

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2012

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, 2012**

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INTRODUCTORY SECTION





665 Country Club Rd.
Lucas, Texas 75002

January 28, 2013

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, 2012, 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, 2012. The independent auditor's report is located in the beginning of the financial section of the CAFR.

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

GENERAL INFORMATION – CITY OF LUCAS

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

The City of Lucas was incorporated in February 1959. Since then, the community has prided itself in maintaining a rural and country style of living. As of September 2012, City Staff estimates the population of Lucas at 5,635, compared to 540 in 1970.

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

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

ECONOMIC CONDITIONS AND OUTLOOK

Lucas enjoys a stable economy, with low population densities, and most homes are constructed on 1 or 2 acre lots. The population of Lucas is expected to grow steadily as people leave the more urban areas of the metroplex, and seek the higher quality of life that Lucas offers its residents. Most Lucas residents work outside of the Lucas city limits, and commute within the Dallas area. According to City Staff population estimates, the City's population is 5,635.

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, and the City is currently installing a new 18-inch waste water sewer line. Presently, the City expects an 185,000 square foot Wal-Mart to open on West Lucas Road in February of 2013. Other commercial developers are interested in the commercial property near the Wal-Mart site. The creation/further expansion of commercial development within the corporate city limits of Lucas should cause sales tax revenues to increase dramatically within the next few years.

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

- An average of 90 new homes permitted annually with an average cost of \$500,000.
- Construction of a new gravity line sewer and lift station system for the FM 2551 commercial area. At the end of 2012, 30 percent of the project has been completed.
- Asphalt resurfacing was completed early summer for Brookhaven Drive, Hillcrest Drive, Glenbrook Circle, Citrus Way, Orchard Rd, Graham Ln, and Rolling Hill Drive for a total of 4.72 miles.
- Design work for a 12-inch Water Line at Stinson Road was in process at the end of September 2012.
- A new 375,000-gallon McGarity Ground Storage Tank was near completion.

FOR THE FUTURE

At the end of September 2012, the City of Lucas is working on these projects:

- A City appointed committee called the Lucas Fire Department Advisory Committee will present the future plans assessment to the council in December 2012. This assessment will look at: locations for future Fire Department facilities, personnel needs, equipment needs, and emergency notification. The Fire Chief is currently gathering EMS options for the City with plans for Council discussion early 2013. The City has hired an architect firm to assist with the design/upgrades of the Fire Station expansion.

- The City of Lucas is currently finishing the update of the City's Water Master Plan.
- Country Club and West Lucas Road Intersection will be widened to include a north turn lane onto Country Club. This is being done to improve the traffic flow near the new Willow Springs Junior High School.
- Planning/Prioritizing of a multi-year street rehab priority list.

In May of 2012, the citizens voted to adopt two additional sales tax percentages:

- 1/4 % for municipal street maintenance
- 1/4 % for property tax relief

The existing sales tax rate is currently 7.25%. Effective Oct. 1, 2012, the new adopted rate will be 7.75%. The City should start receiving the additional revenue in November 2012.

LONGER-TERM FINANCIAL PLANNING

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

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

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

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

Fiscal policies provide for a General Fund reserve equal to at least six months of working capital, which equates to 50% of expenditures. The City considers a balance of less than three months or 25% of expenditures to be a cause for concern, barring unusual or deliberate circumstances. The current reserve in the general fund is at 18 months with funds equaling 149% 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 21 months with current funds equaling 173% 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
FY 2012-2013	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 years ended September 30, 2011 and 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. This was the second consecutive year that the City has received this prestigious award.

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

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

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

Respectfully submitted,

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, 2011

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.



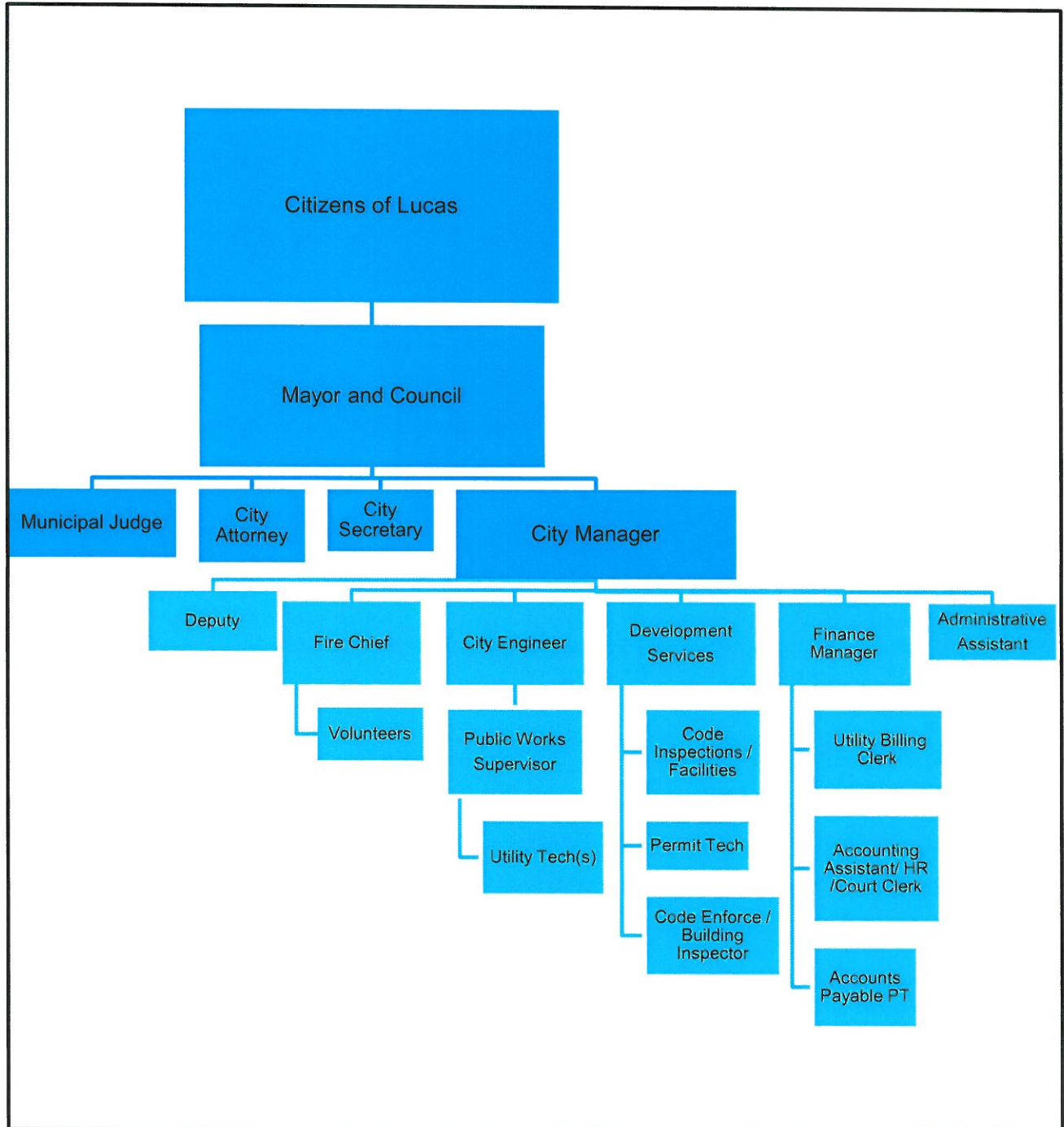
Christopher P. Morrill

President

Jeffrey R. Emer

Executive Director

City of Lucas



**CITY OF LUCAS, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

City Council:

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

Administrative Officers:

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

January 28, 2013

Independent Auditor's Report on Financial Statements

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

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas ("City") as of and for the year ended September 30, 2012, 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, 2012, 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.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated January 28, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be considered in assessing the results of our audit.

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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. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the financial statements as a whole. We do not express an opinion or provide any assurance on the management's discussion and analysis or the Schedule of Pension Trust – TMRS Funding Progress and Contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any 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 section, supplemental information and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, supplemental information 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, 2012

As management of the City of Lucas ('City'), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Lucas for the fiscal year ended September 30, 2012. 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 \$27,040,994 (net position). Of this amount, \$17,637,341 represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets. The amount of \$1,354,404 is restricted for impact fee use, municipal court use, debt obligations, and cable fees. The unrestricted net position is \$8,049,249.
- The government's total net position increased by \$4,112,463, or 18%, excluding prior period adjustments, over the prior year. The \$2,647,400 increase in net investment in capital assets, net of related debt, represents capital expenditures less depreciation and retirement of current debt. See further discussion of capital assets and long-term debt on page 14. The \$626,601 increase in restricted net position represents the change in resources that are subject to external restrictions on their use. The \$970,223 increase in unrestricted net position represents the change in resources available to fund City programs to citizens.
- The City's governmental funds combined ending fund balance of \$8,136,341 was an increase of \$479,139, or 6%, from the prior year ending fund balance of \$7,657,202. Amounts available for spending include restricted and unassigned fund balances; these totaled \$8,136,341, or 100% of ending fund balance. Of this amount, \$4,311,693 is restricted by law or externally imposed requirements, and \$3,822,755 is unassigned. Available fund balance for the General Fund increased \$1,214,726 to \$4,497,159, which equates to 140% of total General Fund expenditures for the year.
- The City's investment in capital assets (net of accumulated depreciation) increased by \$2,647,400, or 18%, to \$17,637,341. The City recorded depreciation of \$943,176 against its assets. The City's long-term debt outstanding had a decrease of \$(615,166), or 5%, to \$12,047,377 due to the scheduled payments on debt.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported as business-type activities. The final category is the component unit. As of September 30, 2012, 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 two categories: governmental funds and proprietary funds.

