

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Lucas, Texas

Home-Rule, Council-Manager Form of Government

City Manager
Joni Clarke

Finance Director
Liz Exum



**CITY OF LUCAS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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INTRODUCTORY SECTION





City of Lucas

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January 8, 2015

The Honorable Mayor, Council Members,
and Citizens of the City of Lucas, Texas:

It is our pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Lucas, Texas for the fiscal year ended September 30, 2014. Responsibility for both the accuracy and completeness of the presented data and the creation of transparency between the local government and the community in which it serves rests with the City.

The goal of the independent audit, conducted by Conway Company CPAs, P.C., is to provide reasonable assurance that the financial statements of the City for fiscal year ended September 30, 2014 were free of material misstatement. The independent auditor's report is located in the beginning of the financial section of the CAFR and we are pleased to report the issuance of an unqualified ("clean") opinion on the City of Lucas' financial statements for the year ended September 30, 2014.

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.

Our City

The City of Lucas was incorporated in February 1959 and adopted its Home-Rule Charter on May 15, 2008. The City of Lucas operates under the Council-Manager form of government. The City Council is the legislative body of the City government, and it is composed of seven members, including the Mayor and six council members elected at-large and is responsible for enacting local legislation, adopting the annual budget and serving as policy-makers. The City Council appoints a City Manager who serves as the chief executive officer of the City and is responsible for the City's proper administration and daily operations including the implementation of the policies adopted by the City Council.

The citizens of Lucas enjoy a unique quality of life that incorporates a rural lifestyle, family-friendly atmosphere and natural beauty which is preserved through zoning that requires homes to be built on 1, 1.5 or 2 acre lot minimums.

Our Economy

With an estimated population 6,636, 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.

Lucas enjoys a stable economy and has weathered the national recession well with residential construction activity having continued through the down economy. Commercial areas that opened in fiscal year 2014 included Murphy Oil, Kwik Lube, and Bank of America. The creation/further expansion of commercial development within the corporate city limits of Lucas should cause sales tax revenues to increase dramatically within the next few years.

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

- An average of 100 new homes permitted annually with an average cost of \$650,000.
- Opening of commercial businesses: Kwik Lube, Murphy Oil, and Bank of America.
- Asphalt resurfacing was completed late July for Blondy Jhune, Winningkoff, Christian Rd, McMillen, Shiloh, Janna Way, Toole, Carey Lane, Cedar Bend Trail, and Edgefield.
- Near completion of 12-inch Water Lines at Stinson Road and Rock Ridge Road.
- Completion of FM 2551 waste water gravity sewer facility.

Our Future

At the end of September 2014, the City of Lucas is working on these projects:

- The City hired 7 EMT/Paramedic personnel to staff an ambulance program that began operation on April 1st of 2014. The City is working with an

architect firm to assist with the design/upgrades for the Fire Station expansion. The project is projected to be completed late May of 2015.

- House Bill No. 339 was passed in May of 2013 which allows a local municipality with a population of 5,000 or more located in a county with a population of 750,000 or more to create a fire control, prevention, and emergency medical service district. The City held an election in May of 2014 to adopt an additional sales tax of one-half percent to help support an emergency service district for the fire protection services. The additional sales tax was adopted by the voters, making the total tax rate 8.25%. The collection of the additional sales tax will begin October 1, 2014.
- Design work was started for Rock Ridge Water Line Phase 2. Survey and engineer improvements were needed between Rock Ridge Water Line Phase 1 and the existing 8 inch water line located at the Lovejoy High School site.

Other commercial areas under development include a Wendy's which is a franchise restaurant scheduled to open in February of 2015, and a Starbucks which is a coffee franchise scheduled to open early 2015. Both these commercial developments are located near the Wal-Mart retail store on West Lucas Road.

The City is currently constructing a 2,100 square foot Civic Center for public use. The building will consist of one large room, small conference room, closet, two restrooms, dishwasher, refrigerator, and small kitchen sink. This project is estimated to be completed March of 2015.

Our Financial Standards

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.

Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. In compliance with GASB 54, the City's financial practice requires a General Fund reserve equal to at least six months of working capital, which equates to 50% of expenditures. The current reserve in the general fund is at 15.5 months with funds equaling 129% of this year's budgeted expenditures. The City also maintains a reserve of 6 months of working capital, which equates to 50% of expenditures in its Water Fund. Water bond covenants require the City to maintain reserve amounts sufficient to cover the average annual debt service requirements. The City's current reserve in the Water Fund is at 16.2 months with current funds equaling 135% of this year's expenditures.

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. upgraded the City's bond rating two notches from AA- to AA+ on February 28, 2014. Additional information about the rating of this rating agency, or the significance of the ratings provided, may be obtained from the City of Lucas website (www.lucastexas.us).

Our Awards

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, 2013, 2012, 2011 and 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. This was the fourth 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.

Our Appreciation

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,



Joni Clarke
City Manager



Liz Exum
Finance Director



Government Finance Officers Association

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

Presented to

**City of Lucas
Texas**

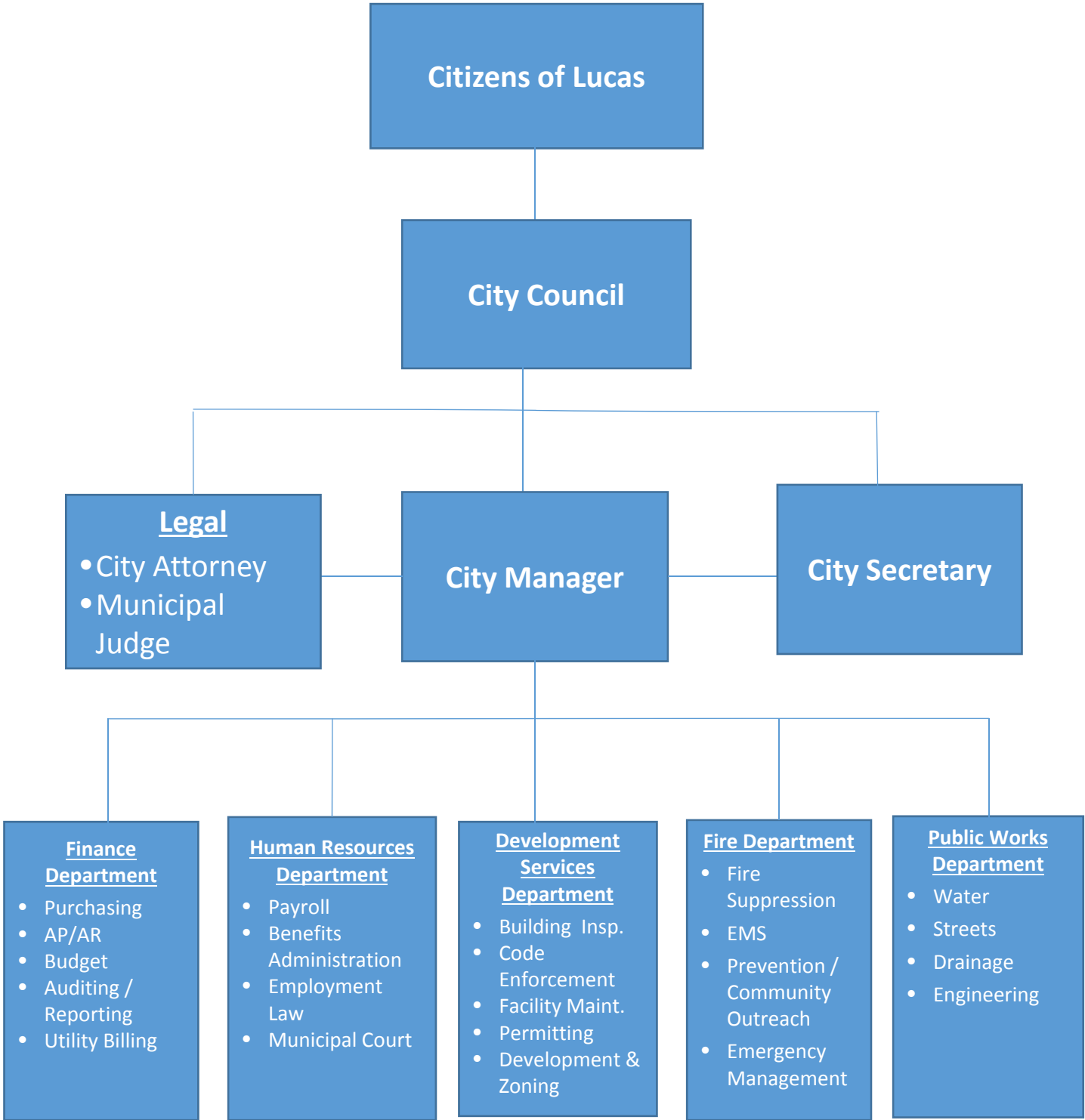
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013



Executive Director/CEO

City of Lucas



**CITY OF LUCAS, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS
SEPTEMBER 30, 2014**

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:

Joni Clarke	City Manager
Liz Exum	Finance Director
Stanton Foerster	City Engineer/Public Works Director
Jim Kitchens	Fire Chief
Joe Hilbourn	Development Services Director



FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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CONWAY COMPANY CPAs PC

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Texas Society of CPAs

January 9, 2015

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, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas as of September 30, 2014, and the respective changes in financial position, where applicable, and cash flows, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 to 17 and the Pension Trust – TMRS Funding Progress and Contributions on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lucas, Texas' basic financial statements. The introductory section, budgetary comparison information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Internal Control

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated January 9, 2015, 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 in considering the City's internal control over financial reporting and compliance.

Respectfully Submitted,

CONWAY COMPANY CPAs, PC

Conway Company CPAs, P.C.



CITY OF LUCAS, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

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, 2014. 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 \$36,289,249 (net position). Of this amount, \$24,501,236 represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets. A total of \$2,917,185 is restricted for impact fee use, municipal court use, debt obligations, cable fees and capital projects. The unrestricted net position is \$8,870,828.
- The government's total net position increased by \$3,949,226, or 12%, over the prior year. The \$3,315,894 increase in net investment in capital assets, net of related debt, represents capital expenditures less depreciation and retirement of debt. See further discussion of capital assets and long-term debt on page 16. The \$1,125,390 increase in restricted net position represents the change in resources that are subject to external restrictions on their use. The (\$492,058) decrease in unrestricted net position represents the change in resources available to fund the City's ongoing obligations to citizens and creditors.
- The City's governmental funds combined ending fund balance of \$10,554,922 was an increase of \$1,189,439, or 13%, from the prior year ending fund balance of \$9,365,483. Amounts available for spending include restricted and unassigned fund balances; these totaled \$10,554,922, or 100% of ending fund balance. Of this amount, \$4,687,047 is restricted by law or externally imposed requirements. Unassigned fund balance for the General Fund is \$5,867,875, which equates to 132% of total General Fund expenditures for the year.
- The City's net investment in capital assets increased by \$3,315,894, or 16%, to \$24,501,236. The City recorded depreciation of \$1,257,557 against its assets. The City's long-term debt outstanding had a decrease of \$(432,158), or 4%, to \$10,945,052 due to the scheduled payments on debt.

