>1,403,852</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	(255,716)
Net Cash Provided by Non-capital Financing Activities	<u>(255,716)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(1,243,194)
Bond Proceeds	2,272,500
Principal Paid on Long-term Debt	(368,758)
Interest Paid on Long-term Debt	(50,139)
Net Cash Used for Capital & Related Financing Activities	<u>610,409</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	6,122
Net Cash Provided by Investing Activities	<u>6,122</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,764,667
Cash and Cash Equivalents at Beginning of Year	4,789,186
Cash and Cash Equivalents at End of Year	<u><u>\$ 6,553,853</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operation Activities:	
Operating Income	\$ 1,245,058
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	381,568
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivables	(261,486)
(Decrease) Increase in:	
Accounts payable	15,578
Customer deposits	8,550
Unfunded Pension Liability	14,584
Total Adjustments	<u>158,794</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,403,852</u></u>

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

CITY OF LUCAS, TEXAS
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2011

	<u>Developers Escrow</u>
ASSETS	
Cash and Investments - Restricted	\$ 10,444
Total Assets	<u>10,444</u>
LIABILITIES	
Developers Escrow	10,444
Total Liabilities	<u>\$ 10,444</u>

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local government include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide* and by the Financial Accounting Standards Board when applicable. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989. The more significant accounting policies of the City are described below.

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. New Accounting Pronouncements

Government Accounting Standards Board Statement No. 54 ("GASB 54")

For the fiscal year ended September 30, 2011, the City implemented GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The requirements of this statement are effective for financial statement periods beginning after June 15, 2010.

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Equity section of this footnote.

GASB 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the General Fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified by the provisions in this statement.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Significant Accounting Policies (continued)

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

Fund Financial Statements: The fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund, debt service, and capital improvements funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The City does not have any non-major funds.

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 water and wastewater funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and service administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board and all pronouncements of the Financial Standards Board issued on or before November 30, 1989.

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.

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

b. Measurement Focus, Basis of Accounting

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Significant Accounting Policies

3. Basis of Presentation, Basis of Accounting

b. Measurement Focus, Basis of Accounting (continued)

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

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

The City reports the following major governmental funds:

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

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

The *Capital 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.

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the City's water and sewer services are charges to customers for sales and services. Operating expenses for Proprietary fund include the cost of sales and services administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary fund:

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

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.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Significant Accounting Policies (continued)

4. 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

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

c. Property Taxes

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

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

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

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2011, 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.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Significant Accounting Policies

4. Financial Statement Amounts (continued)

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-type activities is included as part of the capitalized value of the assets constructed. For fiscal year 2011, \$88,834 of such interest costs were capitalized in the Utility Fund.

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

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

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

f. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the 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 on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are 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. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from various federal agencies including Federal Emergency Management Agency ("FEMA") which is accounted for in the general government department of the General Fund.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Significant Accounting Policies

4. Financial Statement Amounts (continued)

i. Fund Equity

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

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

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

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

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

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

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

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

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

The City believes that adequate levels of fund balance are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with GASB 54, the City's fund balances now focus on "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent." The goal is to maintain a minimum unassigned fund balance in the general fund equal to 50% of expenditures, with 25% or less being cause for concern.

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

j. 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.

k. 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.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Significant Accounting Policies

4. Financial Statement Amounts (continued)

l. Use of Estimates

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

m. Program Revenues

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

n. Program Expenses

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

2. Deficit Fund Balance or Fund Net 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 as supplemental information.

The following procedures are followed in establishing the budgetary data:

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

Budgets are legally adopted on a modified accrual basis of accounting. 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, 2011

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, 2011, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,444,926 and the bank balance was \$14,576,561. The City's cash deposits at September 30, 2011 and during the year ended September 30, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The amount of deposits covered by collateralized securities was \$10,776,791. Restricted cash and investments as of September 30, 2011 are restricted as follows:

Restricted Cash:

Municipal Court	\$	16,387
Capital Improvements		3,501,740
Water/Sewer Projects		2,251,103
Debt Service		625,000
Customer Deposits		175,088
Impact Fees		86,416
Total	\$	<u>6,655,734</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 fair 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.

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

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

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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, 2011, the City had the following investments:

Investment Type	Book Value	Fair Value	% of Portfolio	Weighted Average Maturity - days	Rating as of Year End	Rating Agency
TexPool	\$ 530,303	\$ 530,303	11%	42	AAA-m	S&P
LOGIC	1,522,620	1,522,620	32%	48	AAA-m	S&P
Lone Star	2,657,327	2,657,327	56%	47	AAA-m	S&P
	<u>\$ 4,710,250</u>	<u>\$ 4,710,250</u>	<u>100%</u>			

As of September 30, 2011 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit Risk

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

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, 2011, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

D. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Utility	Total
Receivables:				
Taxes	\$ 84,531	\$ 14,470	\$ -	\$ 99,001
Fees and Charges	-	-	570,125	570,125
Gross Receivables	84,531	14,470	570,125	669,126
Less: allowance for uncollectibles	-	-	(37,061)	(37,061)
Net Total Receivables	<u>\$ 84,531</u>	<u>\$ 14,470</u>	<u>\$ 533,064</u>	<u>\$ 632,065</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

E. Capital Assets

Capital asset activity for the period ended September 30, 2011 was as follows:

	Beginning Balances	Prior Period Adjustments	Transfers	Additions	Decreases	Ending Balances
Governmental Activities						
Capital assets not being depreciated:						
Land	\$ 903,447	\$ -	\$ -	\$ -	\$ -	\$ 903,447
Construction-In-Progress	-	-	-	28,868	-	28,868
Total capital assets not being depreciated:	903,447	-	-	28,868	-	932,315
Capital assets being depreciated:						
Buildings and Improvements	1,683,369	-	-	-	-	1,683,369
Furniture & Equipment	799,890	-	-	205,084	(42,291)	962,683
Vehicles	1,224,320	-	-	-	-	1,224,320
Infrastructure	6,776,913	-	-	520,614	-	7,297,527
Total capital assets being depreciated:	10,484,492	-	-	725,698	(42,291)	11,167,899
Less accumulated depreciation for:						
Buildings and Improvements	(248,332)	-	-	(42,693)	-	(291,025)
Furniture & Equipment	(337,596)	-	-	(93,745)	33,981	(397,360)
Vehicles	(592,552)	-	-	(64,258)	-	(656,810)
Infrastructure	(751,637)	-	-	(217,587)	-	(969,224)
Total accumulated depreciation:	(1,930,117)	-	-	(418,283)	33,981	(2,314,419)
Total capital assets being depreciated, net	8,554,375	-	-	307,415	(8,310)	8,853,480
Governmental activities capital assets, net	<u>\$ 9,457,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,283</u>	<u>\$ (8,310)</u>	<u>\$ 9,785,795</u>
Business-type Activities						
Capital assets not being depreciated:						
Land	\$ 415,756	\$ -	\$ -	\$ -	\$ -	\$ 415,756
Construction-In-Progress	885,973	-	(866,039)	199,422	-	219,356
Total capital assets not being depreciated:	1,301,729	-	(866,039)	199,422	-	635,112
Capital assets being depreciated:						
Buildings & improvements	734,067	-	-	-	-	734,067
Infrastructure	9,920,682	-	866,039	754,924	-	11,541,645
Furniture & Equipment	558,030	-	-	254,741	-	812,771
Vehicles	80,737	-	-	-	-	80,737
Total capital assets being depreciated:	11,293,516	-	866,039	1,009,665	-	13,169,220
Less accumulated depreciation for:						
Buildings & improvements	(52,420)	-	-	(33,446)	-	(85,866)
Infrastructure	(1,727,332)	-	-	(271,699)	-	(1,999,031)
Furniture & Equipment	(265,129)	-	-	(33,113)	-	(298,242)
Vehicles	(6,944)	-	-	(43,310)	-	(50,254)
Total accumulated depreciation:	(2,051,825)	-	-	(381,568)	-	(2,433,393)
Total capital assets being depreciated, net	9,241,691	-	866,039	628,097	-	10,735,827
Business-type activities capital assets, net	<u>\$ 10,543,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 827,519</u>	<u>\$ -</u>	<u>\$ 11,370,939</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

E. Capital Assets (continued)

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

Governmental activities:	
Administration	\$ 29,720
Fire Department	113,089
Parks & Recreation	11,017
Building Official	3,786
Public Works	260,671
Total depreciation expense - governmental activities	<u>\$ 418,283</u>
Business-type activities:	
Utility	381,568
Total depreciation expense - business-type activities	<u>\$ 381,568</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	Debt Service
Tax Revenue	<u>\$ 26,619</u>	<u>\$ 13,101</u>

G. Bond Issuance Costs

The City incurred various bond issuance fees upon issuance of the 2002, 2007 and 2011 bonds. These fees are amortized over the term of the bonds. The following is a schedule of these fees:

	Fees	Prior Years Amortization Expense	Current Year Amortization Expense	Balance	Due Within One Year
<u>Governmental Fund</u>					
Series 2007 bond issuance fees	\$ 31,508	\$ (6,752)	\$ (2,251)	\$ 22,505	\$ 2,251
Series 2011 bond issuance fees	46,546	-	(2,327)	44,219	2,327
Totals	<u>\$ 78,054</u>	<u>\$ (6,752)</u>	<u>\$ (4,578)</u>	<u>\$ 66,724</u>	<u>\$ 4,578</u>
<u>Proprietary Fund</u>					
Series 2002 bond issuance fees	\$ 28,886	\$ (12,046)	\$ (1,409)	\$ 15,431	\$ 1,409
Series 2007 bond issuance fees	25,779	(5,524)	(1,841)	18,414	1,841
Series 2011 bond issuance fees	29,921	-	(1,496)	28,425	1,496
Totals	<u>\$ 84,586</u>	<u>\$ (17,570)</u>	<u>\$ (4,746)</u>	<u>\$ 62,270</u>	<u>\$ 4,746</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

H. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2011, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
General Obligation Bonds	\$ 1,735,000	\$ -	\$ (10,000)	\$ 1,725,000	\$ 10,000
Certificates of Obligation	2,375,000	3,500,000	(475,000)	5,400,000	315,000
	4,110,000	3,500,000	(485,000)	7,125,000	325,000
Less deferred amounts:					
For issuance discounts	-	(35,200)	1,760	(33,440)	-
For issuance premiums	-	70,200	(3,510)	66,690	-
Bond Defeasance	(81,395)	-	7,400	(73,995)	-
Total bonds payable	4,028,605	3,535,000	(479,350)	7,084,255	325,000
Compensated absences	24,404	17,385	(15,557)	26,232	1,197
Governmental activity					
Long-term liabilities	<u>\$ 4,053,009</u>	<u>\$ 3,552,385</u>	<u>\$ (494,907)</u>	<u>\$ 7,110,487</u>	<u>\$ 326,197</u>
	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable:					
General Obligation Bonds	\$ 1,300,000	\$ -	\$ (60,000)	\$ 1,240,000	\$ 65,000
Certificates of Obligation	2,430,000	2,250,000	(310,000)	4,370,000	235,000
	3,730,000	2,250,000	(370,000)	5,610,000	300,000
Less deferred amounts:					
For issuance discounts	-	(22,629)	1,131	(21,498)	-
For issuance premiums	-	45,129	(2,256)	42,873	-
Bond Defeasance	(58,395)	-	5,308	(53,087)	-
Total Bonds Payable	3,671,605	2,272,500	(365,817)	5,578,288	300,000
Compensated absences	15,140	3,104	(6,045)	12,199	1,511
Business-type activity					
Long-term liabilities	<u>\$ 3,686,745</u>	<u>\$ 2,275,604</u>	<u>\$ (371,862)</u>	<u>\$ 5,590,487</u>	<u>\$ 301,511</u>

Changes in Governmental Long-term Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30, 2010	Increase	Retired	Amounts Outstanding September 30, 2011	Due Within One Year
2007 Refunding G.O.	3.76%	\$ 1,790,000	\$ 1,735,000	\$ -	\$ (10,000)	\$ 1,725,000	\$ 10,000
2002 CO	4.5-5.25%	3,000,000	605,000	-	(140,000)	465,000	145,000
2007 CO	4.25%	2,500,000	1,770,000	-	(335,000)	1,435,000	75,000
2011 CO	2-4%	3,500,000	-	3,500,000	-	3,500,000	95,000
Total Debt Payable		10,790,000	4,110,000	3,500,000	(485,000)	7,125,000	325,000
Compensated absences			24,404	17,385	(15,557)	26,232	1,197
Totals		<u>\$ 10,790,000</u>	<u>\$ 4,134,404</u>	<u>\$ 3,517,385</u>	<u>\$ (500,557)</u>	<u>\$ 7,151,232</u>	<u>\$ 326,197</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

H. Long-Term Obligations (continued)

Debt service requirements are as follows:

Years Ending September 30:	Principal	Interest	Total Requirements
2012	\$ 325,000	\$ 277,588	\$ 602,588
2013	360,000	245,572	605,572
2014	380,000	232,010	612,010
2015	390,000	218,611	608,611
2016	410,000	205,498	615,498
2017-2021	2,300,000	795,102	3,095,102
2022-2026	1,685,000	409,744	2,094,744
2027-2031	1,275,000	123,625	1,398,625
Totals	<u>\$ 7,125,000</u>	<u>\$ 2,507,749</u>	<u>\$ 9,632,750</u>

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.

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

Changes in Business-type Long-term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2010	Increase	Retired	Amounts Outstanding September 30, 2011	Due Within One Year
2007 Refunding G.O.	3.76%	\$ 1,455,000	\$ 1,300,000	\$ -	\$ (60,000)	\$ 1,240,000	\$ 65,000
2002 CO	4.5-5.25%	2,500,000	400,000	-	(100,000)	300,000	100,000
2007 CO	4.25%	2,500,000	2,030,000	-	(210,000)	1,820,000	80,000
2011 CO	2-4%	2,250,000	-	2,250,000	-	2,250,000	55,000
Total Bonds Payable		8,705,000	3,730,000	2,250,000	(370,000)	5,610,000	300,000
Compensated Absences			15,140	3,104	(6,045)	12,199	1,511
Totals		<u>\$ 8,705,000</u>	<u>\$ 3,745,140</u>	<u>\$ 2,253,104</u>	<u>\$ (376,045)</u>	<u>\$ 5,622,199</u>	<u>\$ 301,511</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

H. Long-Term Obligations (continued)

Debt service requirements are as follows:

Years Ending September 30:	Principal	Interest	Total Requirements
2012	\$ 300,000	\$ 219,815	\$ 519,815
2013	320,000	195,583	515,583
2014	350,000	183,020	533,020
2015	360,000	170,164	530,164
2016	365,000	157,516	522,516
2017-2021	1,695,000	598,738	2,293,738
2022-2026	1,335,000	308,430	1,643,430
2027-2031	885,000	81,256	966,256
Totals	<u>\$ 5,610,000</u>	<u>\$ 1,914,522</u>	<u>\$ 7,524,522</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.