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

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

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

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

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

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

Notes to the Financial Statements

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

**CITY OF LUCAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2012**

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.

Accounting Changes

GASB Statements No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", improves financial reporting by clarifying the appropriate use of the elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012**

The City of Lucas' Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 8,622,831	\$ 8,056,797	\$ 6,418,269	\$ 7,149,187	\$ 15,041,100	\$ 15,205,984
Capital assets	11,392,473	9,785,795	13,502,239	11,370,939	24,894,712	21,156,734
Total assets	20,015,304	17,842,592	19,920,508	18,520,126	39,935,812	36,362,718
Long-term liabilities	6,431,622	6,966,216	4,973,071	5,364,555	11,404,693	12,330,771
Current liabilities	850,700	682,842	639,425	552,335	1,490,125	1,235,177
Total liabilities	7,282,322	7,649,058	5,612,496	5,916,890	12,894,818	13,565,948
Net assets:						
Net investment in capital assets	7,912,596	6,946,186	9,724,745	8,043,755	17,637,341	14,989,941
Restricted	1,034,404	427,803	320,000	300,000	1,354,404	727,803
Unrestricted	3,785,982	2,819,545	4,263,267	4,259,481	8,049,249	7,079,026
Total net assets	\$ 12,732,982	\$ 10,193,534	\$ 14,308,012	\$ 12,603,236	\$ 27,040,994	\$ 22,796,770

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the City of Lucas exceeded liabilities by \$27,040,994 as of September 30, 2012. The City's net position increased by \$4,112,463, excluding prior period adjustments, for fiscal year ended September 30, 2012.

Net investment in capital assets:

The largest portion (65%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

An additional portion of the City's net position, 5%, represents resources that are subject to external restrictions on how they may be used such as state imposed restrictions for impact fees and court fees and contractual obligations for debt from ad valorem taxes and capital improvements.

Unrestricted net position:

Unrestricted net position of \$8,049,249 is available to fund the City's programs to its citizens and obligations to its creditors.

**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012**

The City of Lucas' Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 1,388,215	\$ 629,225	\$ 3,025,171	\$ 3,427,231	\$ 4,413,386	\$ 4,056,456
Capital grants and contributions	946,567	218,510	1,350,014	-	2,296,581	218,510
General Revenues:						
Property taxes	2,095,821	2,053,573	-	-	2,095,821	2,053,573
Sales taxes	178,331	186,642	-	-	178,331	186,642
Franchise taxes	258,112	244,161	-	-	258,112	244,161
Investment income	19,009	30,079	9,175	6,122	28,184	36,201
Miscellaneous	44,897	53,362	565	-	45,462	53,362
Total revenues	4,930,952	3,415,552	4,384,925	3,433,353	9,315,877	6,848,905
Expenses:						
General government	626,484	684,352	-	-	626,484	684,352
Public safety	775,050	653,625	-	-	775,050	653,625
Public works	609,532	605,274	-	-	609,532	605,274
Parks and recreation	111,766	87,811	-	-	111,766	87,811
Development services	293,418	289,492	-	-	293,418	289,492
Interest on long-term debt	256,685	184,707	-	-	256,685	184,707
Water and Sewer	-	-	2,530,479	2,263,621	2,530,479	2,263,621
Total expenses	2,672,935	2,505,261	2,530,479	2,263,621	5,203,414	4,768,882
Change in net position before transfers	2,258,017	910,291	1,854,446	1,169,732	4,112,463	2,080,023
Transfers	166,229	255,716	(166,229)	(255,716)	-	-
Change in net position	2,424,246	1,166,007	1,688,217	914,016	4,112,463	2,080,023
Net position - beginning	10,193,534	9,027,527	12,603,236	11,689,220	22,796,770	20,716,747
Prior period adjustments	115,202	-	16,559	-	131,761	-
Net position - end	\$ 12,732,982	\$ 10,193,534	\$ 14,308,012	\$ 12,603,236	\$ 27,040,994	\$ 22,796,770

Governmental contributions increased significantly due to the donation from a developer for roadway infrastructure improvements of \$801,900. The charge for services increased significantly by 120.83% due to impact fees paid by developers for the building of the new Wal-Mart. These areas account for the increase in net position in the governmental activities.

Business-type contributions increased significantly due to the donation from a developer for infrastructure on water and sewer lines and a water storage tank which accounts for the increase in net position before transfers. Operating revenues from water and sewer decreased by (11.73%) due to a decrease in water service revenue. Total expenses increased by 11.86% due to an increase in interest on long-term debt as a result of the first payments being made on the 2011 CO's, as well as an increase in depreciation due to completed projects.

**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2012**

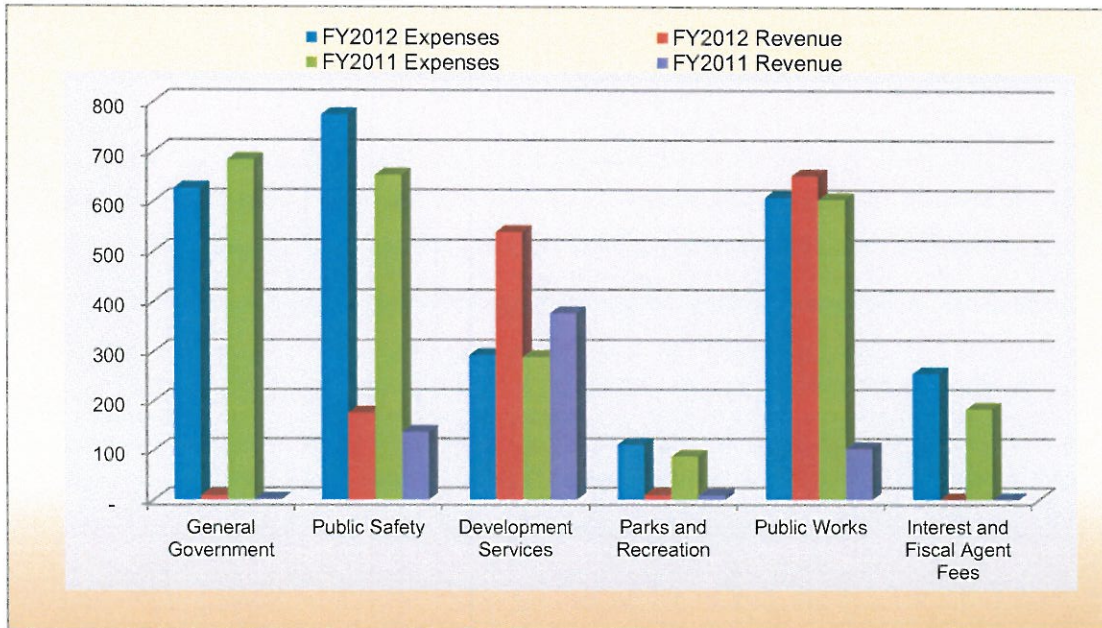
Governmental-type activities - Governmental-type activities increased the City's net position by \$2,424,246 before prior period adjustments. Key elements of this increase are as follows:

Charge for services increased by \$758,990, or 120.62%.