Overview of the Financial Statements

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

**CITY OF LUCAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Basic Financial Statements

The first two statements (pages 21-23) 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 24-31) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the Governmental 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, 2014, the City does not have any component units.

The government-wide financial statements are on pages 21-23 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.

**CITY OF LUCAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

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 24-28 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 29-31 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 32-50 of this report.

Other Information

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

New Accounting Pronouncements

The following statements for GASB were effective for the City in the fiscal year ending September 30, 2014:

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," was implemented by the City as required by GASB during the fiscal year ending September 30, 2014. This statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources.

CITY OF LUCAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014

GASB Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62", will be implemented by the City as required by GASB during the fiscal year ending September 30, 2014. This statement improves financial reporting by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on accounting and operating leases. The implementation of this statement will not result in any changes to the financial statements.

GASB Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 has been implemented as required by GASB during the fiscal year ending September 30, 2014. The objective of this statement is to improve financial reporting by state and local government pension plans.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", requires a government that extends nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement was implemented as required by GASB for period beginning after June 15, 2013. The implementation of this statement did not result in any changes to the financial statements.

The GASB has issued the following statements which will be effective in future years as described below:

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27", will be implemented as required by GASB during the fiscal year September 30, 2015. The objective of this statement is to improve accounting and financial reporting by state and local government pensions and improve the decision-usefulness of information contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirement about pensions also are addressed. This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 69, "Governmental Combinations and Disposals of Government Operations", will be implemented as required by GASB during the fiscal year September 30, 2015. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date", will be implemented as required by GASB during the fiscal year September 30, 2015. This statement addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2014

The City of Lucas' Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 10,728,127	\$ 9,718,343	\$ 5,296,197	\$ 6,189,597	\$ 16,024,324	\$ 15,907,940
Capital assets	14,976,023	13,356,707	16,720,990	15,183,050	31,697,013	28,539,757
Total assets	25,704,150	23,075,050	22,017,187	21,372,647	47,721,337	44,447,697
Long-term liabilities	6,365,864	6,436,439	4,631,976	4,973,957	10,997,840	11,410,396
Current liabilities	182,182	364,179	252,066	333,099	434,248	697,278
Total liabilities	6,548,046	6,800,618	4,884,042	5,307,056	11,432,088	12,107,674
Net position:						
Net investment in capital assets	11,388,630	9,735,155	13,112,606	11,450,187	24,501,236	21,185,342
Restricted	2,535,158	1,441,795	382,027	350,000	2,917,185	1,791,795
Unrestricted	5,232,316	5,097,482	3,638,512	4,265,404	8,870,828	9,362,886
Total net position	\$ 19,156,104	\$ 16,274,432	\$ 17,133,145	\$ 16,065,591	\$ 36,289,249	\$ 32,340,023

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 \$36,289,249 as of September 30, 2014. The City's net position increased by \$3,949,226 for fiscal year ended September 30, 2014.

Net investment in capital assets:

The largest portion, 68%, 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, 8%, represents resources that are subject to external restrictions on how they may be used such as state imposed restrictions for impact fees, court fees and cable fees and contractual obligations for debt from ad valorem taxes and capital improvements.

Unrestricted net position:

Unrestricted net position of 24% 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, 2014

The City of Lucas' Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 897,764	\$ 1,126,299	\$ 3,690,858	\$ 3,608,367	\$ 4,588,622	\$ 4,734,666
Capital grants and contributions	1,804,078	2,297,740	512,011	1,300,659	2,316,089	3,598,399
General Revenues:						
Property taxes	2,430,447	2,292,929	-	-	2,430,447	2,292,929
Sales taxes	814,033	587,259	-	-	814,033	587,259
Franchise taxes	319,026	258,356	-	-	319,026	258,356
Investment income	18,681	15,682	4,321	6,300	23,002	21,982
Miscellaneous	122,164	64,775	-	500	122,164	65,275
Total revenues	6,406,193	6,643,040	4,207,190	4,915,826	10,613,383	11,558,866
Expenses:						
General government	840,998	715,216	-	-	840,998	715,216
Public safety	1,469,546	889,680	-	-	1,469,546	889,680
Public works	867,243	1,029,582	-	-	867,243	1,029,582
Parks and recreation	132,379	137,616	-	-	132,379	137,616
Development services	257,331	273,707	-	-	257,331	273,707
Interest on long-term debt	232,858	244,060	-	-	232,858	244,060
Water and Sewer	-	-	2,863,802	2,969,977	2,863,802	2,969,977
Total expenses	3,800,355	3,289,861	2,863,802	2,969,977	6,664,157	6,259,838
Change in net position before transfers	2,605,838	3,353,179	1,343,388	1,945,849	3,949,226	5,299,028
Transfers	275,834	188,271	(275,834)	(188,271)	-	-
Change in net position	2,881,672	3,541,450	1,067,554	1,757,578	3,949,226	5,299,028
Net position - beginning	16,274,432	12,732,982	16,065,591	14,308,013	32,340,023	27,040,995
Net position - end	\$ 19,156,104	\$ 16,274,432	\$ 17,133,145	\$ 16,065,591	\$ 36,289,249	\$ 32,340,023

The Governmental Activities consistently show an annual increase in net position. Governmental contributions decreased significantly (21%) due to fewer roadway infrastructure donations from developers, which was offset by a significant increase (14%) in tax revenue received.

The Business-type Activities consistently show an annual increase in net position. Business-type contributions decreased significantly (61%) due to fewer donations from developers for water and sewer line infrastructure.

CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014

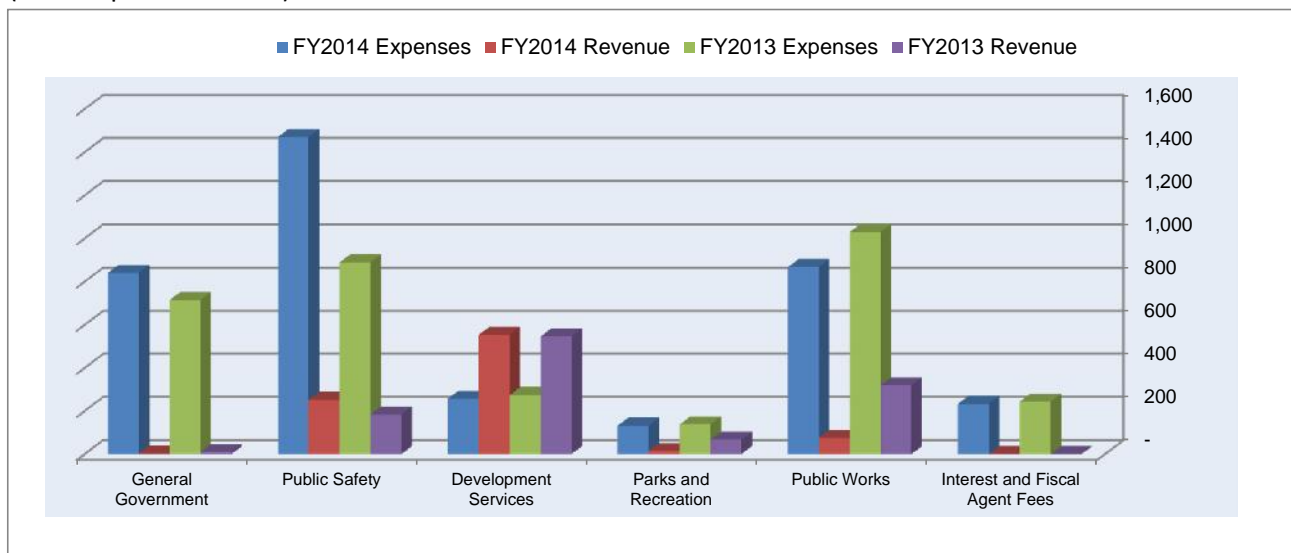
Governmental-type activities - Governmental-type activities increased the City's net position by \$2,881,672. Key elements of this increase are as follows:

Developer contributions in the amount of \$702,678 were received.

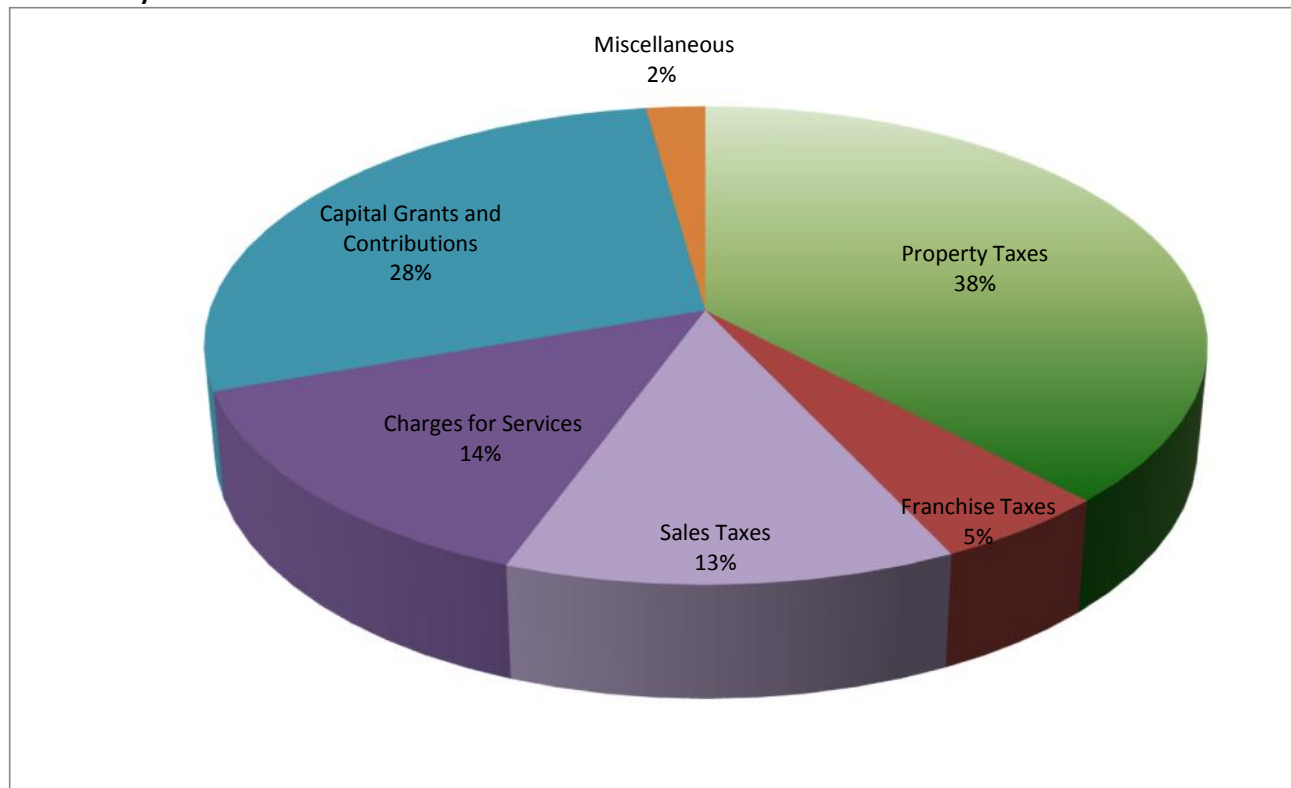
Intergovernmental revenue in the amount of \$1,000,000 was received from TxDOT.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities



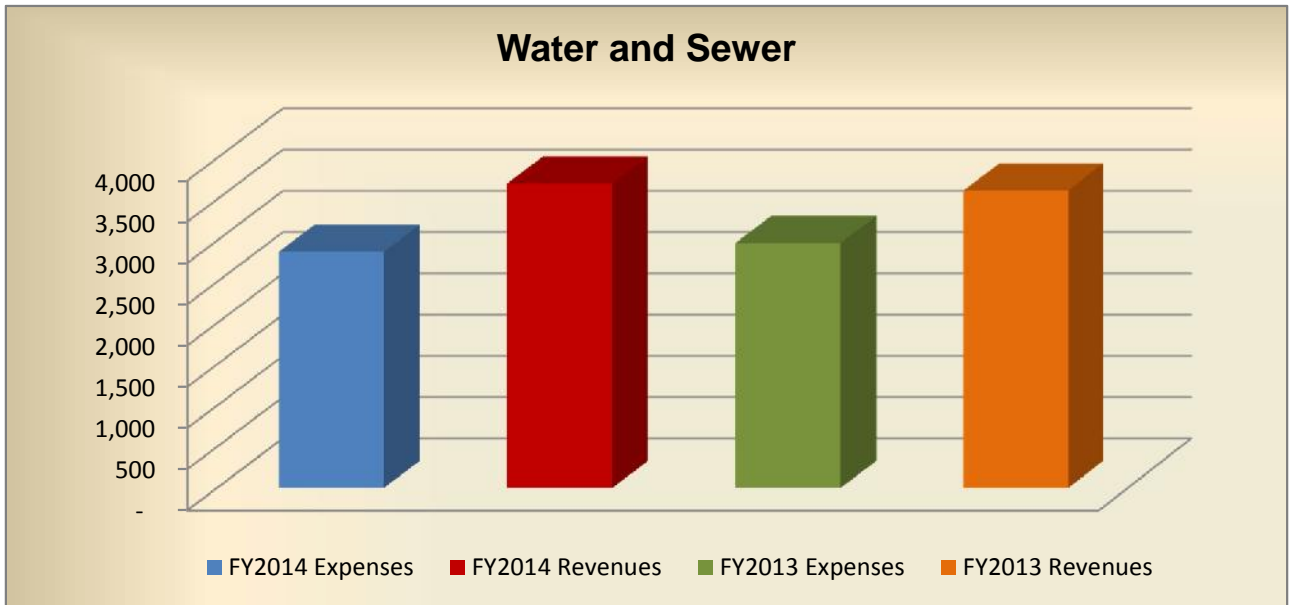
CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014

Business-type Activities - Business-type activities increased the City's net position by \$1,067,554. A key element of this increase is as follows:

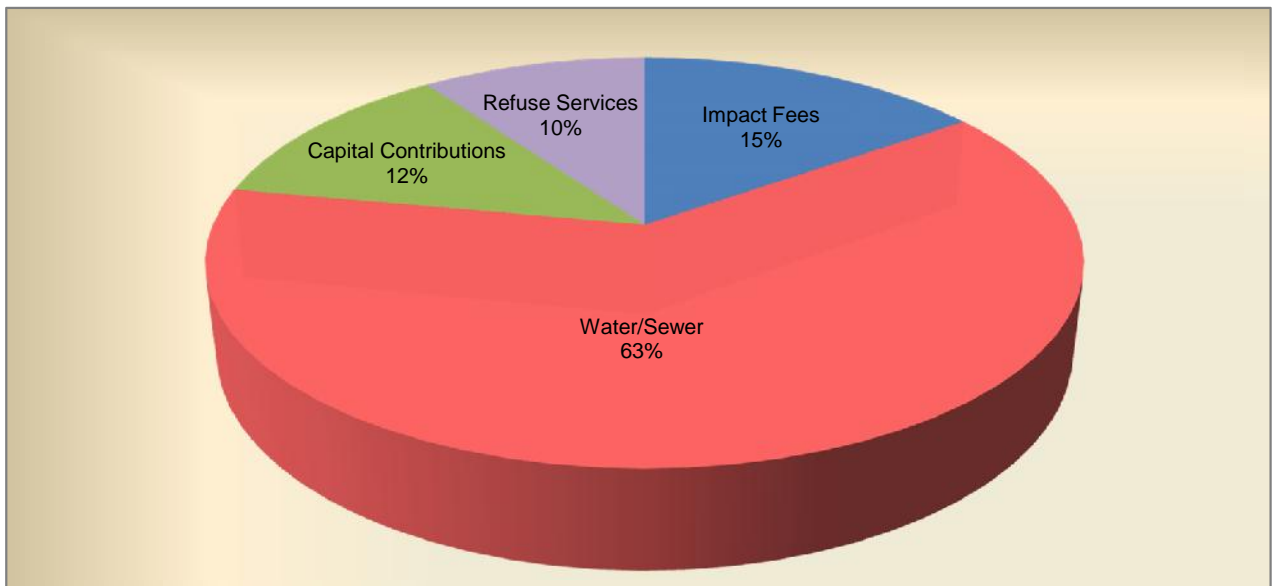
Capital contributions from developers totaled \$512,011.

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, 2014**

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, 2014, the City's governmental funds reported total fund balances of \$10,554,922, a 13% increase in comparison with the prior year's total ending fund balances. Tax revenues received increased 13% and intergovernmental revenue increased 56%, which accounts for the majority of the increase in total fund balances in the current year. The components of total fund balance are as follows:

- Restricted fund balance, \$4,687,047, consists of amounts restricted by external laws or contractual obligations as follows: \$770,508 for use of impact fees, \$35,473 for municipal court use, use, \$391,905 for debt service payments, \$3,480,905 for capital improvements and \$8,256 for cable fees.
- Unassigned fund balance, \$5,867,875, represents residual available fund balances that have not been restricted, committed, or assigned by management, City Council, or otherwise.

General Fund - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,867,875, compared to \$5,140,955 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 132% of total General Fund expenditures.

Other Governmental Funds - As compared with the prior year, the total fund balances of the remaining governmental funds increased 15%, or \$509,834 to \$3,872,810 with the following significant changes:

- The fund balance of the Debt Service Fund increased 3%, or \$12,000, primarily as a result of an increase in property tax revenues received during the current year.
- The fund balance of the Capital Improvements Fund increased 17%, or \$497,834, primarily as a result of intergovernmental revenue that was received to fund roadway improvements.

Proprietary Funds

The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$3,638,512, a 15% decrease from the prior year.

Net investment in capital assets increased from \$11,450,187 to \$13,112,606, a 15% increase from the prior year. This increase is the result of donated water lines from developers and a completed waste water ground sewer project capitalized during the current fiscal year.

CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2014

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, 2014, totals \$31,697,013 (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 12%. The capital assets for the business-type activities increased by 10%.

Major capital asset transactions during the year include the following:

- Donation of roadway infrastructure in several developments
- Donation of water and sewer line infrastructure in several developments
- Completion of the waste water ground sewer project
- Construction in progress of the W Lucas CC Intersection project
- Construction in progress of the Stinson water line project
- Construction in progress of the Rock Ridge water line project
- Construction in progress of the fire department expansion project

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 916,447	\$ 903,447	\$ 415,756	\$ 415,756	\$ 1,332,203	\$ 1,319,203
Construction in Progress	683,272	270,285	1,621,111	1,368,953	2,304,383	1,639,238
Furniture & Equipment	596,860	569,921	369,635	422,804	966,495	992,725
Vehicles	868,229	649,429	49,392	33,127	917,621	682,556
Buildings & Improvemen	1,398,136	1,453,238	548,208	581,310	1,946,344	2,034,548
Infrastructure	10,513,079	9,510,387	13,716,888	12,361,100	24,229,967	21,871,487
Total	<u>\$ 14,976,023</u>	<u>\$ 13,356,707</u>	<u>\$ 16,720,990</u>	<u>\$ 15,183,050</u>	<u>\$ 31,697,013</u>	<u>\$ 28,539,757</u>

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

Long-Term Debt - As of September 30, 2014 the City of Lucas had total long-term debt outstanding of \$10,945,052, a decrease of \$432,158, or 4%, 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	
	2014	2013	2014	2013	2014	2013
Note Payable	\$ 288,009	\$ -	\$ -	\$ -	\$ 288,009	\$ -
General Obligation Bond	1,643,204	1,645,804	1,002,839	1,067,531	2,646,043	2,713,335
Certificates of Obligation	4,393,000	4,764,750	3,618,000	3,899,125	8,011,000	8,663,875
	<u>\$ 6,324,213</u>	<u>\$ 6,410,554</u>	<u>\$ 4,620,839</u>	<u>\$ 4,966,656</u>	<u>\$ 10,945,052</u>	<u>\$ 11,377,210</u>

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

**CITY OF LUCAS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2014**

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 \$669,588 increase in revenues and a \$627,441 increase in expenditures.

Revenues were higher than the budgeted amounts mainly in the areas of sales tax, licenses and permits, property tax, and impact fees. Expenditures were generally higher than budgeted amounts, mainly in capital outlays and the administrative department.

Economic Factors and Next Year's Budgets and Rates

The following known factors were considered in preparing the City's operating budget for FY 2014-2015:

- This budget will raise more total property taxes than last year's budget by \$94,560, or 4.43%, and of that amount, \$140,562 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2014-2015 reflects total anticipated revenues of \$8,263,191 and total anticipated expenditures of \$8,007,556.
- The City tax rate is set each fall and is enacted via ordinance. The rate for fiscal year 2014-2015 was enacted by Ordinance #2014-09-00794 and is set to 0.320661 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 Director, City of Lucas, 665 Country Club Rd., Lucas, Texas 75002.