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

I. Pension Plan

1. Plan Description

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

TMRS issues a publicly available Comprehensive Annual Financial Report ("CAFR") that includes financial statements and required supplementary information ("RSI") for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, PO Box 149153, Austin, TX 78714-9153 or by calling 800.924.8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

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.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. Pension Plan (continued)

2. Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation (asset) are as follows:

City of Lucas Schedule of Actuarial Liabilities and Funding Progress			
	12/31/08	12/31/09	12/31/10
Actuarial Valuation Date			
Actuarial Value of Assets	\$ 616,951	\$ 692,369	\$ 877,000
Actuarial Accrued Liability	774,257	896,729	1,134,505
Percentage Funded	79.7%	77.2%	77.3%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	157,306	204,360	257,505
Annual Covered Payroll	677,751	752,616	858,901
UAAL as a Percentage of Covered Payroll	23.2%	27.2%	30.0%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	Plus 46,834	58,173	79,175
Contributions Made	Less (46,834)	(58,173)	(79,175)
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level %	Level %	Level %
Asset Valuation method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market
Amortization period	24 years-closed	23.4 years-closed	22.7 years-closed
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	7.00%
Inflation rate	3.00%	3.00%	3.00%
Projected salary increase	Varies by age and service	Varies by age and service	Varies by age and service

3. Funding Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring has occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS CAFR.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. Pension Plan (continued)

3. Funding Status and Funding Progress (continued)

The funded status as of December 21, 2010, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/10 ¹	\$ 793,410	\$ 1,025,864	77.3%	\$ 232,454	\$ 858,091	27.1%
12/31/10 ²	\$ 877,000	\$ 1,134,505	77.3%	\$ 257,505	\$ 858,091	30.0%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

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

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

J. Supplemental Death Benefits

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

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

The City's contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009 were \$1,730, \$1,662 and \$1,730, respectively, which equaled the required contributions each year.

K. Health Care Coverage

During the year ended September 30, 2011, employees of the City were covered by a health and dental insurance plan. The City contributed \$450.40 per month per employee (100% of the cost per employee) for employee coverage for health insurance. The City contributed \$26.56 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.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

L. 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 Joint Self Ins Fund	4439	Automotive	\$ 500,000 per occurrence	10/01/10 to 10/01/11	\$ 6,428	\$ -
TX Municipal League Joint Self Ins Fund	4439	Automobile-Phys. Damage	Per Schedule & Endorsements	10/01/10 to 10/01/11	\$ 4,794	\$ 10,000
Liability Coverage:						
TX Municipal League Joint Self Ins Fund	4439	General	\$ 1,000,000 per occurrence	10/01/10 to 10/01/11	\$ 2,292	\$ -
TX Municipal League Joint Self Ins Fund	4439	Law Enforcement	\$ 1,000,000 per claim	10/01/10 to 10/01/11	\$ 481	\$ 1,000
TX Municipal League Joint Self Ins Fund	4439	Errors & Omissions	\$ 1,000,000 per claim	10/01/10 to 10/01/11	\$ 3,342	\$ 2,500
Property Coverage:						
TX Municipal League Joint Self Ins Fund	4439	Real and Personal	\$ 5,712,105	10/01/10 to 10/01/11	\$ 11,203	\$ 250
TX Municipal League Joint Self Ins Fund	4439	Mobile Equipment	\$ 417,747	10/01/10 to 10/01/11	\$ 2,045	\$ 250
TX Municipal League Joint Self Ins Fund	4439	Boiler and Machinery	\$ 100,000 Per Accident	10/01/10 to 10/01/11	Included	\$ 250

M. Risk Management

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

N. Litigation

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

O. Additional Water and Sewer Information

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

Water Accountability Report:

Gallons Pumped	587,816,000
Gallons Billed	493,705,600

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, 2011 were \$773,165.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

P. Interfund Transactions

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund	\$ (754,779)	\$ -
Debt Service Fund	205,296	-
Utility Fund	255,716	-
Capital Improvements Fund	-	293,767
Total Major Funds	<u>\$ (293,767)</u>	<u>\$ 293,767</u>

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

Q. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2011 up through February 10, 2012, the date the financial statements were issued. During this period, there were no subsequent events requiring disclosure.

R. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following statements:

GASB Statement No. 59, *Financial Instruments Omnibus* ("GASB 59"), updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. GASB 59 will be implemented by the City in fiscal year 2012 and the impact has not yet been determined.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* ("GASB 60"), improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. GASB 60 does not apply to the City at this time.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34* ("GASB 61"), modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. GASB 61 will be implemented by the City in fiscal year 2013 and the impact has not yet been determined.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* ("GASB 62"), incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations; 2) Accounting Principles Board Opinions; 3) Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure. GASB 62 will be implemented by the City in fiscal year 2012 and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF LUCAS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2011

TMRS FUNDING PROGRESS AND CONTRIBUTIONS
LAST SIX 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		(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)
			(1)	(2)	(2)-(1)	(3)						
2006	12/31/2005	\$ 312,687	\$ 396,045	\$ 83,358	\$ 79.0%	\$ 462,894	18.0%	\$ 43,063	\$ 43,063	100%		
2007	12/31/2006	401,550	470,495	68,945	85.3%	476,828	14.5%	49,397	49,397	100%		
2008	12/31/2007	505,916	659,042	153,126	76.8%	616,387	24.8%	61,864	61,864	100%		
2009	12/31/2008	616,951	774,257	157,306	79.7%	677,751	23.2%	46,834	46,834	100%		
2010	12/31/2009	692,369	896,729	204,360	77.2%	752,616	27.2%	58,173	58,173	100%		
2011	12/31/2010 ¹	793,410	1,025,864	232,454	77.3%	858,091	27.1%	79,175	79,175	100%		
2011	12/31/2010 ²	877,000	1,134,505	257,505	77.3%	858,091	30.0%	79,175	79,175	100%		

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.



SUPPLEMENTARY INFORMATION

CITY OF LUCAS, TEXAS
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
(MODIFIED ACCRUAL BASIS)
SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property Taxes including P&I	\$ 643,564	\$ 686,040	\$ 685,400	\$ (640)
Interest Income	-	850	892	42
Total Revenues	<u>643,564</u>	<u>686,890</u>	<u>686,292</u>	<u>(598)</u>
EXPENDITURES				
Current:				
Debt Service				
Installment Payments	485,000	485,000	485,000	-
Interest and Fiscal Agent Fees	158,564	158,564	158,778	(214)
Total Expenditures	<u>643,564</u>	<u>643,564</u>	<u>643,778</u>	<u>(214)</u>
Excess (deficiency) of revenues (under) expenditures	-	43,326	42,514	(812)
Other Revenues and Financing Sources (uses)				
Transfers	-	-	(205,053)	(205,053)
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>(205,053)</u>	<u>(205,053)</u>
Net Change in Fund Balances	-	43,326	(162,539)	(205,865)
Fund Balances/Equity, October 1	488,907	488,907	488,907	
Fund Balances/Equity, September 30	<u>\$ 488,907</u>	<u>\$ 532,233</u>	<u>\$ 326,368</u>	

CITY OF LUCAS, TEXAS
BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENTS FUND
(MODIFIED ACCRUAL BASIS)
SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Intergovernmental Revenue	\$ -	\$ 1,599	\$ 1,599	\$ -
Interest Income	24,000	29,000	19,922	(9,078)
Total Revenues	<u>24,000</u>	<u>30,599</u>	<u>21,521</u>	<u>(9,078)</u>
EXPENDITURES				
Debt Service:				
Bond Issuance Costs	-	-	46,546	(46,546)
Total Expenditures	<u>-</u>	<u>-</u>	<u>46,546</u>	<u>(46,546)</u>
Excess (deficiency) of revenues (under) expenditures	24,000	30,599	(25,025)	(55,624)
Other Revenues and Financing Sources (uses)				
Bond Proceeds	-	5,807,500	3,500,000	(2,307,500)
Premium on sale of bonds	-	76,869	70,200	(6,669)
Discount on sale of bonds	-	-	(35,200)	(35,200)
Transfers	-	-	(294,010)	(294,010)
Total Other Financing Sources (uses)	<u>-</u>	<u>5,884,369</u>	<u>3,240,990</u>	<u>(2,643,379)</u>
Net Change in Fund Balances	24,000	5,914,968	3,215,965	(2,699,003)
Fund Balances/Equity, October 1	832,435	832,435	832,435	
Fund Balances/Equity, September 30	<u>\$ 856,435</u>	<u>\$ 6,747,403</u>	<u>\$ 4,048,400</u>	

CITY OF LUCAS, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2011

	Balance September 2010	Additions	Deductions	Balance September 2011
ASSETS				
Cash and Investments - Restricted	\$ 49,524	\$ (39,080)	\$ -	\$ 10,444
Total Assets	<u>49,524</u>	<u>(39,080)</u>	<u>-</u>	<u>10,444</u>
LIABILITIES				
Developers Escrow	49,524	(39,080)	-	10,444
Total Liabilities	<u>\$ 49,524</u>	<u>\$ (39,080)</u>	<u>\$ -</u>	<u>\$ 10,444</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.

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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 2006 was not available in the current desired format.