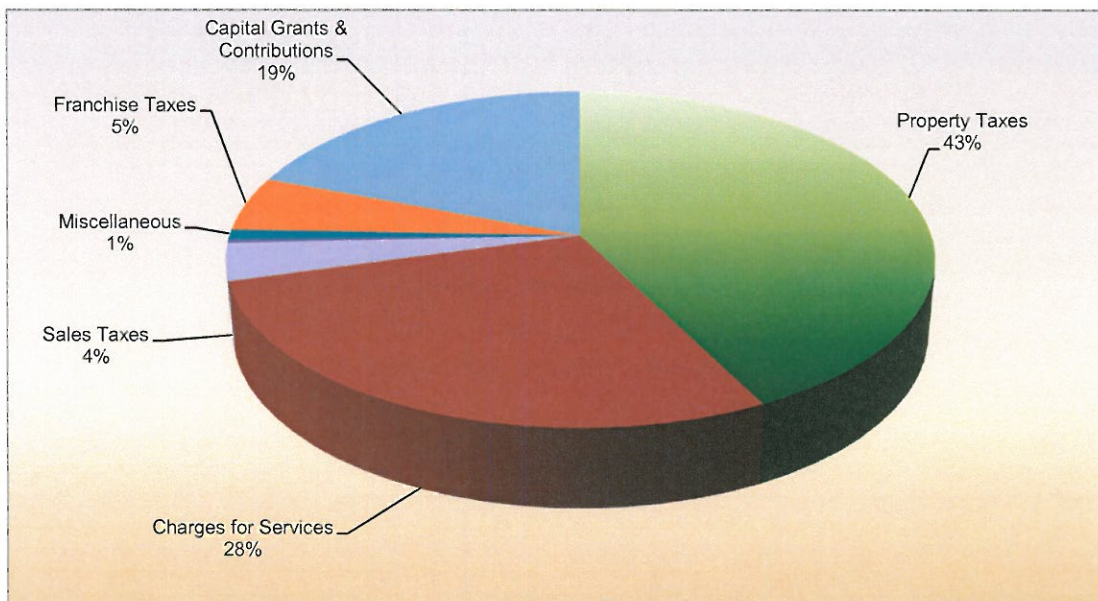
Contributions from developers increased by \$728,057, or 333.19%

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities



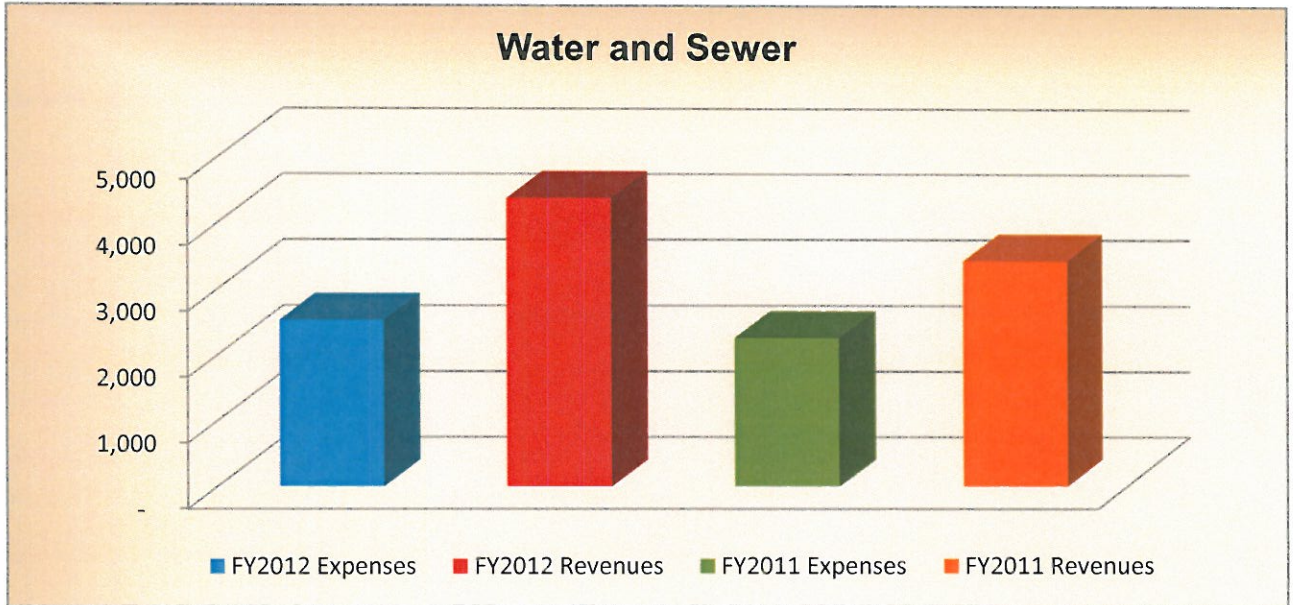
**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2012**

Business-type Activities - Business-type activities increased the City's net position by \$1,688,217, excluding prior period adjustments. A key element of this increase is as follows:

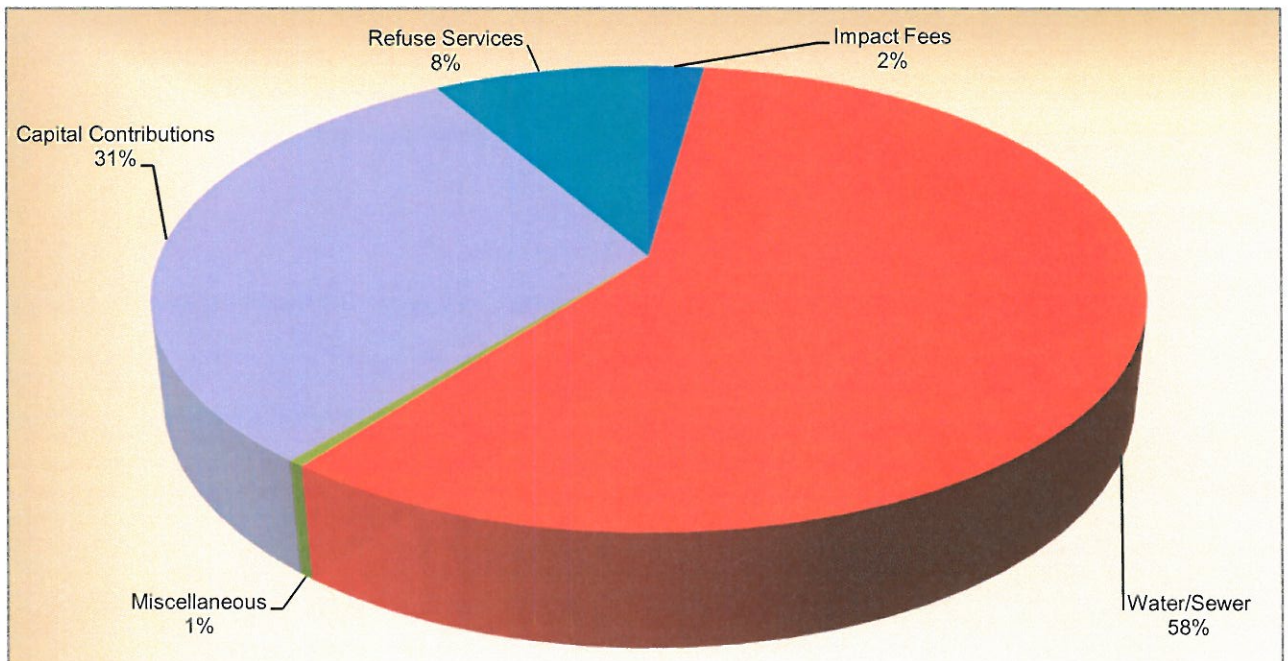
Capital contributions from developers totaled \$1,350,014, an increase of 100%.

Expenditures and Program Revenues - Business-type Activities

(amounts expressed in thousands)



Revenues by Source - Business-type Activities



**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012**

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, 2012, the City's governmental funds reported total fund balances of \$8,136,341, a 6% increase in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows:

- Restricted fund balance, \$4,313,586, consists of amounts restricted by external laws or contractual obligations as follows: \$649,220 for use of impact fees, \$23,291 for municipal court use, use, \$359,900 for debt service payments, \$3,279,282 for capital improvements and \$1,893 for cable fees.
- Unassigned fund balance, \$3,822,755, 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 \$3,822,755, compared to \$3,179,629 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 119% of total General Fund expenditures.

Other Governmental Funds - As compared with the prior year, the total fund balances of the remaining governmental funds decreased (17%), or (\$735,587) to \$3,639,182 with the following significant changes:

- The fund balance of the Debt Service Fund increased 10%, or \$33,531, primarily as a result of decreased principal and interest expenditures on long-term debt.
- The fund balance of the Capital Improvements Fund decreased (19%), or (\$769,118), primarily as a result of transferring capital expenditures to the General Fund for roadway and park improvements.

Proprietary Funds

The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$4,263,267, a 0.1% increase from the prior year.

Net investment in capital assets increased from \$8,043,755 to \$9,724,745, a 21% increase from the prior year. This increase is the result of several projects that were completed and capitalized during the current fiscal year.

**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012**

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, 2012, totals \$24,894,712 (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 16%. The capital assets for the business-type activities increased by 19%.