BASIC FINANCIAL STATEMENTS



CITY OF LUCAS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and Cash Equivalents	\$ 5,770,851	\$ 3,382,193	\$ 9,153,044
Receivables, net of allowance for uncollectibles	176,280	309,957	486,237
Restricted assets:			
Cash and Cash Equivalents	4,780,996	1,604,047	6,385,043
Capital Assets not being Depreciated:			
Land	916,447	415,756	1,332,203
Construction in Progress	683,272	1,621,111	2,304,383
Capital Assets, Net of Accumulated Depreciation:			
Furniture & Equipment	596,860	369,635	966,495
Vehicles	868,229	49,392	917,621
Building & Improvements	1,398,136	548,208	1,946,344
Infrastructure	10,513,079	13,716,888	24,229,967
Total Assets	25,704,150	22,017,187	47,721,337
LIABILITIES			
Accounts Payable	109,233	5,986	115,219
Wages Payable	23,449	7,110	30,559
Other Liabilities	12,000	-	12,000
Customer Deposits	-	209,565	209,565
Accrued Interest Payable	37,500	29,405	66,905
Noncurrent Liabilities:			
Due within one year:			
Compensated absences	15,749	8,307	24,056
Notes Payable	54,368	-	54,368
Bonds Payable	180,000	175,000	355,000
Certificates of Obligation	210,000	185,000	395,000
Due in more than one year:			
Compensated absences	25,902	2,830	28,732
Notes Payable	233,641	-	233,641
Bonds Payable	1,463,204	827,839	2,291,043
Certificates of Obligation	4,183,000	3,433,000	7,616,000
Total Liabilities	6,548,046	4,884,042	11,432,088
NET POSITION			
Net Investment in Capital Assets	11,388,630	13,112,606	24,501,236
Restricted for:			
Use of Impact Fees	770,508	-	770,508
Municipal Court	35,473	-	35,473
Debt Service	392,000	360,000	752,000
Capital Projects	1,328,921	22,027	1,350,948
Cable Fees	8,256	-	8,256
Unrestricted	5,232,316	3,638,512	8,870,828
Total Net Position	\$ 19,156,104	\$ 17,133,145	\$ 36,289,249

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, 2014**

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 840,998	\$ 2,501	\$ -	\$ -
Police	85,270	20,958	-	-
Fire	1,384,276	231,991	-	-
Development Services	257,331	553,264	-	-
Parks and Recreation	132,379	15,000	-	-
Public Works	867,243	74,050	1,804,078	-
Interest on Long-Term Debt	232,858	-	-	-
Total governmental activities	3,800,355	897,764	1,804,078	-
Business-type Activities:				
Utility fund	2,863,802	3,690,858	512,011	-
Total business-type activities	2,863,802	3,690,858	512,011	-
Total primary government	\$ 6,664,157	\$ 4,588,622	\$ 2,316,089	\$ -

General revenues:

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

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business Activities	Total
\$ (838,497)	\$ -	\$ (838,497)
(64,312)	-	(64,312)
(1,152,285)	-	(1,152,285)
295,933	-	295,933
1,686,699	-	1,686,699
(793,193)	-	(793,193)
(232,858)	-	(232,858)
(1,098,513)	-	(1,098,513)
-	1,339,067	1,339,067
-	1,339,067	1,339,067
\$ (1,098,513)	\$ 1,339,067	\$ 240,554

\$ 2,430,447	\$ -	\$ 2,430,447
814,033	-	814,033
319,026	-	319,026
18,681	4,321	23,002
122,164	-	122,164
275,834	(275,834)	-
3,980,185	(271,513)	3,708,672
2,881,672	1,067,554	3,949,226
16,274,432	16,065,591	32,340,023
\$ 19,156,104	\$ 17,133,145	\$ 36,289,249

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

CITY OF LUCAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Debt Service Fund	Capital Improvements Fund	Total
Assets				
Cash and Cash Equivalents	\$ 5,770,851	\$ -	\$ -	\$ 5,770,851
Receivables (net allowances for uncollectible)	166,967	9,313	-	176,280
Cash and Cash Equivalents - Restricted	862,171	392,000	3,526,825	4,780,996
Total Assets	<u>6,799,989</u>	<u>401,313</u>	<u>3,526,825</u>	<u>10,728,127</u>
Liabilities				
Accounts Payable	63,313	-	45,920	109,233
Wages Payable	23,449	-	-	23,449
Other Liabilities	12,000	-	-	12,000
Total Liabilities	<u>98,762</u>	<u>-</u>	<u>45,920</u>	<u>144,682</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes	19,115	9,408	-	28,523
Total Deferred Inflows of Resources	<u>19,115</u>	<u>9,408</u>	<u>-</u>	<u>28,523</u>
Fund Balances				
Restricted for:				
Use of Impact Fees	770,508	-	-	770,508
Court Use	35,473	-	-	35,473
Debt Service	-	391,905	-	391,905
Capital Improvements	-	-	3,480,905	3,480,905
Cable Fees	8,256	-	-	8,256
Unassigned	5,867,875	-	-	5,867,875
Total Fund Balances	<u>6,682,112</u>	<u>391,905</u>	<u>3,480,905</u>	<u>10,554,922</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,799,989</u>	<u>\$ 401,313</u>	<u>\$ 3,526,825</u>	<u>\$ 10,728,127</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, 2014**

Total fund balances - governmental funds balance sheet **\$ 10,554,922**

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet. 18,950,312

Accumulated depreciation is not included in the governmental fund financial statements. (3,974,289)

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 28,523

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the balance sheet. (6,348,009)

Premiums and discounts on issuance of debt were not recognized on the balance sheet for governmental funds. 23,796

Accrued liabilities for compensated absences are not reflected in the fund financial statements. (41,651)

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. (37,500)

Net position of governmental activities - statement of net position **\$ 19,156,104**

CITY OF LUCAS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Debt Service Fund	Capital Improvements Fund	Total Governmental Funds
REVENUES				
Taxes:				
Property including P&I	\$ 1,739,012	\$ 691,435	\$ -	\$ 2,430,447
Sales	814,033	-	-	814,033
Franchise Fees	319,026	-	-	319,026
Fines and Forfeitures	91,059	-	-	91,059
Licenses and Permits	483,163	-	-	483,163
Fire Department	231,991	-	-	231,991
Impact Fees	89,050	-	-	89,050
Contribution Revenue	101,400	-	-	101,400
Intergovernmental Revenue	-	-	1,000,000	1,000,000
Investment Income	10,841	221	7,618	18,680
Miscellaneous	122,164	-	-	122,164
Total Revenues	4,001,739	691,656	1,007,618	5,701,013
EXPENDITURES				
Current:				
City Council	38,169	-	-	38,169
City Secretary	130,230	-	-	130,230
Administrative	602,323	-	-	602,323
Public Works	352,678	-	64,165	416,843
Animal Control	34,000	-	-	34,000
Parks and Recreation	95,207	-	-	95,207
Fire Department	1,197,292	-	-	1,197,292
Police	85,270	-	-	85,270
Development Services	248,613	-	-	248,613
Debt Service:				
Principal Retirement	59,703	380,000	-	439,703
Interest and Fiscal Agent Fees	2,986	232,210	-	235,196
Capital Outlays				
General Government	93,852	-	-	93,852
Public Works	687,831	-	-	687,831
Fire Department	830,380	-	-	830,380
Total Expenditures	4,458,534	612,210	64,165	5,134,909
Excess (deficiency) of revenues over (under) expenditures	(456,795)	79,446	943,453	566,104
Other Revenues and Financing Sources (Uses)				
Transfers	788,899	(67,446)	(445,619)	275,834
Note Payable Proceeds	345,000	-	-	345,000
Sale of Assets	2,501	-	-	2,501
Total Other Financing Sources (Uses)	1,136,400	(67,446)	(445,619)	623,335
Net Change in Fund Balances	679,605	12,000	497,834	1,189,439
Fund Balances, October 1	6,002,507	379,905	2,983,071	9,365,483
Fund Balances, September 30	\$ 6,682,112	\$ 391,905	\$ 3,480,905	\$ 10,554,922

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, 2014**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 1,189,439
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.	1,612,063
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(695,424)
Current year long-term debt principal payments on contractual obligations, bonds payable, notes payable, and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	439,703
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.	(8,360)
Current year note proceeds are other finance sources in the fund financial statements but are shown as an increase in the government-wide liabilities section of the financial statements.	(345,000)
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.	702,678
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due.	2,339
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	(15,766)
Change in net position - statement of activities	<u><u>\$ 2,881,672</u></u>

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

CITY OF LUCAS, TEXAS
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 1,694,628	\$ 1,699,628	\$ 1,739,012	\$ 39,384
Sales	741,000	755,198	814,033	58,835
Franchise Fees	258,950	285,500	319,026	33,526
Fines and Forfeitures	99,295	99,368	91,059	(8,309)
Licenses and Permits	346,510	439,738	483,163	43,425
Fire Department	191,751	225,003	231,991	6,988
Impact Fees	45,000	55,000	89,050	34,050
Grant Revenues	-	3,499	-	(3,499)
Contribution Revenues	-	75,000	101,400	26,400
Investment Income	9,000	9,000	10,841	1,841
Miscellaneous	46,840	108,127	122,164	14,037
Total Revenues	3,432,974	3,755,061	4,001,739	246,678
EXPENDITURES				
Current:				
General Government:				
City Council	40,425	41,430	38,169	3,261
City Secretary	128,805	134,428	130,230	4,198
Administrative	608,544	603,308	602,324	984
Capital Outlays	65,100	124,053	93,852	30,201
Total general government	842,874	903,219	864,575	38,644
Public Safety:				
Fire Department	1,227,482	1,370,908	1,259,980	110,928
Police	88,827	85,827	85,270	557
Capital Outlays	393,350	1,095,875	830,380	265,495
Total public safety	1,709,659	2,552,610	2,175,630	376,980
Public Works:				
Public Works	334,891	363,229	352,678	10,551
Parks and Recreation	106,340	117,009	95,207	21,802
Animal Control	33,600	34,000	34,000	-
Capital Outlays	2,081,000	926,173	687,831	238,342
Total public works	2,555,831	1,440,411	1,169,716	270,695
Development Services	291,651	265,200	248,613	16,587
Capital Outlays	1,500	-	-	-
Total development services	293,151	265,200	248,613	16,587
Total Expenditures	5,401,515	5,161,440	4,458,534	702,906
Excess of revenues over expenditures	(1,968,541)	(1,406,379)	(456,795)	949,584
Other Financing Sources (Uses)				
Transfers	174,544	185,123	788,899	603,776
Note Payable Proceeds	-	345,000	345,000	-
Sale of Assets	-	2,501	2,501	-
Total Other Financing Sources and Uses	174,544	532,624	1,136,400	603,776
Net Change in Fund Balances	(1,793,997)	(873,755)	679,605	1,553,360
Fund Balances/Equity, October 1	6,002,507	6,002,507	6,002,507	
Fund Balances/Equity, September 30	\$ 4,208,510	\$ 5,128,752	\$ 6,682,112	

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, 2014

	Utility Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,382,193
Receivables (net of allowance for uncollectibles)	309,957
Total Current Assets	<u>3,692,150</u>
Noncurrent Assets:	
Cash and Cash Equivalents - Restricted	1,604,047
Capital Assets:	
Land	415,756
Construction-In-Progress	1,621,111
Machinery & Equipment	978,466
Buildings	734,067
Vehicles	120,791
Infrastructure	16,977,249
Less: Accumulated Depreciation	<u>(4,126,450)</u>
Total Capital Assets (net of accumulated depreciation)	<u>16,720,990</u>
Total Noncurrent Assets	<u>18,325,037</u>
Total Assets	<u><u>22,017,187</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	5,986
Wages Payable	7,110
Payable from Restricted Assets:	
Customer Deposits	209,565
Accrued Interest	29,405
Compensated Absences - current	8,307
Certificates of Obligation - current	185,000
Bonds Payable - current	175,000
Total Current Liabilities	<u>620,373</u>
Noncurrent Liabilities:	
Compensated Absences	2,830
Certificates of Obligation	3,433,000
Bonds Payable	827,839
Total Noncurrent Liabilities	<u>4,263,669</u>
Total Liabilities	<u><u>4,884,042</u></u>
NET POSITION	
Net Investment in Capital Assets	13,112,606
Restricted for:	
Debt Service	360,000
Capital Projects	22,027
Unrestricted	3,638,512
Total Net Position	<u><u>\$ 17,133,145</u></u>