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

Table 1

	2006	2007	2008	2009	2010	2011
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	\$ 6,946,186
Restricted	132,088	177,421	3,204,311	495,249	500,694	427,803
Unrestricted	1,227,597	4,337,470	2,711,342	4,276,542	3,097,616	2,819,545
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>	<u>10,193,534</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	7,954,921
Restricted	-	-	-	526,921	370,000	300,000
Unrestricted	5,535,349	3,141,792	4,428,199	4,518,161	4,447,405	4,259,481
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>	<u>12,514,402</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	14,901,107
Restricted	132,088	177,421	3,204,311	1,022,170	870,694	727,803
Unrestricted	6,762,946	7,479,262	7,139,541	8,794,703	7,545,021	7,079,026
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>	<u>\$ 22,707,936</u>

Note: Accrual-basis financial information for the City as a whole is only available back to 2004,
the year GASB Statement 34 was implemented. However, information prior to 2006 was
not available in the current desired format.
Years will continue to be added until 10 years of comparison is listed

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

	2006	2007	2008	2009	2010	2011
EXPENSES						
Governmental activities:						
General government	\$ 657,256	\$ 527,758	\$ 539,061	\$ 503,433	\$ 583,494	\$ 684,352
Public Safety	379,159	565,227	448,930	518,869	615,541	653,625
Public Works	599,392	365,295	474,705	587,841	581,006	605,274
Development Services	-	-	308,474	144,485	225,401	289,492
Parks and Recreation	79,525	70,927	64,339	67,630	79,758	87,811
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	184,707
Total governmental activities expenses	2,108,404	1,915,270	2,311,528	2,329,608	2,563,606	2,505,261
Business-type activities:						
Water and Sewer	1,297,183	1,483,115	1,633,259	1,704,106	1,734,592	2,352,455
Total business-type activities expenses	1,297,183	1,483,115	1,633,259	1,704,106	1,734,592	2,352,455
Total primary government expenses	3,405,587	3,398,385	3,944,787	4,033,714	4,298,198	4,857,716
PROGRAM REVENUES						
Governmental activities:						
Charge for services:						
General government	338,797	335,760	-	-	-	1,804
Public Safety	63,140	81,023	53,003	27,762	72,689	137,312
Public Works	-	88,450	74,700	262,503	333,596	103,551
Development Services	-	-	354,009	-	-	377,558
Parks and Recreation	-	-	-	-	-	9,000
Trash Service	256,989	283,755	298,515	336,374	335,846	-
Capital grants and contributions	-	-	-	-	19,860	218,510
Operating grants and contributions	36,932	104,794	88,260	-	-	-
Total governmental activities program revenues	695,858	893,782	868,487	626,639	761,991	847,735
Business-type activities:						
Charge for services:						
Water and Sewer	2,305,232	1,464,900	2,229,136	2,205,460	2,085,458	3,427,231
Total business-type activities program services	2,305,232	1,464,900	2,229,136	2,205,460	2,085,458	3,427,231
Total primary government program revenues	3,001,090	2,358,682	3,097,623	2,832,099	2,847,449	4,274,966
NET (EXPENSE)/REVENUE						
Governmental activities	(1,412,546)	(1,021,488)	(1,443,041)	(1,702,969)	(1,801,615)	(1,657,526)
Business-type activities	1,008,049	(18,215)	595,877	501,354	350,866	1,074,776
Total primary government program net expenses	\$ (404,497)	\$ (1,039,703)	\$ (847,164)	\$ (1,201,615)	\$ (1,450,749)	\$ (582,750)

(continued)

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

Table 2

	2006	2007	2008	2009	2010	2011
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	\$ 2,053,573
Sales tax	138,116	162,591	158,380	160,314	157,918	186,642
Franchise tax	169,711	182,080	204,310	220,729	258,522	244,161
Investment Income	115,403	306,599	258,007	100,960	50,305	30,079
Miscellaneous	75,993	64,764	58,370	53,842	57,418	53,362
Intergovernmental	-	-	-	203,682	164,739	-
Transfers	-	2,248,643	(1,056,888)	(424,647)	(970,175)	255,716
Total governmental activities	1,897,298	4,536,858	1,358,991	2,254,739	1,723,392	2,823,533
Business-type activities:						
Investment Income	128,284	160,093	119,102	29,359	4,555	6,122
Miscellaneous	-	-	-	150	-	-
Transfers	-	(2,248,643)	1,056,888	424,647	970,175	(255,716)
Total business-type activities	128,284	(2,088,550)	1,175,990	454,156	974,730	(249,594)
Total primary government	2,025,582	2,448,308	2,534,981	2,708,895	2,698,122	2,573,939
CHANGE IN NET ASSETS						
Governmental activities	484,752	3,515,370	(84,050)	551,770	(78,223)	1,166,007
Business-type activities	1,136,333	(2,106,765)	1,771,867	955,510	1,325,596	825,182
Total primary government	\$ 1,621,085	\$ 1,408,605	\$ 1,687,817	\$ 1,507,280	\$ 1,247,373	\$ 1,991,189

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

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

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

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

Table 3

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

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

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

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

Table 4

Pre-GASB 54 Implementation:

	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>

After GASB 54 Implementation:

	2011
General Fund	
Restricted	\$ 102,803
Unassigned	3,179,629
Total General Fund	<u>3,282,432</u>
 All other governmental funds	
Restricted	4,374,769
Unassigned	-
Total all other governmental funds	<u>\$ 4,374,769</u>

Note: Accrual-basis financial information for the City as a whole is only available back to 2004, the year GASB Statement 34 was implemented. However, information prior to 2006 was not available in the current desired format.
Years will continue to be added until 10 years of comparison is listed

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

Table 5

	2006	2007	2008	2009	2010	2011
REVENUES						
Property taxes	\$ 1,361,727	\$ 1,599,525	\$ 1,731,793	\$ 1,933,243	\$ 2,004,665	\$ 2,020,469
Sales tax	138,116	162,591	158,380	160,314	157,918	186,642
Franchise Fees	169,711	182,080	204,310	220,729	258,522	244,161
Fines and Forfeitures	18,398	24,008	16,126	10,026	18,608	53,010
Licenses and Permits	299,685	318,842	272,607	181,306	262,463	369,573
Fire Department	44,742	57,015	36,877	23,624	68,143	101,493
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	218,510
Donations	36,932	6,809	80,000	3,250	-	-
Impact Fees	-	88,450	74,700	75,309	57,070	103,550
Intergovernmental	-	-	-	203,682	164,739	1,599
Investment Income	115,403	306,599	258,007	100,960	50,305	39,497
Miscellaneous	75,993	64,764	58,370	50,592	57,418	53,362
Total Revenues	<u>2,556,808</u>	<u>3,209,341</u>	<u>3,279,347</u>	<u>3,299,409</u>	<u>3,455,557</u>	<u>3,391,866</u>
EXPENDITURES						
City Council	25,117	46,370	73,020	33,683	39,213	29,680
City Secretary	-	-	98,228	87,036	102,203	100,105
Administrative	435,279	477,770	361,230	335,470	366,150	465,921
Public Works	599,392	420,241	268,793	362,622	339,221	311,002
Parks and Recreation	71,140	60,295	56,218	62,083	71,479	110,394
Police	68,617	75,000	75,000	75,267	83,010	83,591
Fire Department	310,542	420,246	402,471	357,680	444,785	456,945
Development Services	-	-	308,474	144,485	221,931	285,706
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	754,566
Debt Service	-	-	-	-	-	-
Principal Retirement	333,671	394,983	277,500	475,240	425,000	485,000
Interest and other charges	163,342	144,638	226,396	198,384	178,791	158,778
Bond Issuance costs	-	-	-	-	-	46,546
Total Expenditures	<u>3,350,328</u>	<u>2,595,671</u>	<u>3,037,626</u>	<u>3,963,163</u>	<u>3,621,280</u>	<u>3,288,234</u>
OTHER FINANCING SOURCES (USES):						
Bond Proceeds	-	-	-	-	-	3,500,000
Premium on sale of bonds	-	-	-	-	-	70,200
Discount on sale of bonds	-	-	-	-	-	(35,200)
Note Proceeds	-	2,500,000	-	-	-	-
Transfers In(Out)	-	2,248,643	(1,056,888)	(424,647)	(970,174)	255,716
Total other financing sources (uses)	<u>-</u>	<u>4,748,643</u>	<u>(1,056,888)</u>	<u>(424,647)</u>	<u>(970,174)</u>	<u>3,790,716</u>
NET CHANGE IN FUND BALANCES	<u>\$ (793,520)</u>	<u>\$ 5,362,313</u>	<u>\$ (815,167)</u>	<u>\$ (1,088,401)</u>	<u>\$ (1,135,897)</u>	<u>\$ 3,894,348</u>
Debt service as a percentage of noncapital expenditures						
	<u>22.07%</u>	<u>23.67%</u>	<u>20.94%</u>	<u>27.81%</u>	<u>23.45%</u>	<u>27.25%</u>

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

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

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

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

Table 6

Fiscal Year Ended Sept. 30	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
2006	\$ 435,231,282	\$ 4,246,538	\$ 19,809,770	\$ (99,192,210)	\$ 0.377	\$ 459,287,590	0.7840
2007	496,997,302	6,795,627	23,554,190	(114,558,686)	0.375	527,347,119	0.7828
2008	544,582,431	7,021,562	24,356,690	(122,054,413)	0.375	575,960,683	0.7881
2009	613,414,766	7,052,481	29,502,376	(141,084,260)	0.374177	649,969,623	0.7829
2010	639,489,715	7,131,627	33,135,759	(141,718,774)	0.374177	679,757,101	0.7915
2011	666,593,794	5,988,219	31,426,610	(151,689,649)	0.374177	704,008,623	0.7845