Major capital asset transactions during the year include the following:

- Donation of roadway infrastructure in the Stinson Highlands development
- Donation of water and sewer line infrastructure in the Stinson Highlands and FM 2551
- Construction in progress of the McGarity storage water tank

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 903,447	\$ 903,447	\$ 415,756	\$ 415,756	\$ 1,319,203	\$ 1,319,203
Construction in Progress	98,126	28,868	1,289,133	219,356	1,387,259	248,224
Furniture & Equipment	592,527	565,323	476,328	514,529	1,068,855	1,079,852
Vehicles	685,712	567,510	44,937	30,483	730,649	597,993
Buildings & Improvements	1,478,742	1,392,344	614,756	648,201	2,093,498	2,040,545
Infrastructure	7,633,919	6,328,303	10,661,329	9,542,614	18,295,248	15,870,917
Total	\$ 11,392,473	\$ 9,785,795	\$ 13,502,239	\$ 11,370,939	\$ 24,894,712	\$ 21,156,734

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, 2012 the City of Lucas had total long-term debt outstanding of \$12,047,377, a decrease of \$615,166, or (5%), 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	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 1,648,405	\$1,651,005	\$ 1,127,222	\$ 1,186,913	\$ 2,775,627	\$ 2,837,918
Certificates of Obligation	5,116,500	5,433,250	4,155,250	4,391,375	9,271,750	9,824,625
	\$ 6,764,905	\$ 7,084,255	\$ 5,282,472	\$ 5,578,288	\$ 12,047,377	\$ 12,662,543

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

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 \$944,477 increase in revenues and a \$65,157 increase in expenditures.

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

Economic Factors and Next Year's Budgets and Rates

The following known factors were considered in preparing the City's operating budget for FY 2012-2013:

- This budget will raise more total property taxes than last year's budget by \$71,428 or 3.69%, and of that amount \$88,628 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2012-2013 reflects total anticipated revenues of \$6,284,876 and total anticipated expenditures of \$6,030,729. This amount projects a net increase of \$254,147.
- The City tax rate is set each fall and is enacted via ordinance. The rate for fiscal year 2012-2013 was enacted by Ordinance #2012-09-00736 and is set to 0.374177 cents per \$100 of valuation.

Requests for Information

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



BASIC FINANCIAL STATEMENTS



**CITY OF LUCAS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2012**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 3,848,341	\$ 4,088,769	\$ 7,937,110
Receivables, net of allowance for uncollectibles	80,227	314,347	394,574
Restricted assets:			
Cash and Cash Equivalents	4,694,263	2,015,153	6,709,416
Capital Assets not being Depreciated			
Land	903,447	415,756	1,319,203
Construction in Progress	98,126	1,289,133	1,387,259
Capital Assets, Net of Accumulated Depreciation			
Furniture & Equipment	592,527	476,328	1,068,855
Vehicles	685,712	44,937	730,649
Building & Improvements	1,478,742	614,756	2,093,498
Infrastructure	7,633,919	10,661,329	18,295,248
Total Assets	20,015,304	19,920,508	39,935,812
LIABILITIES			
Accounts Payable	428,422	88,779	517,201
Wages Payable	14,249	5,367	19,616
Other Liabilities	4,796	-	4,796
Current Portion of Compensated Absences	1,213	1,511	2,724
Payable from Restricted Assets:			
Customer Deposits	-	190,175	190,175
Accrued Interest Payable	42,020	33,593	75,613
Current Portion of Bonds Payable	10,000	65,000	75,000
Current Portion of Certificates of Obligation	350,000	255,000	605,000
Compensated Absences	26,717	10,599	37,316
Bonds Payable	1,638,405	1,062,222	2,700,627
Certificates of Obligation	4,766,500	3,900,250	8,666,750
Total Liabilities	7,282,322	5,612,496	12,894,818
NET POSITION			
Net Investment in Capital Assets	7,912,596	9,724,745	17,637,341
Restricted for:			
Use of Impact Fees	649,220	-	649,220
Municipal Court	23,291	-	23,291
Debt Service	360,000	320,000	680,000
Cable Fees	1,893	-	1,893
Unrestricted	3,785,982	4,263,267	8,049,249
Total Net Position	\$ 12,732,982	\$ 14,308,012	\$ 27,040,994

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, 2012

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 626,484	\$ 9,015	\$ -	\$ -
Police	84,788	41,756	-	-
Fire	690,262	135,021	9,667	-
Development Services	293,418	539,593	-	-
Parks and Recreation	111,766	10,000	135,000	-
Public Works	609,532	652,830	801,900	-
Interest on Long-Term Debt	256,685	-	-	-
Total governmental activities	<u>2,672,935</u>	<u>1,388,215</u>	<u>946,567</u>	<u>-</u>
Business-type Activities:				
Water and Sewer	2,530,479	3,025,171	1,350,014	-
Total business-type activities	<u>2,530,479</u>	<u>3,025,171</u>	<u>1,350,014</u>	<u>-</u>
Total primary government	<u>\$ 5,203,414</u>	<u>\$ 4,413,386</u>	<u>\$ 2,296,581</u>	<u>\$ -</u>

General revenues:

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

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Activities	Total
\$ (617,469)	\$ -	\$ (617,469)
(43,032)	-	(43,032)
(545,574)	-	(545,574)
246,175	-	246,175
33,234	-	33,234
845,198	-	845,198
(256,685)	-	(256,685)
(338,153)	-	(338,153)
-	1,844,706	1,844,706
-	1,844,706	1,844,706
<u>\$ (338,153)</u>	<u>\$ 1,844,706</u>	<u>\$ 1,506,553</u>

\$ 2,095,821	\$ -	\$ 2,095,821
178,331	-	178,331
258,112	-	258,112
19,009	9,175	28,184
44,897	565	45,462
166,229	(166,229)	-
<u>2,762,399</u>	<u>(156,489)</u>	<u>2,605,910</u>
2,424,246	1,688,217	4,112,463
10,193,534	12,603,236	22,796,770
115,202	16,559	131,761
<u>\$ 12,732,982</u>	<u>\$ 14,308,012</u>	<u>\$ 27,040,994</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, 2012

	General Fund	Debt Service Fund	Capital Improvements Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ 3,848,341	\$ -	\$ -	\$ 3,848,341
Receivables (net allowances for uncollectible)	67,456	12,771	-	80,227
Cash and Cash Equivalents - Restricted	674,404	360,000	3,659,859	4,694,263
Total Assets	<u>4,590,201</u>	<u>372,771</u>	<u>3,659,859</u>	<u>8,622,831</u>
Liabilities:				
Accounts Payable	47,845	-	380,577	428,422
Wages Payable	14,249	-	-	14,249
Other Liabilities	4,796	-	-	4,796
Total Liabilities	<u>66,890</u>	<u>-</u>	<u>380,577</u>	<u>447,467</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	26,152	12,871	-	39,023
Total Deferred Inflows of Resources	<u>26,152</u>	<u>12,871</u>	<u>-</u>	<u>39,023</u>
Fund Balances:				
Restricted for:				
Use of Impact Fees	649,220	-	-	649,220
Court use	23,291	-	-	23,291
Debt Service	-	359,900	-	359,900
Capital Improvements	-	-	3,279,282	3,279,282
Cable Fees	1,893	-	-	1,893
Unassigned	3,822,755	-	-	3,822,755
Total Fund Balances	<u>4,497,159</u>	<u>359,900</u>	<u>3,279,282</u>	<u>8,136,341</u>
Total Liabilities and Fund Balances	<u>\$ 4,590,201</u>	<u>\$ 372,771</u>	<u>\$ 3,659,859</u>	<u>\$ 8,622,831</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 POSITION
 SEPTEMBER 30, 2012**

Total fund balances - governmental funds balance sheet	\$ 8,136,341
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet.	14,128,909
Accumulated depreciation is not included in the governmental fund financial statements.	(2,736,436)
Other assets not available to pay for current-period expenditures and, therefore are deferred in the funds.	39,023
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the balance sheet.	(6,764,905)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(27,930)
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.	(42,020)
	<hr/>
Net assets of governmental activities - statement of net position	<u><u>\$ 12,732,982</u></u>

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

**CITY OF LUCAS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property including P&I	\$ 1,443,901	\$ 652,618	\$ -	\$ 2,096,519
Sales	178,331	-	-	178,331
Franchise Fees	258,112	-	-	258,112
Fines and Forfeitures	108,610	-	-	108,610
Licenses and Permits	482,755	-	-	482,755
Fire Department	135,021	-	-	135,021
Impact Fees	652,830	-	-	652,830
Grant Revenues	9,667	-	-	9,667
Contribution Revenue	-	-	-	-
Intergovernmental Revenue	-	-	135,000	135,000
Investment Income	9,173	740	9,096	19,009
Miscellaneous	44,897	-	-	44,897
Total Revenues	<u>3,323,297</u>	<u>653,358</u>	<u>144,096</u>	<u>4,120,751</u>
EXPENDITURES				
Current:				
City Council	29,795	-	-	29,795
City Secretary	115,807	-	-	115,807
Administrative	440,755	-	-	440,755
Public Works	270,836	-	-	270,836
Animal Control	33,600	-	-	33,600
Parks and Recreation	89,701	-	-	89,701
Fire Department	570,860	-	-	570,860
Police	84,788	-	-	84,788
Development Services	279,787	-	-	279,787
Debt Service:				
Principal Retirement	-	325,000	-	325,000
Interest and Fiscal Agent Fees	-	278,158	-	278,158
Capital Outlays	1,297,754	-	-	1,297,754
Total Expenditures	<u>3,213,683</u>	<u>603,158</u>	<u>-</u>	<u>3,816,841</u>
Excess (deficiency) of revenues over (under) expenditures	109,614	50,200	144,096	303,910
Other Revenues and Financing Sources (uses)				
Transfers	1,096,112	(16,669)	(913,214)	166,229
Sale of Assets	9,000	-	-	9,000
Total Other Financing Sources (uses)	<u>1,105,112</u>	<u>(16,669)</u>	<u>(913,214)</u>	<u>175,229</u>
Net Change in Fund Balances	1,214,726	33,531	(769,118)	479,139
Fund Balances, October 1	3,282,433	326,369	4,048,400	7,657,202
Fund Balances, September 30	<u>\$ 4,497,159</u>	<u>\$ 359,900</u>	<u>\$ 3,279,282</u>	<u>\$ 8,136,341</u>