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

CITY OF LUCAS, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Utility Fund
OPERATING REVENUES:	
Charges for Services	\$ 3,050,156
Impact Fees	640,702
Total Operating Revenues	3,690,858
OPERATING EXPENSES:	
Personnel Services	392,206
Contractual Services	1,348,589
Trash Services	367,134
Supplies and Materials	20,170
Maintenance and Repair	41,598
Depreciation	562,133
Total Operating Expenses	2,731,830
Operating Income	959,028
NON-OPERATING REVENUES (EXPENSES):	
Amortization Expense	(4,184)
Interest Revenue	4,321
Interest Expense	(127,788)
Total Non-Operating Revenues (Expenses)	(127,651)
Income Before Capital Contributions and Transfers	831,377
Capital Contributions	512,011
Transfers	(275,834)
Change in Net Position	1,067,554
Net Position, October 1	16,065,591
Net Position, September 30	\$ 17,133,145

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, 2014**

	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 3,183,383
Cash Received from Other Sources	1,152,713
Cash Paid to Employees	(391,235)
Cash Paid to Suppliers	(1,857,298)
Net Cash Provided by Operating Activities	<u>2,087,563</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to Other Funds	(275,834)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(275,834)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(2,104,256)
Principal Paid on Long-term Debt	(350,000)
Amortization of Bond Defeasance, Premiums and Discounts	8,019
Interest Paid on Long-term Debt	(129,986)
Net Cash (Used) for Capital & Related Financing Activities	<u>(2,576,223)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	4,321
Net Cash Provided by Investing Activities	<u>4,321</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(760,173)
Cash and Cash Equivalents at Beginning of Year	5,746,413
Cash and Cash Equivalents at End of Year	<u><u>\$ 4,986,240</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operation Activities:	
Operating Income	\$ 959,028
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities	
Depreciation	562,133
Capital Contributions	512,011
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts Receivables	133,227
(Decrease) Increase in:	
Accounts Payable	(88,101)
Customer Deposits	9,265
Total Adjustments	<u>1,128,535</u>
Net Cash Provided by Operating Activities	<u><u>\$ 2,087,563</u></u>
Schedule of Non-cash Capital Activities:	
Contribution of Capital Assets	<u><u>\$ 512,011</u></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, 2014**

A. Summary of Significant Accounting Policies

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

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

1. Reporting Entity

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

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

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

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

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

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

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 also included in the calculation. The City does not have any non-major funds.

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

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

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

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

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

b. Measurement Focus, Basis of Accounting

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

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

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

The City reports the following major governmental funds:

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

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

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

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the City's water and sewer services are charges to customers for sales and services. Proprietary fund operating expenses 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 water, sewer and garbage service operations which are financed and operated in a manner similar to private business.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

b. Receivable Balances

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

c. Property Taxes

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

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

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

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2014, the City had a tax rate of \$0.355616 per \$100 assessed valuation based upon the maximum rates described above.

d. Restricted Assets

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

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

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

e. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and the proprietary fund type financial statements. 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, 2014, the City received donated assets from various developers in the amount of \$702,678 to the governmental fund and \$512,011 to the proprietary fund. These assets are reported at fair market value as of the donation date. Donated assets are only reported in the Government-Wide Financial Statements for governmental funds.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

e. Capital Assets (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For fiscal year 2014, \$53,034 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. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

g. Compensated absences

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

h. Long-term Obligations

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

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

**CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

i. Net Position Flow Assumption

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

j. Fund Equity

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

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

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

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

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

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

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

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

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

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

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

k. Fund Balance Flow Assumption

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

l. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. The City did not receive any federal or state grant revenue during fiscal year 2014.

m. Comparative Data/Reclassification

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

n. Interfund Activity

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

o. Use of Estimates

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

p. Program Revenues

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

q. Program Expenses

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 28 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 Director 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, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$15,538,087 and the bank balance was \$16,662,660. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, 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 \$14,026,957. Restricted cash and investments as of September 30, 2014 are restricted as follows:

Restricted Cash:

Governmental:

Municipal Court	\$ 35,473
Debt Service	392,000
Capital Improvements	3,574,759
Cable TV PEG Fees	8,256
Impact Fees	770,508
Total	<u>\$ 4,780,996</u>

Business-type:

Debt Service	\$ 360,000
Capital Improvements	1,034,482
Customer Deposits	209,565
Total	<u>1,604,047</u>

Total Restricted Cash and
Cash Equivalents

\$ 6,385,043

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 ("TexPool") 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. TexPool 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. A request for TexPool's financial statements can be obtained at www.texpool.com.

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 invests 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. This type of investment pool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

The City also invests in Lone Star Investment Pool ("Lone Star"). Lone Star is administered by First Public, LLC. Lone Star limits investments to only those allowed under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. This type of investment pool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. Lone Star is governed by an Advisory Board composed equally of participants in Lone Star and other persons who do not have a business relationship with Lone Star who are qualified to advise the Pool.

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

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, 2014, 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	\$ 487,486	\$ 487,486	10%	55	AAA-m	S&P
LOGIC	1,529,883	1,529,883	33%	48	AAA-m	S&P
Lone Star	2,664,320	2,664,320	57%	57	AAA-m	S&P
	<u>\$ 4,681,689</u>	<u>\$ 4,681,689</u>	<u>100%</u>			

As of September 30, 2014 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

C. Deposits and Investments (continued)

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 actual rating as of year end for each investment type.

Concentration of Credit Risk

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

Custodial Credit Risk

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

As of September 30, 2014, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

D. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows. No allowance has been estimated for property taxes due to the high rate of collections.

	General	Debt Service	Utility	Total
Receivables:				
Taxes	\$ 166,967	\$ 9,313	\$ -	\$ 176,280
Fees and Charges	28,263	-	311,862	311,862
Intergovernmental	-	-	-	-
Gross Receivables	195,230	9,313	311,862	488,142
Less: allowance				
for uncollectibles	(28,263)	-	(1,905)	(1,905)
Net Total Receivables	<u>\$ 166,967</u>	<u>\$ 9,313</u>	<u>\$ 309,957</u>	<u>\$ 486,237</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

E. Capital Assets

Capital asset activity for the period ended September 30, 2014 was as follows:

	Beginning Balances	Prior Period Adjustments	Transfers	Additions	Decreases	Ending Balances
Governmental Activities						
Capital assets not being depreciated:						
Land	\$ 903,447	\$ -	\$ -	\$ 13,000	\$ -	\$ 916,447
Construction-In-Progress	270,285	-	(117,672)	530,659	-	683,272
Total capital assets not being depreciated:	1,173,732	-	(117,672)	543,659	-	1,599,719
Capital assets being depreciated:						
Buildings and Improvements	1,843,372	-	-	-	-	1,843,372
Furniture & Equipment	1,213,597	-	-	193,305	(2,497)	1,404,405
Vehicles	1,399,114	-	-	329,780	(62,234)	1,666,660
Infrastructure	11,070,488	-	117,672	1,247,996	-	12,436,156
Total capital assets being depreciated:	15,526,571	-	117,672	1,771,081	(64,731)	17,350,593
Less accumulated depreciation for:						
Buildings and Improvements	(390,134)	-	-	(55,102)	-	(445,236)
Furniture & Equipment	(643,676)	-	-	(166,366)	2,497	(807,545)
Vehicles	(749,685)	-	-	(110,980)	62,234	(798,431)
Infrastructure	(1,560,101)	-	-	(362,976)	-	(1,923,077)
Total accumulated depreciation:	(3,343,596)	-	-	(695,424)	64,731	(3,974,289)
Total capital assets being depreciated, net	12,182,975	-	117,672	1,075,657	-	13,376,304
Governmental activities capital assets, net	\$ 13,356,707	\$ -	\$ -	\$ 1,619,316	\$ -	\$14,976,023
Business-type Activities						
Capital assets not being depreciated:						
Land	\$ 415,756	\$ -	\$ -	\$ -	\$ -	\$ 415,756
Construction-In-Progress	1,368,953	-	(1,188,832)	1,440,990	-	1,621,111
Total capital assets not being depreciated:	1,784,709	-	(1,188,832)	1,440,990	-	2,036,867
Capital assets being depreciated:						
Buildings & improvements	734,067	-	-	-	-	734,067
Infrastructure	15,234,568	-	1,188,832	553,849	-	16,977,249
Furniture & Equipment	909,419	-	-	71,544	(2,497)	978,466
Vehicles	87,102	-	-	33,689	-	120,791
Total capital assets being depreciated:	16,965,156	-	1,188,832	659,082	(2,497)	18,810,573
Less accumulated depreciation for:						
Buildings & improvements	(152,757)	-	-	(33,102)	-	(185,859)
Infrastructure	(2,873,467)	-	-	(386,894)	-	(3,260,361)
Furniture & Equipment	(486,616)	-	-	(124,712)	2,497	(608,831)
Vehicles	(53,974)	-	-	(17,425)	-	(71,399)
Total accumulated depreciation:	(3,566,814)	-	-	(562,133)	2,497	(4,126,450)
Total capital assets being depreciated, net	13,398,342	-	1,188,832	96,949	-	14,684,123
Business-type activities capital assets, net	\$ 15,183,051	\$ -	\$ -	\$ 1,537,939	\$ -	\$16,720,990

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

E. Capital Assets (continued)

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

Governmental activities:	
General government	\$ 46,149
Public works	416,401
Public Safety	186,984
Development Services	8,718
Parks	37,172
Total depreciation expense - governmental activities	<u>\$ 695,424</u>
Business-type activities:	
Utility	562,133
Total depreciation expense - business-type activities	<u>\$ 562,133</u>

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

Governmental activities:	
Winding Creek	\$ 71,884
Stinson Highlands II	630,794
Total donated assets - governmental activities	<u>\$ 702,678</u>
Business-type activities:	
Winding Creek	\$ 71,884
Stinson Highlands II	310,940
Kwik Care	41,262
Ella Brooke St	35,455
Lift Station	52,470
Total donated assets - business-type activities	<u>\$ 512,011</u>

During the year ending September 30, 2014, the City received donated infrastructure from various developers in the amount of \$702,678 in the governmental fund and \$512,011 to the proprietary fund. These assets are reported at fair market value as of the donation date. Donated assets are only reported in the Government-Wide Financial Statements for governmental funds.

F. Construction Commitments

The City has several active construction projects as of September 30, 2014. The projects include street infrastructure improvements, water and sewer infrastructure improvements, and construction for the new Fire Station expansion.