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

Includes tax-exempt property

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

Fiscal Year Ended Sept. 30	City Direct Rates			Overlapping Rates *							
	Operating/ General Rate	General Obligation		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	
		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	0.087683
2008	0.244260	0.130740	0.375	1.47630	1.4703	1.517	1.2684	1.3687	1.39	0.245	0.086984
2009	0.250509	0.123668	0.374177	1.515	1.4703	1.517	1.3034	1.49	1.51	0.2425	0.086493
2010	0.252040	0.122137	0.374177	1.53500	1.54	1.54	1.3284	1.49	1.59	0.2425	0.0863
2011	0.247231	0.126946	0.374177	1.53500	1.54	1.528	1.3534	1.49	1.64	0.24	0.0863

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, 2011
(unaudited)**

Table 8

Taxpayer	Type of Business	Assessed Taxable Value 2011 Fiscal Year	Rank	Percentage of Assessed Taxable Value
Lucas Partners LTD	RE Investor	\$ 1,995,403	1	0.003709
F G Creek Properties LTD	RE Investor	1,469,071	2	0.002730
Designer Homes by Tiffany LLC	Home Builder	1,368,406	3	0.002543
Paul Taylor Homes Limited	Home Builder	1,181,795	4	0.002196
Claremont Springs II LTD	Developer	1,172,565	5	0.002179
Wolf Creek Lucas Investors LP	Developer	1,090,767	6	0.002027
Zadorozny Daniel Etux Diane	Home Owner	1,008,540	7	0.001874
Graham Mortgage Corporation	Developer	982,670	8	0.001826
Rockland Farms Lot Venture JV	Developer	904,096	9	0.001680
Keelen Gregory M & Stephanie L	Home Owner	851,172	10	0.001582
		<u>\$ 12,024,485</u>		<u>0.022349</u>

Source: Collin County Appraisal District

Note: Information is not presented for 2002 as this information is unavailable to the City. This will be added

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

Table 9

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

Source: Collin County Appraisal District

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

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

Table 10

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

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 SIX FISCAL YEARS
(unaudited)

Table 11

Fiscal Year	Estimated Population ¹	Assessed Value ²	Gross Bonded Debt ³	Less Debt Service Fund ⁴	Net Bonded Debt	% of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2006	4,491	\$ 360,095,380	\$ 3,005,000	\$ 132,088	\$ 2,872,912	0.80%	640
2007	4,710	412,788,433	5,150,000	177,421	4,972,579	1.20%	1,056
2008	4,914	453,906,270	4,872,500	232,477	4,640,023	1.02%	944
2009	5,397	508,885,363	4,535,000	412,748	4,122,252	0.81%	764
2010	5,400	538,038,327	4,120,000	488,907	3,631,093	0.67%	672
2011	5,320	552,318,974	7,125,000	326,125	6,798,875	1.23%	1,278

From audit report

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, 2011
(unaudited)**

Table 12

Governmental Subdivision	Gross Bonded Debt	As of	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Allen ISD	\$ 449,377,554	06/30/11	0.47%	\$ 2,112,075
Collin County	379,701,582	04/15/11	0.78%	2,961,672
Collin County CCD	41,748,370	08/01/10	0.78%	325,637
Lovejoy ISD	111,142,442	06/30/10	31.80%	35,343,297
McKinney ISD	453,531,913	07/01/11	0.54%	2,449,072
Plano ISD	976,599,804 *	10/31/11	0.10%	976,600
Princeton ISD	68,425,881	08/31/10	0.06%	41,056
Wylie ISD	229,767,015	06/30/11	0.26%	597,394
	<u>\$ 2,710,294,561</u>			<u>\$ 44,806,805</u>
City of Lucas		09/30/10		<u>7,063,240</u>
				<u>\$ 51,870,045</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)				9.18%
Per capita overlapping bonded debt				<u>\$10,041</u>

*Gross Debt

Source: "Texas Municipal Report" as of September 30, 2010, prepared by the Municipal Advisory Council.

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

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

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

Table 13

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.3766	0.375	0.375	0.374177	0.374177	0.374177
Available Tax Rate	<u>\$ 2.12340</u>	<u>\$ 2.12500</u>	<u>\$ 2.12500</u>	<u>\$ 2.12582</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 SIX FISCAL YEARS
 (unaudited)**

Table 14

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

From audit report

Note:

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

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

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

Table 15

Fiscal Year	Estimated Population	Personal Income	Per Capita Income	Average Age	Grade School Enrollment	Unemployment Rate
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%
2011	5,320	131,631	43,614	39	591	7.00%

Sources:

City of Lucas' staff estimate
Hart Elementary
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 SIX FISCAL YEARS
(unaudited)**

Table 16

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

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

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

Table 17

Function/Program	Fiscal Year					
	2006	2007	2008	2009	2010	2011
Public Safety						
Municipal Court						
Number of cases filed	109	123	133	2	72	400
Fire						
Number of calls answered	348	310	357	402	311	352
Public Works						
Streets maintained	140	140	150	160	160	160
Water and Wastewater						
New connections	298	298	277	215	298	306
Annual gallons of water pumped (thousands)	400,000	294,000	428,000	420,080	420,805	587,816
Miles of water mains maintained	40	41	41.5	42	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 SIX FISCAL YEARS
(unaudited)**

Table 18

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

Source: City departments

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