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, 2012**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 479,139
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements but are shown as an increase in capital assets in the government-wide financial statements.	1,297,754
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.	(492,977)
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.	325,000
Bond premiums and discounts are recognized as an other financing source in the governmental funds, whereas premiums and discounts are deferred and amortized over the life of the bonds in the statement of activities.	(5,650)
Governmental funds focus on current financial resources. Therefore, donations of assets that will be used in operations, rather than sold are never reported in governmental funds.	801,900
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.	21,476
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.	(1,698)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(698)
Change in net position - statement of activities	<u>\$ 2,424,246</u>

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

**CITY OF LUCAS, TEXAS
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 1,384,680	\$ 1,443,505	\$ 1,443,901	\$ 396
Sales	150,000	175,000	178,331	3,331
Franchise Fees	240,500	257,614	258,112	498
Fines and Forfeitures	33,510	100,475	108,610	8,135
Licenses and Permits	262,750	425,830	482,755	56,925
Fire Department	106,372	130,632	135,021	4,389
Impact Fees	65,000	636,438	652,830	16,392
Grant Revenues	2,200	9,667	9,667	-
Investment Income	15,600	8,200	9,173	973
Miscellaneous	33,800	41,060	44,897	3,837
Total Revenues	<u>2,294,412</u>	<u>3,228,421</u>	<u>3,323,297</u>	<u>94,876</u>
EXPENDITURES				
Current:				
General Government:				
City Council	39,050	34,100	29,795	4,305
City Secretary	112,946	122,507	115,807	6,700
Administrative	482,655	453,671	440,755	12,916
Total general government	<u>634,651</u>	<u>610,278</u>	<u>586,357</u>	<u>23,921</u>
Public Safety:				
Fire Department	672,473	707,994	570,860	137,134
Police	91,975	86,250	84,788	1,462
Total public safety	<u>764,448</u>	<u>794,244</u>	<u>655,648</u>	<u>138,596</u>
Public Works:				
Public Works	318,747	319,582	270,836	48,746
Parks and Recreation	84,112	94,222	89,701	4,521
Animal Control	33,600	33,600	33,600	-
Total public works	<u>436,459</u>	<u>447,404</u>	<u>394,137</u>	<u>53,267</u>
Development Services	258,211	283,610	279,787	3,823
Capital Outlays	6,970,042	2,950,848	1,297,754	1,653,094
Total Expenditures	<u>9,063,811</u>	<u>5,086,384</u>	<u>3,213,683</u>	<u>1,872,701</u>
Excess of revenues over expenditures	<u>(6,769,399)</u>	<u>(1,857,963)</u>	<u>109,614</u>	<u>1,967,577</u>
Other Financing Sources (uses)				
Transfers	145,110	155,578	1,096,112	940,534
Sale of Assets	-	-	9,000	9,000
Total Other Financing Sources and uses	<u>145,110</u>	<u>155,578</u>	<u>1,105,112</u>	<u>949,534</u>
Net Change in Fund Balances	(6,624,289)	(1,702,385)	1,214,726	2,917,111
Fund Balances/Equity, October 1	3,282,433	3,282,433	3,282,433	
Fund Balances/Equity, September 30	<u>\$ (3,341,856)</u>	<u>\$ 1,580,048</u>	<u>\$ 4,497,159</u>	

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

**CITY OF LUCAS, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2012**

	Business-Type Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,088,769
Receivables (net of allowance for uncollectibles)	314,347
Total Current Assets	<u>4,403,116</u>
Noncurrent Assets:	
Cash and Cash Equivalents - Restricted	2,015,153
Capital Assets:	
Land	415,756
Construction-In-Progress	1,289,133
Machinery & Equipment	853,140
Buildings	734,067
Vehicles	87,102
Infrastructure	12,980,493
Less: Accumulated Depreciation	<u>(2,857,452)</u>
Total Capital Assets (net of accumulated depreciation)	<u>13,502,239</u>
Total Noncurrent Assets	<u>15,517,392</u>
Total Assets	<u><u>19,920,508</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	88,779
Wages Payable	5,367
Compensated Absences - current	1,511
Payable from Restricted Assets:	
Customer Deposits	190,175
Accrued Interest	33,593
Certificates of Obligation - current	255,000
Bonds Payable - current	65,000
Total Current Liabilities	<u>639,425</u>
Noncurrent Liabilities:	
Compensated Absences	10,599
Certificates of Obligation	3,900,250
Bonds Payable	1,062,222
Total Noncurrent Liabilities	<u>4,973,071</u>
Total Liabilities	<u>5,612,496</u>
NET POSITION	
Net Investment in Capital Assets	9,724,745
Restricted for:	
Debt Service	320,000
Unrestricted	4,263,267
Total Net Position	<u><u>\$ 14,308,012</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, 2012**

	<u>Business-Type Funds</u>
OPERATING REVENUES:	
Charges for Services	\$ 2,909,752
Insurance Refund	18,431
Miscellaneous Revenue	565
Impact Fees	95,988
Total Operating Revenues	<u>3,024,736</u>
OPERATING EXPENSES:	
Personnel Services	366,055
Contractual Services	1,127,371
Trash Services	336,490
Supplies and Materials	19,590
Maintenance and Repair	43,036
Depreciation	450,199
Miscellaneous Expense	760
Total Operating Expenses	<u>2,343,501</u>
Operating Income	<u>681,235</u>
NON-OPERATING REVENUES (EXPENSES):	
Amortization Expense	(7,434)
Sale of Assets	1,000
Interest Revenue	9,175
Interest Expense	(179,544)
Total Nonoperating Revenues (Expenses)	<u>(176,803)</u>
Income Before Capital Contributions and Transfers	504,432
Capital Contributions	1,350,014
Transfers	<u>(166,229)</u>
Change in Net Position	1,688,217
Net Assets, October 1	12,603,236
Prior Period Adjustments	16,559
Net Assets, September 30	<u>\$ 14,308,012</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, 2012**

	Business-Type Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 3,128,469
Cash Received from Other Sources	1,464,998
Cash Paid to Employees	(366,053)
Cash Paid to Suppliers	(1,504,732)
Net Cash Provided by Operating Activities	<u>2,722,682</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	(166,229)
Net Cash Provided by Non-capital Financing Activities	<u>(166,229)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(2,525,665)
Principal Paid on Long-term Debt	(295,905)
Interest Paid on Long-term Debt	(193,989)
Net Cash Used for Capital & Related Financing Activities	<u>(3,015,559)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	9,175
Net Cash Provided by Investing Activities	<u>9,175</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(449,931)
Cash and Cash Equivalents at Beginning of Year	6,553,853
Cash and Cash Equivalents at End of Year	<u>\$ 6,103,922</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operation Activities:	
Operating Income	\$ 681,235
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities	
Depreciation	450,199
Capital Contributions	1,350,014
Prior period adjustment	16,559
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivables	218,719
(Decrease) Increase in:	
Accounts payable	66,448
Customer deposits	15,087
Unfunded Pension Liability	(75,579)
Total Adjustments	<u>2,041,447</u>
Net Cash Provided by Operating Activities	<u>\$ 2,722,682</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, 2012**

A. Summary of Significant Accounting Policies

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

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local government include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide* 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 basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the Statement of Net Position and Statement of Activities. Significantly, the City's Statement of Net Position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide Statement of Activities reflects depreciation expense on the City's capital assets, including Infrastructure.

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

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

Under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component unit may be discretely presented in a separate column from the primary government or blended 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.

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the business-type funds are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and service administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

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

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. Summary of Significant Accounting Policies

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

b. Measurement Focus, Basis of Accounting

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

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

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not 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 Improvements Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the City's water and sewer services are charges to customers for sales and services. Operating expenses for Proprietary fund include the cost of sales and services administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary fund:

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. Summary of Significant Accounting Policies (continued)

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

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

b. Receivable 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, 2012, the City had a tax rate of \$0.374177 per \$100 assessed valuation based upon the maximum rates described above.

d. Restricted Assets

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

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

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

**CITY OF LUCAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Significant Accounting Policies
 3. 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.