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Lucas & CC Road Intersection	\$ 97,681	\$ 797
W Lucas FM 2551/ FM 1378	3,720	12,130
Fire Station Expansion	511,871	2,433,859
Design for Estates/ Angel Pkwy	70,000	130,000
Rock Ridge Water Line	506,363	2,119
Rock Ridge Water Line Phase 2 Design	15,487	34,200
W Rock Creek Bridge Water Line	25,000	205,000
Stinson Water Line	1,050,006	89,649
Design of Osage Water Line	24,255	126,440
	<u>\$ 2,304,383</u>	<u>\$ 3,034,194</u>

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

G. Deferred Inflow of Resources

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

	General Fund	Debt Service
Tax Revenue	\$ 19,115	\$ 9,408

H. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2014, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
General Obligation Bonds	\$ 1,705,000	\$ -	\$ (10,000)	\$ 1,695,000	\$ 180,000
Certificates of Obligation	4,735,000	-	(370,000)	4,365,000	210,000
Notes Payable	-	347,712	(59,703)	288,009	54,368
	6,440,000	347,712	(439,703)	6,348,009	444,368
Less deferred amounts:					
For issuance discounts	(29,920)	-	1,760	(28,160)	1,760
For issuance premiums	59,670	-	(3,510)	56,160	(3,510)
Bond Defeasance	(59,196)	-	7,400	(51,796)	7,400
Total bonds payable	6,410,554	347,712	(434,053)	6,324,213	450,018
Compensated absences	25,885	68,273	(52,507)	41,651	15,749
Governmental activity					
Long-term liabilities	\$ 6,436,439	\$ 415,985	\$ (486,560)	\$ 6,365,864	\$ 465,767
Business-type Activities					
Bonds Payable:					
General Obligation Bonds	\$ 1,110,000	\$ -	\$ (70,000)	\$ 1,040,000	\$ 175,000
Certificates of Obligation	3,880,000	-	(280,000)	3,600,000	185,000
	4,990,000	-	(350,000)	4,640,000	360,000
Less deferred amounts:					
For issuance discounts	(19,236)	-	1,131	(18,105)	1,131
For issuance premiums	38,361	-	(2,256)	36,105	(2,256)
Bond Defeasance	(42,469)	-	5,308	(37,161)	5,308
Total Bonds Payable	4,966,656	-	(345,817)	4,620,839	364,183
Compensated absences	7,301	17,216	(13,380)	11,137	8,307
Business-type activity					
Long-term liabilities	\$ 4,973,957	\$ 17,216	\$ (359,197)	\$ 4,631,976	\$ 372,490

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

H. Long-Term Obligations (continued)

Changes in Governmental Long-term Debt

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding September 30, 2013	Increase	Retired	Amounts Outstanding September 30, 2014	Due Within One Year
2007 Refunding G.O.	3.76%	\$ 1,790,000	\$ 1,705,000	\$ -	\$ (10,000)	\$ 1,695,000	\$ 180,000
2002 CO	4.50%	3,000,000	165,000	-	(165,000)	-	-
2007 CO	4.25%	2,500,000	1,285,000	-	(80,000)	1,205,000	80,000
2011 CO	2.00%	3,500,000	3,285,000	-	(125,000)	3,160,000	130,000
Government Capital Corp Note Payable	2.62%	347,712	-	347,712	(59,703)	288,009	54,368
Total Debt Payable		11,137,712	6,440,000	347,712	(439,703)	6,348,009	444,368
Compensated absences			25,885	68,273	(52,507)	41,651	15,749
Totals		\$ 11,137,712	\$ 6,465,885	\$ 415,985	\$ (492,210)	\$ 6,389,660	\$ 460,117

Debt service requirements are as follows:

Years Ending September 30:	Principal	Interest	Total Requirements
2015	\$ 390,000	\$ 218,611	\$ 608,611
2016	410,000	205,498	615,498
2017	430,000	191,348	621,348
2018	445,000	175,909	620,909
2019	460,000	159,613	619,613
2020-2024	2,045,000	550,677	2,595,677
2025-2029	1,380,000	230,725	1,610,725
2030-2031	500,000	20,200	520,200
Totals	\$ 6,060,000	\$ 1,752,581	\$ 7,812,581

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.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

H. Long-Term Obligations (continued)

Note Payable

The City issued a note payable to Government Capital Corporation to finance an ambulance and equipment on November 7, 2013. The note will be repaid over a six year period.

Debt service requirements are as follows:

Years Ending September 30:	Principal	Interest	Total Requirements
2015	54,368	8,321	62,689
2016	55,939	6,750	62,689
2017	57,555	5,134	62,689
2018	59,217	3,471	62,688
2019	60,930	1,758	62,688
Totals	<u>\$ 288,009</u>	<u>\$ 25,434</u>	<u>\$ 313,443</u>

Changes in Business-type Long-term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2013	Increase	Retired	Amounts Outstanding September 30, 2014	Due Within One Year
2007 Refunding G.O.	3.76%	\$ 1,455,000	\$ 1,110,000	\$ -	\$ (70,000)	\$ 1,040,000	\$ 175,000
2002 CO	4.50%	2,500,000	100,000	-	(100,000)	-	-
2007 CO	4.25%	2,500,000	1,660,000	-	(100,000)	1,560,000	100,000
2011 CO	2.00%	2,250,000	2,120,000	-	(80,000)	2,040,000	85,000
Total Bonds Payable		8,705,000	4,990,000	-	(350,000)	4,640,000	360,000
Compensated Absences			7,301	17,216	(13,380)	11,137	8,307
Totals		<u>\$ 8,705,000</u>	<u>\$ 4,997,301</u>	<u>\$ 17,216</u>	<u>\$ (363,380)</u>	<u>\$ 4,651,137</u>	<u>\$ 368,307</u>

Debt service requirements are as follows:

Years Ending September 30:	Principal	Interest	Total Requirements
2015	\$ 360,000	\$ 170,164	\$ 530,164
2016	365,000	157,516	522,516
2017	375,000	144,367	519,367
2018	315,000	131,748	446,748
2019	325,000	119,869	444,869
2020-2024	1,505,000	418,535	1,923,535
2025-2029	1,070,000	160,806	1,230,806
2030-2031	325,000	13,100	338,100
Totals	<u>\$ 4,640,000</u>	<u>\$ 1,316,105</u>	<u>\$ 5,956,105</u>

A description of each debt series follows:

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

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

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

H. Long-Term Obligations

Changes in Business-type Long-term Debt (continued)

\$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.

General Obligation Long Term Rating

In February 2014, Standard & Poor's Rating Services ("S&P") raised its rating on the City of Lucas' general obligation ("GO") bonds two notches to 'AA+' from 'AA-' based on its revised local GO criteria released September 12, 2013. The outlook is stable, according to S&P, due to the City's consistent financial performance and economy, which adequate management supports. S&P does not expect to raise or lower the rating in the next two years, given that the City's available general fund balance is expected to remain above 75% of general fund expenditures in future years. Although not viewed as likely to occur within the outlook horizon, a reduction of general fund reserves coupled with a deterioration in budgetary performance could potentially lead S&P to lower the rating. Additional information regarding the rating of this agency may be obtained from the agency's website at www.standardandpoors.com/ratingsdirect.

I. Lease Obligations

The City leased a copier from Xerox from October 2013 through June 2014 to provide equipment for printing, copying, scanning, and faxing necessary for the daily functions of the City. The Xerox lease expired during the fiscal year and was replaced with a 36 month lease from Konica/Minolta. Total costs for the leases were \$10,511 for the year ended September 30, 2014. The future minimum lease payments for these leases are as follows:

Year End: Sept 30	Copier (General Fund)	Copier (Water Fund)	Total
2015	\$ 6,390	\$ 6,390	\$ 12,780
2016	6,390	6,390	12,780
2017	4,055	4,055	8,110
Total	<u>\$ 16,835</u>	<u>\$ 16,835</u>	<u>\$ 33,670</u>

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:

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

J. Pension Plan

1. Plan Description (continued)

	Plan Year 2013	Plan Year 2014
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 2014 were determined as part of the December 31, 2012 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

	12/31/11	12/31/12	12/31/13
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level % of PR 10-year	Level % of PR 10-year	Level % of PR 10-year
Asset Valuation method	Smoothed Market	Smoothed Market	Smoothed Market
Amortization period	21.9 years-closed	21.4 years-closed	30.0 years-closed
Amortization period for new gains/losses	25 years	25 years	25 years
Actuarial assumptions:			
Investment rate of return	7.00%	7.00%	7.00%
Inflation rate	3.00%	3.00%	3.00%
Projected salary increase	Varies by age and service	Varies by age and service	Varies by age and service

3. Funding Status and Funding Progress

The funded status as of December 31, 2011 and 2012, as well as 2013, the most recent actuarial valuation date, is presented as follows:

City of Lucas
Schedule of Actuarial Liabilities and Funding Progress

	12/31/11	12/31/12	12/31/13
Actuarial Valuation Date			
Actuarial Value of Assets	\$ 1,032,483	\$ 1,218,941	\$ 1,427,863
Actuarial Accrued Liability	1,209,130	1,421,599	1,688,674
Percentage Funded	85.4%	85.7%	84.6%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	176,647	202,658	260,811
Annual Covered Payroll	889,536	993,136	1,102,491
UAAL as a Percentage of Covered Payroll	19.9%	20.4%	23.7%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	Plus 64,240	69,425	103,161
Contributions Made	Less (64,240)	(69,425)	(103,161)
NPO at the end of the period	\$ -	\$ -	\$ -

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

J. Pension Plan

3. Funding Status and Funding Progress (continued)

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 2014, 2013 and 2012 were \$2,514, \$1,551, and \$1,437, respectively, which equaled the required contributions each year.

Plan Year	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
2012	\$ 1,437	100%	\$ -
2013	1,551	100%	-
2014	2,514	100%	-

L. Health Care Coverage

During the year ended September 30, 2014, employees of the City were covered by a health and dental insurance plan. The City contributed \$514.94 per month per employee (100% of the cost per employee) for employee coverage for health insurance. The City contributed \$26.31 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 insurance is provided by Texas Municipal League Intergovernmental Employee Benefits Pool. Dental insurance is provided by Dental Select.

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.

CITY OF LUCAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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	458,360,000
Gallons Billed	377,220,800

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, 2014 were \$1,206,893.

P. Interfund Transactions

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Funds</u>		
General Fund	\$ 788,899	\$ -
Debt Service Fund	-	(67,446)
Utility Fund	-	(275,834)
Capital Improvements Fund	98,040	(543,659)
Total Major Funds	<u>\$ 886,939</u>	<u>\$ (886,939)</u>

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

Q. Intergovernmental Revenue

The City has received funding from the Texas Department of Transportation ("TxDot") for infrastructure projects to improve streets on FM 1378/ FM 2551 and the West Lucas CC intersection. The funding received is considered intergovernmental revenue and the assets completed with these funds will be retained as capital assets of TxDot. The City is required to match a portion of the project. The portion that is funded by the City will be retained as capital assets of the City. In the current year, the City capitalized \$16,041 for costs associated with the improvement of FM 2551/FM 1378. The City received \$1,000,000 in intergovernmental revenue associated with these projects in fiscal year 2014.

R. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2014 up through January 9, 2015, the date the financial statements were available to be issued. During this period, management noted the following subsequent event requiring disclosure:

The City of Lucas filed a lawsuit December 22, 2014 against the Seis Lagos Utility District ("SLUD") for breach of contract to recover unpaid invoices for City fire protection services. The City seeks to recover approximately \$42,655 in unpaid fire protection charges that the City provided to SLUD. SLUD is aware of the lawsuit but has not been served at this time.

Management is unaware of other subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF LUCAS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**TMRS FUNDING PROGRESS AND CONTRIBUTIONS
LAST NINE FISCAL YEARS (UNAUDITED)**

Fiscal Year	Actuarial Valuation Date	(1)	(2)	(3)	(4)	(5) Covered Payroll	(6)	(7) Annual Required Contributions	(8) Actual Contributions	Percent Contributed (8)/(7)
		Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Unit Credit	Unfunded Actuarial Accrued Liability UAAL (2)-(1)	Funded Percent (1)/(2)		UAAL as Percent of Covered Payroll (3)/(5)			
2006	12/31/2005	\$ 312,687	\$ 396,045	\$ 83,358	79.0%	\$ 462,894	18.0%	\$ 43,063	\$ 43,063	100%
2007	12/31/2006	401,550	470,495	68,945	85.3%	476,828	14.5%	49,397	49,397	100%
2008	12/31/2007	505,916	659,042	153,126	76.8%	616,387	24.8%	61,864	61,864	100%
2009	12/31/2008	616,951	774,257	157,306	79.7%	677,751	23.2%	46,834	46,834	100%
2010	12/31/2009	692,369	896,729	204,360	77.2%	752,616	27.2%	58,173	58,173	100%
2011	12/31/2010	877,000	1,134,505	257,505	77.3%	858,091	30.0%	79,175	79,175	100%
2012	12/31/2011	1,032,483	1,209,130	176,647	85.4%	889,536	19.9%	64,240	64,240	100%
2013	12/31/2012	1,218,941	1,421,599	202,658	85.7%	993,136	20.4%	69,425	69,425	100%
2014	12/31/2013	1,427,863	1,688,674	260,811	84.6%	1,102,491	23.7%	103,161	103,161	100%



SUPPLEMENTARY INFORMATION



CITY OF LUCAS, TEXAS
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
(MODIFIED ACCRUAL BASIS)
SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property Taxes	\$ 622,610	\$ 666,860	\$ 691,435	\$ 24,575
Interest Income	500	840	221	(619)
Total Revenues	<u>623,110</u>	<u>667,700</u>	<u>691,656</u>	<u>23,956</u>
EXPENDITURES				
Current:				
Debt Service				
Installment Payments	380,000	380,000	380,000	-
Interest and Fiscal Agent Fees	232,710	232,960	232,210	750
Total Expenditures	<u>612,710</u>	<u>612,960</u>	<u>612,210</u>	<u>750</u>
Excess (deficiency) of revenues (under) expenditures	10,400	54,740	79,446	24,706
Other Revenues and Financing Sources (Uses)				
Transfers	-	-	(67,446)	(67,446)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(67,446)</u>	<u>(67,446)</u>
Net Change in Fund Balances	10,400	54,740	12,000	(42,740)
Fund Balances/Equity, October 1	379,905	379,905	379,905	
Fund Balances/Equity, September 30	<u>\$ 390,305</u>	<u>\$ 434,645</u>	<u>\$ 391,905</u>	

CITY OF LUCAS, TEXAS
BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENTS FUND
(MODIFIED ACCRUAL BASIS)
SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Intergovernmental Revenue	\$ 1,495,370	\$ 1,000,000	\$ 1,000,000	\$ -
Interest Income	-	6,635	7,618	983
Total Revenues	<u>1,495,370</u>	<u>1,006,635</u>	<u>1,007,618</u>	<u>983</u>
EXPENDITURES				
Public Works	-	160,000	64,165	95,835
Total Expenditures	<u>-</u>	<u>160,000</u>	<u>64,165</u>	<u>95,835</u>
Excess (deficiency) of revenues (under) expenditures	1,495,370	846,635	943,453	96,818
Other Revenues and Financing Sources (Uses)				
Transfers	-	-	(445,619)	(445,619)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(445,619)</u>	<u>(445,619)</u>
Net Change in Fund Balances	1,495,370	846,635	497,834	(348,801)
Fund Balances/Equity, October 1	<u>2,983,071</u>	<u>2,983,071</u>	<u>2,983,071</u>	
Fund Balances/Equity, September 30	<u>\$ 4,478,441</u>	<u>\$ 3,829,706</u>	<u>\$ 3,480,905</u>	

STATISTICAL SECTION
(UNAUDITED)



STATISTICAL SECTION

(Unaudited)

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

Contents

Table #s

Financial Trends

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

1,2,3,4,5

Revenue Capacity

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

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Operating Information

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

16,17,18

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

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

	FISCAL YEAR			
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 1,121,565	\$ 1,481,729	\$ 2,611,818	\$ 4,308,459
Restricted	132,088	177,421	3,204,311	495,249
Unrestricted	1,227,597	4,337,470	2,711,342	4,276,542
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>
Business-type activities				
Net investment in capital assets	1,708,194	1,994,986	4,895,746	5,327,139
Restricted	-	-	-	526,921
Unrestricted	5,535,349	3,141,792	4,428,199	4,518,161
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>
Primary Government				
Net investment in capital assets	2,829,759	3,476,715	7,507,564	9,635,598
Restricted	132,088	177,421	3,204,311	1,022,170
Unrestricted	6,762,946	7,479,262	7,139,541	8,794,703
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>

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 are listed.

Table 1

		FISCAL YEAR		
2010	2011	2012	2013	2014
\$ 5,429,217	\$ 6,946,186	\$ 7,912,596	\$ 9,735,155	\$11,388,630
500,694	427,803	1,034,404	1,441,795	2,535,158
3,097,616	2,819,545	3,785,982	5,097,482	5,232,316
9,027,527	10,193,534	12,732,982	16,274,432	19,156,104
6,871,815	7,954,921	9,724,745	11,450,187	13,112,606
370,000	300,000	320,000	350,000	382,027
4,447,405	4,259,481	4,263,267	4,265,404	3,638,512
11,689,220	12,514,402	14,308,012	16,065,591	17,133,145
12,301,032	14,901,107	17,637,341	21,185,342	24,501,236
870,694	727,803	1,354,404	1,791,795	2,917,185
7,545,021	7,079,026	8,049,249	9,362,886	8,870,828
<u>\$20,716,747</u>	<u>\$22,707,936</u>	<u>\$27,040,994</u>	<u>\$32,340,023</u>	<u>\$36,289,249</u>

CITY OF LUCAS, TEXAS
CHANGES IN NET POSITION
LAST NINE 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:				
Utility Fund	1,297,183	1,483,115	1,633,259	1,704,106
Total business-type activities expenses	<u>1,297,183</u>	<u>1,483,115</u>	<u>1,633,259</u>	<u>1,704,106</u>
Total primary government expenses	<u>3,405,587</u>	<u>3,398,385</u>	<u>3,944,787</u>	<u>4,033,714</u>
PROGRAM REVENUES				
Governmental activities:				
Charge for services:				
General government	338,797	335,760	-	-
Public Safety	63,140	81,023	53,003	27,762
Public Works	-	88,450	74,700	262,503
Development Services	-	-	354,009	-
Parks and Recreation	-	-	-	-
Trash Service	256,989	283,755	298,515	336,374
Capital grants and contributions	-	-	-	-
Operating grants and contributions	36,932	104,794	88,260	-
Total governmental activities program revenues	<u>695,858</u>	<u>893,782</u>	<u>868,487</u>	<u>626,639</u>
Business-type activities:				
Charge for services:				
Water and Sewer	2,305,232	1,464,900	2,229,136	2,205,460
Capital grants and contributions	-	-	-	-
Total business-type activities program services	<u>2,305,232</u>	<u>1,464,900</u>	<u>2,229,136</u>	<u>2,205,460</u>
Total primary government program revenues	<u>3,001,090</u>	<u>2,358,682</u>	<u>3,097,623</u>	<u>2,832,099</u>
NET (EXPENSE)/REVENUE				
Governmental activities	(1,412,546)	(1,021,488)	(1,443,041)	(1,702,969)
Business-type activities	1,008,049	(18,215)	595,877	501,354
Total primary government program net expenses	<u>\$ (404,497)</u>	<u>\$ (1,039,703)</u>	<u>\$ (847,164)</u>	<u>\$ (1,201,615)</u>

Table 2

FISCAL YEAR				
2010	2011	2012	2013	2014
\$ 583,494	\$ 684,352	\$ 626,484	\$ 715,216	\$ 840,998
615,541	653,625	775,050	889,680	1,469,546
581,006	605,274	609,532	1,029,582	867,243
225,401	289,492	293,418	273,707	257,331
79,758	87,811	111,766	137,616	132,379
302,779	-	-	-	-
175,627	184,707	256,685	244,060	232,858
2,563,606	2,505,261	2,672,935	3,289,861	3,800,355
1,734,592	2,352,455	2,530,479	2,969,977	2,863,802
1,734,592	2,352,455	2,530,479	2,969,977	2,863,802
4,298,198	4,857,716	5,203,414	6,259,838	6,664,157
-	1,804	9,015	10,351	2,501
72,689	137,312	176,777	184,020	252,949
333,596	103,551	652,830	319,402	74,050
-	377,558	539,593	545,526	553,264
-	9,000	10,000	67,000	15,000
335,846	-	-	-	-
19,860	218,510	946,567	2,297,740	1,804,078
-	-	-	-	-
761,991	847,735	2,334,782	3,424,039	2,701,842
2,085,458	3,427,231	3,025,171	3,608,367	3,690,858
-	-	1,350,014	1,300,659	512,011
2,085,458	3,427,231	4,375,185	4,909,026	4,202,869
2,847,449	4,274,966	6,709,967	8,333,065	6,904,711
(1,801,615)	(1,657,526)	(338,153)	134,178	(1,098,513)
350,866	1,074,776	1,844,706	1,939,049	1,339,067
\$ (1,450,749)	\$ (582,750)	\$ 1,506,553	\$ 2,073,227	\$ 240,554

(continued)

CITY OF LUCAS, TEXAS
CHANGES IN NET POSITION
LAST NINE 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 are listed.

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

Table 2
continued

FISCAL YEAR				
2010	2011	2012	2013	2014
\$ 2,004,665	\$ 2,053,573	\$ 2,095,821	\$ 2,292,931	\$ 2,430,447
157,918	186,642	178,331	587,259	814,033
258,522	244,161	258,112	258,356	319,026
50,305	30,079	19,009	15,682	18,681
57,418	53,362	44,897	64,773	122,164
164,739	-	-	-	-
(970,175)	255,716	166,229	188,271	275,834
1,723,392	2,823,533	2,762,399	3,407,272	3,980,185
4,555	6,122	9,175	6,300	4,321
-	-	565	500	-
970,175	(255,716)	(166,229)	(188,271)	(275,834)
974,730	(249,594)	(156,489)	(181,471)	(271,513)
2,698,122	2,573,939	2,605,910	3,225,801	3,708,672
(78,223)	1,166,007	2,424,246	3,541,450	2,881,672
1,325,596	825,182	1,688,217	1,757,578	1,067,554
\$ 1,247,373	\$ 1,991,189	\$ 4,112,463	\$ 5,299,028	\$ 3,949,226

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

Table 3

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Total
2006	\$ 1,398,075	\$ 138,116	\$ 169,711	\$ 1,705,902
2007	1,572,181	162,591	182,080	1,916,852
2008	1,736,812	158,380	204,310	2,099,502
2009	1,939,859	160,314	220,729	2,320,902
2010	2,004,665	157,918	258,522	2,421,105
2011	2,053,573	186,642	244,161	2,484,376
2012	2,095,821	178,331	258,112	2,532,264
2013	2,292,931	587,259	258,356	3,138,546
2014	2,430,447	814,033	319,026	3,563,506

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 are listed.