During the year ending September 30, 2012, the City had developers donated assets in the amount of \$801,900 to the governmental fund and \$1,350,014 to the proprietary fund. These assets are reported at fair market value as of the donation date. In addition, donated assets are only reported in the Government-Wide Financial Statements.

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 2012, \$25,826 of such interest costs were capitalized in the Utility Fund.

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

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

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

f. Deferred outflows/inflows of resources

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

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

g. Compensated absences

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

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

h. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

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

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.

**CITY OF LUCAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

j. 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.

k. 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.

l. Interfund Activity

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

m. Use of Estimates

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

n. Program Revenues

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

o. 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

**CITY OF LUCAS, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

B. Compliance and Accountability (continued)

3. Budgets and Budgetary Accounting

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

The following procedures are followed in establishing the budgetary data:

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

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

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

C. Deposits and Investments

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

Cash Deposits

At September 30, 2012, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,646,526 and the bank balance was \$14,929,520. The City's cash deposits at September 30, 2012 and during the year ended September 30, 2012, 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, 2012 are restricted as follows:

Restricted Cash:

Governmental:	
Municipal Court	\$ 23,291
Debt Service	360,000
Capital Improvements	3,659,859
Cable TV PEG Fees	1,893
Impact Fees	649,220
Total	<u>\$ 4,694,263</u>
Business-type:	
Debt Service	\$ 320,000
Capital Improvements	1,504,978
Customer Deposits	190,175
Total	<u>2,015,153</u>
Total Restricted Cash and Cash Equivalents	<u>\$ 6,709,416</u>

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

C. Deposits and Investments (continued)

Investments

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

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

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

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

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

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

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

Interest Rate Risk

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

As of September 30, 2012, 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	\$ 376,669	\$ 376,669	8%	40	AAA-m	S&P
LOGIC	1,526,192	1,526,192	33%	45	AAA-m	S&P
Lone Star	2,660,568	2,660,568	58%	45	AAA-m	S&P
	<u>\$ 4,563,429</u>	<u>\$ 4,563,429</u>	<u>100%</u>			

As of September 30, 2012 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit Risk

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

C. Deposits and Investments (continued)

Concentration of Credit Risk

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

Custodial Credit Risk

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

As of September 30, 2012, 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	\$ 67,456	\$ 12,771	\$ -	\$ 80,227
Fees and Charges	-	-	354,744	354,744
Gross Receivables	67,456	12,771	354,744	434,971
Less: allowance for uncollectibles	-	-	(40,397)	(40,397)
Net Total Receivables	<u>\$ 67,456</u>	<u>\$ 12,771</u>	<u>\$ 314,347</u>	<u>\$ 394,574</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

E. Capital Assets

Capital asset activity for the period ended September 30, 2012 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	-	-	69,258	-	98,126
Total capital assets not being depreciated:	932,315	-	-	69,258	-	1,001,573
Capital assets being depreciated:						
Buildings and Improvements	1,683,369	-	-	131,298	-	1,814,667
Furniture & Equipment	962,683	-	-	141,642	-	1,104,325
Vehicles	1,224,320	-	-	195,900	(70,960)	1,349,261
Infrastructure	7,297,527	-	-	1,561,556	-	8,859,083
Total capital assets being depreciated:	11,167,899	-	-	2,030,396	(70,960)	13,127,336
Less accumulated depreciation for:						
Buildings and Improvements	(291,025)	-	-	(44,900)	-	(335,925)
Furniture & Equipment	(397,360)	-	-	(114,438)	-	(511,798)
Vehicles	(656,810)	-	-	(77,699)	70,960	(663,549)
Infrastructure	(969,224)	-	-	(255,940)	-	(1,225,164)
Total accumulated depreciation:	(2,314,419)	-	-	(492,977)	70,960	(2,736,436)
Total capital assets being depreciated, net	8,853,480	-	-	1,537,419	-	10,390,900
Governmental activities capital assets, net	\$ 9,785,795	\$ -	\$ -	\$ 1,606,677	\$ -	\$ 11,392,473
Business-type Activities						
Capital assets not being depreciated:						
Land	\$ 415,756	\$ -	\$ -	\$ -	\$ -	\$ 415,756
Construction-In-Progress	219,356	-	(88,834)	1,158,611	-	1,289,133
Total capital assets not being depreciated:	635,112	-	(88,834)	1,158,611	-	1,704,889
Capital assets being depreciated:						
Buildings & improvements	734,067	-	-	-	-	734,067
Infrastructure	11,541,645	-	88,834	1,350,014	-	12,980,493
Furniture & Equipment	812,771	-	-	45,075	(4,707)	853,139
Vehicles	80,737	-	-	27,799	(21,435)	87,101
Total capital assets being depreciated:	13,169,220	-	88,834	1,422,888	(26,142)	14,654,800
Less accumulated depreciation for:						
Buildings & improvements	(85,866)	-	-	(33,445)	-	(119,311)
Infrastructure	(1,999,031)	-	-	(320,133)	-	(2,319,164)
Furniture & Equipment	(298,242)	-	-	(83,276)	4,707	(376,811)
Vehicles	(50,254)	-	-	(13,345)	21,435	(42,164)
Total accumulated depreciation:	(2,433,393)	-	-	(450,199)	26,142	(2,857,450)
Total capital assets being depreciated, net	10,735,827	-	88,834	972,689	-	11,797,350
Business-type activities capital assets, net	\$ 11,370,939	\$ -	\$ -	\$ 2,131,300	\$ -	\$ 13,502,239

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

E. Capital Assets (continued)

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

Governmental activities:	
Administration	\$ 32,780
Building Department	13,632
Police & Fire Department	119,402
Parks & Recreation	22,066
Public Works	305,097
Total depreciation expense - governmental activities	<u>\$ 492,977</u>
Business-type activities:	
Utility	450,199
Total depreciation expense - business-type activities	<u>\$ 450,199</u>

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

Governmental activities:	
Stinson Highlands	\$ 801,900
Total donated assets - governmental activities	<u>\$ 801,900</u>
Business-type activities:	
Stinson Highlands	\$ 533,800
HHEC Spinco/Wylie ISD	816,214
Total donated assets - business-type activities	<u>\$ 1,350,014</u>

F. Construction Commitments

The City has several active construction projects as of September 30, 2012. The projects include street infrastructure improvements, water and sewer infrastructure improvements, and construction of a water storage tank.

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Stinson Road bridges at Muddy Creek	\$ 86,276	\$ 607,567
Design of White Rock Trail	3,750	25,000
Lucas & CC road intersection	3,100	500,000
Design for Fire Dept expansion	5,000	205,000
Wastewater ground sewer	379,627	372,620
McGarity ground storage tank	810,209	100,000
Stinson water line	99,297	1,543,114
	<u>\$ 1,387,259</u>	<u>\$ 3,353,301</u>

G. Deferred Inflow of Resources

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

	<u>General Fund</u>	<u>Debt Service</u>
Tax Revenue	<u>\$ 26,152</u>	<u>\$ 12,871</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

H. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2012, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
General Obligation Bonds	\$ 1,725,000	\$ -	\$ (10,000)	\$ 1,715,000	\$ 10,000
Certificates of Obligation	5,400,000	-	(315,000)	5,085,000	350,000
	7,125,000	-	(325,000)	6,800,000	360,000
Less deferred amounts:					
For issuance discounts	(33,440)	-	1,760	(31,680)	-
For issuance premiums	66,690	-	(3,510)	63,180	-
Bond Defeasance	(73,995)	-	7,400	(66,595)	-
Total bonds payable	7,084,255	-	(319,350)	6,764,905	360,000
Compensated absences	26,232	3,128	(1,430)	27,930	1,213
Governmental activity					
Long-term liabilities	\$ 7,110,487	\$ 3,128	\$ (320,780)	\$ 6,792,835	\$ 361,213
Business-type Activities					
Bonds Payable:					
General Obligation Bonds	\$ 1,240,000	\$ -	\$ (65,000)	\$ 1,175,000	\$ 65,000
Certificates of Obligation	4,370,000	-	(235,000)	4,135,000	255,000
	5,610,000	-	(300,000)	5,310,000	320,000
Less deferred amounts:					
For issuance discounts	(21,498)	-	1,131	(20,367)	-
For issuance premiums	42,873	-	(2,256)	40,617	-
Bond Defeasance	(53,087)	-	5,309	(47,778)	-
Total Bonds Payable	5,578,288	-	(295,816)	5,282,472	320,000
Compensated absences	12,199	-	(89)	12,110	1,511
Business-type activity					
Long-term liabilities	\$ 5,590,487	\$ -	\$ (295,905)	\$ 5,294,582	\$ 321,511

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

Changes in Governmental Long-term Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30, 2011	Increase	Retired	Amounts Outstanding September 30, 2012	Due Within One Year
2007 Refunding G.O.	3.76%	\$ 1,790,000	\$ 1,725,000	\$ -	\$ (10,000)	\$ 1,715,000	\$ 10,000
2002 CO	4.50%	3,000,000	465,000	-	(145,000)	320,000	155,000
2007 CO	4.25%	2,500,000	1,435,000	-	(75,000)	1,360,000	75,000
2011 CO	2.00%	3,500,000	3,500,000	-	(95,000)	3,405,000	120,000
Total Debt Payable		10,790,000	7,125,000	-	(325,000)	6,800,000	360,000
Compensated absences			26,232	3,128	(1,430)	27,930	1,213
Totals		\$ 10,790,000	\$ 7,151,232	\$ 3,128	\$ (326,430)	\$ 6,827,930	\$ 361,213

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

H. Long-Term Obligations (continued)

Debt service requirements are as follows:

Years Ending September 30:	Total		
	Principal	Interest	Requirements
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	430,000	191,348	621,348
2018-2022	2,380,000	711,248	3,091,248
2023-2027	1,490,000	347,075	1,837,075
2028-2031	960,000	78,800	1,038,800
Totals	\$ 6,800,000	\$ 2,230,161	\$ 9,030,162

A description of each debt series follows:

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

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

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

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

Changes in Business-type Long-term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding			Amounts Outstanding September 30, 2012	Due Within One Year
			September 30, 2011	Increase	Retired		
2007 Refunding G.O.	3.76%	\$ 1,455,000	\$ 1,240,000	\$ -	\$ (65,000)	\$ 1,175,000	\$ 65,000
2002 CO	4.50%	2,500,000	300,000	-	(100,000)	200,000	100,000
2007 CO	4.25%	2,500,000	1,820,000	-	(80,000)	1,740,000	80,000
2011 CO	2.00%	2,250,000	2,250,000	-	(55,000)	2,195,000	75,000
Total Bonds Payable		8,705,000	5,610,000	-	(300,000)	5,310,000	320,000
Compensated Absences			12,199	-	(89)	12,110	1,511
Totals		\$ 8,705,000	\$ 5,622,199	\$ -	\$ (300,089)	\$ 5,322,110	\$ 321,511

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

H. Long-Term Obligations (continued)

Debt service requirements are as follows:

Years Ending September 30:	Total		
	Principal	Interest	Requirements
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	375,000	144,367	519,367
2018-2022	1,660,000	536,839	2,196,839
2023-2027	1,260,000	256,219	1,516,219
Total 2028-2031	620,000	51,000	671,000
	<u>\$ 5,310,000</u>	<u>\$ 1,694,707</u>	<u>\$ 7,004,708</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, enlarging, and improving the City's utility system, and other public purposes, such as fixed asset purchases.

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

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

I. Lease Obligations

The government leases a copier from Xerox to provide equipment for printing, copying, scanning, and faxing necessary for the daily functions of the City. The Fire Department leases a gas monitor from Safeware, Inc. to provide equipment for gas detection. Total costs for the leases were \$7,365 for the fiscal year ended September 30, 2012. The future minimum lease payments for these leases are as follows:

Year End:	Copier		Gas Monitors		Total
Sept 30	(General Fund)	(Water Fund)			
2013	\$ 3,143	\$ 3,143	\$ 1,080		\$ 7,366
2014	2,357	2,357	1,080		5,794
Total	<u>\$ 5,500</u>	<u>\$ 5,500</u>	<u>\$ 2,160</u>		<u>\$ 13,160</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

J. Pension Plan

1. Plan Description

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

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

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

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee Deposit Rate	7%	7%
Matching Ratio (City to Employee)	2-1	2-1
Years Required for Vesting	5 yrs	5 yrs
Service Retirement Eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% repeating	100% repeating
Annuity Increase (to retirees)	0% of CPI	0% of CPI

2. Contributions

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

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

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/11</u>
Actuarial cost method	Projected	Projected	Projected
	Unit Credit	Unit Credit	Unit Credit
Amortization method	Level % of PR	Level % of PR	Level % of PR
	10-year	10-year	10-year
Asset Valuation method	Smoothed	Smoothed	Smoothed
	Market	Market	Market
Amortization period	23.4 years-	22.7 years-	21.9 years-
	closed	closed	closed
Amortization period for new gains/losses	25 years	25 years	25 years
Actuarial assumptions:			
Investment rate of return	7.50%	7.00%	7.00%
Inflation rate	3.00%	3.00%	3.00%
Projected salary increase	Varies by age	Varies by age	Varies by age
	and service	and service	and service

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

J. Pension Plan (continued)

3. Funding Status and Funding Progress

The funded status as of December 31, 2009 and 2010, as well as 2011, the most recent actuarial valuation date, is presented as follows:

City of Lucas
Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial Value of Assets	\$ 692,369	\$ 877,000	\$ 1,032,483
Actuarial Accrued Liability	896,729	1,134,505	1,209,130
Percentage Funded	77.2%	77.3%	85.4%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	204,360	257,505	176,647
Annual Covered Payroll	752,616	858,091	889,536
UAAL as a Percentage of Covered Payroll	27.2%	30.0%	19.9%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	Plus 58,173	79,175	64,240
Contributions Made	Less (58,173)	(79,175)	(64,240)
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

K. Supplemental Death Benefits

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2012, 2011 and 2010 were \$1,437, \$1,566, and \$1,662, respectively, which equaled the required contributions each year.

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

L. Health Care Coverage

During the year ended September 30, 2012, employees of the City were covered by a health and dental insurance plan. The City contributed \$450 per month per employee (100% of the cost per employee) for employee coverage for health insurance. The City contributed \$28 per employee (100% of the cost per employee) for dental insurance. Employees, at their option, authorized payroll withholdings for dependent health and dental coverage. Health and dental insurance is provided by TMLIEBP.

M. Risk Management

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

N. Litigation

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

O. Additional Water and Sewer Information

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

Water Accountability Report:

Gallons Pumped	517,952,000
Gallons Billed	406,116,900

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, 2012 were \$968,029.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

P. Interfund Transactions

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Funds</u>		
General Fund	\$ 1,096,112	\$ -
Debt Service Fund	-	(16,669)
Utility Fund	-	(166,229)
Capital Improvements Fund	1,130,066	(2,043,280)
Total Major Funds	<u>\$ 2,226,178</u>	<u>\$ (2,226,178)</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, 2012 up through January 28, 2013, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.

R. Prior Period Adjustments

The adoption of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", is a change in accounting principles to expense bond issuance costs instead of amortizing over the life of the related bonds.

The unfunded pension liability was incorrectly recorded in the prior year's statements of net assets as a pension obligation.

Prior period adjustments recorded as follows:

Governmental:	
Expense bond issuances costs	\$ (66,724)
Reverse prior year's unfunded pension liability	181,926
	<u>\$ 115,202</u>
Business-type:	
Expense bond issuances costs	\$ (59,020)
Reverse prior year's unfunded pension liability	75,579
	<u>\$ 16,559</u>

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF LUCAS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

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



SUPPLEMENTARY INFORMATION

CITY OF LUCAS, TEXAS
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 (MODIFIED ACCRUAL BASIS)
 SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property Taxes	\$ 603,088	\$ 652,445	\$ 652,618	\$ 173
Interest Income	850	500	740	240
Total Revenues	<u>603,938</u>	<u>652,945</u>	<u>653,358</u>	<u>413</u>
EXPENDITURES				
Current:				
Debt Service				
Installment Payments	325,000	325,000	325,000	-
Interest and Fiscal Agent Fees	278,088	278,188	278,158	30
Total Expenditures	<u>603,088</u>	<u>603,188</u>	<u>603,158</u>	<u>30</u>
Excess (deficiency) of revenues (under) expenditures	850	49,757	50,200	443
Other Revenues and Financing Sources (uses)				
Transfers	-	-	(16,669)	(16,669)
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>(16,669)</u>	<u>(16,669)</u>
Net Change in Fund Balances	850	49,757	33,531	(16,226)
Fund Balances/Equity, October 1	<u>326,369</u>	<u>326,369</u>	<u>326,369</u>	
Fund Balances/Equity, September 30	<u>\$ 327,219</u>	<u>\$ 376,126</u>	<u>\$ 359,900</u>	

CITY OF LUCAS, TEXAS
 BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENTS FUND
 (MODIFIED ACCRUAL BASIS)
 SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Intergovernmental Revenue	\$ 194,852	\$ 135,000	\$ 135,000	\$ -
Contribution Revenue	-	-	-	-
Interest Income	20,000	8,500	9,096	596
Total Revenues	<u>214,852</u>	<u>143,500</u>	<u>144,096</u>	<u>596</u>
EXPENDITURES				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues (under) expenditures	214,852	143,500	144,096	596
Other Revenues and Financing Sources (uses)				
Transfers	-	-	(913,214)	(913,214)
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>(913,214)</u>	<u>(913,214)</u>
Net Change in Fund Balances	214,852	143,500	(769,118)	(912,618)
Fund Balances/Equity, October 1	4,048,400	4,048,400	4,048,400	
Fund Balances/Equity, September 30	<u>\$ 4,263,252</u>	<u>\$ 4,191,900</u>	<u>\$ 3,279,282</u>	



STATISTICAL SECTION
(UNAUDITED)



STATISTICAL SECTION (Unaudited)

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

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

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

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

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

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

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

Table 1

FISCAL YEAR	
2011	2012
\$ 6,946,186	\$ 7,912,596
427,803	1,034,404
2,819,545	3,785,982
<u>10,193,534</u>	<u>12,732,982</u>
7,954,921	9,724,745
300,000	320,000
4,259,481	4,263,267
<u>12,514,402</u>	<u>14,308,012</u>
14,901,107	17,637,341
727,803	1,354,404
7,079,026	8,049,249
<u>\$22,707,936</u>	<u>\$27,040,994</u>

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

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

Table 2

FISCAL YEAR		
2010	2011	2012
\$ 583,494	\$ 684,352	\$ 626,484
615,541	653,625	775,050
581,006	605,274	609,532
225,401	289,492	293,418
79,758	87,811	111,766
302,779	-	-
175,627	184,707	256,685
<u>2,563,606</u>	<u>2,505,261</u>	<u>2,672,935</u>
1,734,592	2,352,455	2,530,479
<u>1,734,592</u>	<u>2,352,455</u>	<u>2,530,479</u>
4,298,198	4,857,716	5,203,414
-	1,804	9,015
72,689	137,312	176,777
333,596	103,551	652,830
-	377,558	539,593
-	9,000	10,000
335,846	-	-
19,860	218,510	946,567
<u>-</u>	<u>-</u>	<u>-</u>
761,991	847,735	2,334,782
2,085,458	3,427,231	3,025,171
<u>-</u>	<u>-</u>	<u>1,350,014</u>
2,085,458	3,427,231	4,375,185
2,847,449	4,274,966	6,709,967
(1,801,615)	(1,657,526)	(338,153)
<u>350,866</u>	<u>1,074,776</u>	<u>1,844,706</u>
<u>\$ (1,450,749)</u>	<u>\$ (582,750)</u>	<u>\$ 1,506,553</u>

(continued)

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

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

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

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

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

Table 2
continued

FISCAL YEAR		
2010	2011	2012
\$ 2,004,665	\$ 2,053,573	\$ 2,095,821
157,918	186,642	178,331
258,522	244,161	258,112
50,305	30,079	19,009
57,418	53,362	44,897
164,739	-	-
(970,175)	255,716	166,229
<u>1,723,392</u>	<u>2,823,533</u>	<u>2,762,399</u>
4,555	6,122	9,175
-	-	565
970,175	(255,716)	(166,229)
<u>974,730</u>	<u>(249,594)</u>	<u>(156,489)</u>
<u>2,698,122</u>	<u>2,573,939</u>	<u>2,605,910</u>
(78,223)	1,166,007	2,424,246
1,325,596	825,182	1,688,217
<u>\$ 1,247,373</u>	<u>\$ 1,991,189</u>	<u>\$ 4,112,463</u>



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

Table 3

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

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

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

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

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

Table 4

	FISCAL YEAR		
	2010	2011	2012
\$ 1,500	\$ 99,050	\$ 649,220	
10,287	3,753	23,291	
-	-	1,893	
<u>2,429,724</u>	<u>3,179,629</u>	<u>3,822,755</u>	
<u>\$ 2,441,511</u>	<u>\$ 3,282,432</u>	<u>\$ 4,497,159</u>	
\$ 488,907	\$ 326,368	\$ 359,900	
832,435	4,048,401	3,279,282	
<u>\$ 1,321,342</u>	<u>\$ 4,374,769</u>	<u>\$ 3,639,182</u>	

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

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

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

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

Table 5

FISCAL YEAR	
2011	2012
\$ 2,020,469	\$ 2,096,519
186,642	178,331
244,161	258,112
53,010	108,610
369,573	482,755
101,493	135,021
-	-
-	-
218,510	9,667
-	-
103,550	652,830
1,599	135,000
39,497	19,009
53,362	44,897
<u>3,391,866</u>	<u>4,120,751</u>
29,680	29,795
100,105	115,807
465,921	440,755
311,002	270,836
110,394	123,301
83,591	84,788
456,945	570,860
285,706	279,787
-	-
754,566	1,297,754
485,000	325,000
158,778	278,158
46,546	-
<u>3,288,234</u>	<u>3,816,841</u>
3,500,000	-
70,200	-
(35,200)	-
-	-
255,716	166,229
-	9,000
<u>3,790,716</u>	<u>175,229</u>
<u>\$ 3,894,348</u>	<u>\$ 479,139</u>
<u>25.41%</u>	<u>23.94%</u>

Table 6

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

Fiscal Year Ended Sept. 30	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
2006	\$ 435,231,282	\$ 4,246,538	\$ 19,809,770	\$ 360,095,380	0.377	\$ 459,287,590	0.7840
2007	496,997,302	6,795,627	23,554,190	412,788,433	0.375	527,347,119	0.7828
2008	544,582,431	7,021,562	24,356,690	453,906,270	0.375	575,960,683	0.7881
2009	613,414,766	7,052,481	29,502,376	508,885,363	0.374177	649,969,623	0.7829
2010	639,489,715	7,131,627	33,135,759	538,038,327	0.374177	679,757,101	0.7915
2011	666,593,794	5,988,219	31,426,610	552,318,974	0.374177	704,008,623	0.7845
2012	671,910,730	5,215,379	26,934,184	552,756,489	0.374177	704,060,293	0.7851

Source: Collin County Appraisal District

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

Residential: includes single family, vacant lots, acreage, farm and ranch
Commercial: includes real property, industrial and utilities

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

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

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

Table 8

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Taxable Value 2012 Fiscal Year</u>	<u>Rank</u>	<u>Percentage of Assessed Taxable Value</u>
F G Creek Properties LTD	RE Investor	\$ 1,383,480	1	0.2%
M Christopher Customer Homes LLC	Home Builder	1,319,759	2	0.2%
Liberty Bankers Life Insurance Co	Investor	1,259,799	3	0.2%
Zadorozny Daniel Etux Diane	Home Owner	1,000,828	4	0.2%
Foster Ralph M & Amy L	Home Owner	955,000	5	0.2%
Paul Taylor Homes Limited	Home Builder	950,265	6	0.2%
Smith Roger C	Home Owner	906,479	7	0.2%
Tanella Robert T Etux	Home Owner	867,550	8	0.2%
Keelen Gregory M & Stephanie L	Home Owner	855,373	9	0.2%
Reichling Gary & Susan	Home Owner	813,424	10	0.1%
		<u>\$ 10,311,957</u>		<u>1.8%</u>

Source: Collin County Appraisal District

Note: Information is not presented for 2003 as this information is unavailable to the City. This will be added in the earliest possible year.

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

Table 9

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

Source: Collin County Appraisal District

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

Table 10

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

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

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

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

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

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

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

Table 11

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

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, 2012
(unaudited)

Table 12

Governmental Subdivision	Gross Bonded Debt	As of	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Allen ISD	\$ 502,018,037	06/30/11	0.47%	\$ 2,359,485
Collin County	393,210,000	04/15/11	0.78%	3,067,038
Collin County CCD	40,210,000	08/01/10	0.78%	313,638
Lovejoy ISD	137,105,471	06/30/10	31.80%	43,599,540
McKinney ISD	475,610,000	07/01/11	0.54%	2,568,294
Plano ISD	998,966,946 *	10/31/11	0.10%	998,967
Princeton ISD	71,046,427	08/31/10	0.06%	42,628
Wylie ISD	242,140,341	06/30/11	0.26%	629,565
	<u>\$ 2,860,307,222</u>			\$ 53,579,154
City of Lucas		09/30/12		<u>6,800,000</u>
				<u>\$ 60,379,154</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)				10.92%
Per capita overlapping bonded debt				<u>\$ 10,715</u>

*Gross Debt

Source: "Texas Municipal Report" as of September 30, 2012, 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 SEVEN FISCAL YEARS
 (unaudited)**

Table 13

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

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

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

Table 14

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

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 SEVEN FISCAL YEARS
 (unaudited)**

Table 15

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

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. 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
 FULL-TIME EQUIVALENT CITY GOVERNMENT
 EMPLOYEES BY FUNTION/PROGRAM
 LAST SEVEN FISCAL YEARS
 (unaudited)**

Table 16

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

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

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

Table 17

Function/Program	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
Public Safety							
Municipal Court							
Number of cases filed	109	123	133	2	72	400	333
Fire							
Number of calls answered	348	310	357	402	311	352	388
Public Works							
Streets maintained	140	140	150	160	160	160	160
Water and Wastewater							
New connections	298	298	277	215	298	306	300
Annual gallons of water pumped (thousands)	400,000	294,000	428,000	420,080	420,805	587,816	517,953
Miles of water mains maintained	40	41	41.5	42	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 SEVEN FISCAL YEARS
 (unaudited)**

Table 18

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

Source: City departments

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