CITY OF LUCAS, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST NINE 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 are listed.

Table 4

FISCAL YEAR				
2010	2011	2012	2013	2014
\$ 1,500	\$ 99,050	\$ 649,220	\$ 828,316	\$ 770,508
10,287	3,753	23,291	28,624	35,473
-	-	1,893	4,608	8,256
2,429,724	3,179,629	3,822,755	5,140,955	5,867,875
<u>\$ 2,441,511</u>	<u>\$ 3,282,432</u>	<u>\$ 4,497,159</u>	<u>\$ 6,002,503</u>	<u>\$ 6,682,112</u>
\$ 488,907	\$ 326,368	\$ 359,900	\$ 379,905	\$ 391,905
832,435	4,048,401	3,279,282	2,983,071	3,480,905
<u>\$ 1,321,342</u>	<u>\$ 4,374,769</u>	<u>\$ 3,639,182</u>	<u>\$ 3,362,976</u>	<u>\$ 3,872,810</u>

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

	FISCAL YEAR			
	2006	2007	2008	2009
REVENUES				
Property taxes	\$ 1,361,727	\$ 1,599,525	\$ 1,731,793	\$ 1,933,243
Sales tax	138,116	162,591	158,380	160,314
Franchise taxes	169,711	182,080	204,310	220,729
Fines and Forfeitures	18,398	24,008	16,126	10,026
Licenses and Permits	299,685	318,842	272,607	181,306
Fire Department	44,742	57,015	36,877	23,624
Charge for Services	39,112	16,918	81,402	-
Trash Service	256,989	283,755	298,515	336,374
Grants	-	97,985	8,260	-
Donations	36,932	6,809	80,000	3,250
Impact Fees	-	88,450	74,700	75,309
Intergovernmental	-	-	-	203,682
Investment Income	115,403	306,599	258,007	100,960
Miscellaneous	75,993	64,764	58,370	50,592
Total Revenues	<u>2,556,808</u>	<u>3,209,341</u>	<u>3,279,347</u>	<u>3,299,409</u>
EXPENDITURES				
City Council	25,117	46,370	73,020	33,683
City Secretary	-	-	98,228	87,036
Administrative	435,279	477,770	361,230	335,470
Public Works	599,392	420,241	268,793	362,622
Parks and Recreation	71,140	60,295	56,218	62,083
Police	68,617	75,000	75,000	75,267
Fire Department	310,542	420,246	402,471	357,680
Development Services	-	-	308,474	144,485
Trash Service	244,403	240,312	259,180	290,327
Capital Outlay	1,098,825	315,816	631,116	1,540,886
Debt Service				
Principal Retirement	333,671	394,983	277,500	475,240
Interest and other charges	163,342	144,638	226,396	198,384
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>
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)
Sale of Assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>4,748,643</u>	<u>(1,056,888)</u>	<u>(424,647)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (793,520)</u>	<u>\$ 5,362,313</u>	<u>\$ (815,167)</u>	<u>\$ (1,088,401)</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>

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 are listed.

Note: During FY 2011, trash service revenue and expense were transferred to the Business-type Activities.

Table 5

FISCAL YEAR				
2010	2011	2012	2013	2014
\$ 2,004,665	\$ 2,020,469	\$ 2,096,519	\$ 2,303,432	\$ 2,430,447
157,918	186,642	178,331	587,259	814,033
258,522	244,161	258,112	258,356	319,026
18,608	53,010	108,610	104,539	91,059
262,463	369,573	482,755	467,719	483,163
68,143	101,493	135,021	157,389	231,991
-	-	-	-	-
335,846	-	-	-	-
19,860	218,510	9,667	1,000	-
-	-	-	-	101,400
57,070	103,550	652,830	386,402	89,050
164,739	1,599	135,000	640,000	1,000,000
50,305	39,497	19,009	15,682	18,681
57,418	53,362	44,897	64,773	122,164
3,455,557	3,391,866	4,120,751	4,986,551	5,701,014
39,213	29,680	29,795	33,494	38,169
102,203	100,105	115,807	111,593	130,230
366,150	465,921	440,755	526,161	602,323
339,221	311,002	270,836	614,999	416,843
71,479	110,394	123,301	134,866	129,207
83,010	83,591	84,788	83,807	85,270
444,785	456,945	570,860	665,129	1,197,292
221,931	285,706	279,787	264,989	248,613
302,779	-	-	-	-
1,046,718	754,566	1,297,754	914,655	1,612,063
425,000	485,000	325,000	360,000	439,703
178,791	158,778	278,158	246,242	235,196
-	46,546	-	-	-
3,621,280	3,288,234	3,816,841	3,955,935	5,134,909
-	3,500,000	-	-	-
-	70,200	-	-	-
-	(35,200)	-	-	-
-	-	-	-	345,000
(970,174)	255,716	166,229	188,271	275,833
-	-	9,000	10,250	2,501
(970,174)	3,790,716	175,229	198,521	623,334
\$ (1,135,897)	\$ 3,894,348	\$ 479,139	\$ 1,229,137	\$ 1,189,439
23.45%	25.41%	23.94%	19.93%	19.16%

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

Table 6

Fiscal Year Ended Sept. 30	Real Property			Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Personal Property					
2006	\$ 435,231,282	\$ 4,246,538	\$ 19,809,770	\$ (99,192,210)	\$ 360,095,380	\$ 0.376600	\$ 459,287,590	0.7840
2007	496,997,302	6,795,627	23,554,190	(114,558,686)	412,788,433	0.375000	527,347,119	0.7828
2008	544,582,431	7,021,562	24,356,690	(122,054,413)	453,906,270	0.375000	575,960,683	0.7881
2009	613,414,766	7,052,481	29,502,376	(141,084,260)	508,885,363	0.374177	649,969,623	0.7829
2010	639,489,715	7,131,627	33,135,759	(141,718,774)	538,038,327	0.374177	679,757,101	0.7915
2011	666,593,794	5,988,219	31,426,610	(151,689,649)	552,318,974	0.374177	704,008,623	0.7845
2012	685,588,312	5,824,717	26,934,184	(151,303,804)	567,043,409	0.374177	718,347,213	0.7894
2013	710,580,292	5,746,076	37,240,949	(163,960,310)	589,607,007	0.374177	753,567,317	0.7824
2014	767,042,196	23,356,285	49,743,972	(176,470,025)	663,672,428	0.355616	840,142,453	0.7900

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

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

Table 7

Fiscal Year Ended Sept. 30	City Direct Rates			Overlapping Rates							
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Lovejoy Independent School District	Allen Independent School District	McKinney Independent School District	Plano Independent School District	Princeton Independent School District	Wylie Independent School District	Collin County	Collin County Community College
2006	\$ 0.243510	\$ 0.133090	\$ 0.376600	\$ 1.8234	\$ 1.912459	\$ 2.0000	\$ 1.7334	\$ 1.747759	\$ 1.8170	\$ 0.2500	\$ 0.089422
2007	0.248146	0.126854	0.375000	1.6934	1.775100	1.8410	1.5784	1.591400	1.7025	0.2450	0.087683
2008	0.244260	0.130740	0.375000	1.4763	1.470300	1.5170	1.2684	1.368700	1.3900	0.2450	0.086984
2009	0.250509	0.123668	0.374177	1.5150	1.470300	1.5170	1.3034	1.490000	1.5100	0.2425	0.086493
2010	0.252040	0.122137	0.374177	1.5350	1.540000	1.5400	1.3284	1.490000	1.5900	0.2425	0.086300
2011	0.247231	0.126946	0.374177	1.5350	1.540000	1.5280	1.3534	1.490000	1.6400	0.2400	0.086300
2012	0.257723	0.116454	0.374177	1.5350	1.670000	1.5400	1.3734	1.473600	1.6400	0.2400	0.086300
2013	0.261218	0.112959	0.374177	1.5350	1.670000	1.5400	1.3734	1.480000	1.6400	0.2400	0.086299
2014	0.254005	0.101611	0.355616	1.5350	1.670000	1.6700	1.4530	1.510000	1.6400	0.2375	0.083643

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.

Note: Accrual-basis financial information for the City as a whole is only available back to 2004,

**CITY OF LUCAS, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
SEPTEMBER 30, 2014
(unaudited)**

Table 8

Taxpayer	Type of Business	Assessed Taxable Value 2014 Fiscal Year	Rank	Percentage of Assessed Taxable Value
Wal-Mart Real Estate Business Trust	Commercial	\$ 16,038,129	1	2.42%
DR Horton - Texas LTD	Home Builder	5,472,807	2	0.82%
Lucas Real Estate LLC	Investor	3,114,304	3	0.47%
M Christopher Investments LLC	Home Builder	2,879,312	4	0.43%
Wal-Mart TRS LLC	Commercial	1,977,014	5	0.30%
M Christopher Custom Homes LLC	Home Builder	1,623,322	6	0.24%
Scarborough Forest Ridge Development L	Commercial	1,587,245	7	0.24%
Beck Patricia Hardin Trust	Home Owner	1,119,505	8	0.17%
Zadorozny Daniel Etux Diane	Home Owner	1,052,524	9	0.16%
Tenagra Farms Limited Partnership	Commercial	983,670	10	0.15%
		<u>\$ 35,847,832</u>		<u>5.40%</u>

Source: Collin County Appraisal District

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.

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

Table 9

Fiscal Year Ended Sept. 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2006	\$ 1,352,551	\$ 1,337,594	98.89%	\$ 11,335	\$ 1,348,929	99.73%
2007	1,592,519	1,543,070	96.89%	43,704	1,586,774	99.64%
2008	1,721,972	1,700,854	98.77%	15,435	1,716,289	99.67%
2009	1,903,518	1,880,257	98.78%	20,808	1,901,065	99.87%
2010	1,985,447	1,968,139	99.13%	17,056	1,985,195	99.99%
2011	2,027,004	2,011,207	99.22%	5,451	2,016,658	99.49%
2012	2,096,021	2,076,932	99.09%	10,194	2,087,125	99.58%
2013	2,217,506	2,167,874	97.76%	48,544	2,216,417	99.95%
2014	2,466,765	2,321,282	94.10%	145,483	2,466,765	100.00%

Source: Collin County Appraisal District

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 are listed.

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

Table 10

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (3)	Per Capita (3)
	General Obligation Bonds (1)	Certificates of Obligation (2)	Other Obligations	General Obligation Bonds (1)	Certificates of Obligation (2)	Other Obligations	Revenue Bonds			
2006	\$ -	\$ 3,005,000	\$ -	\$ -	\$ 2,345,000	\$ -	\$ 402,000	\$ 5,752,000	3.84%	\$ 1,281
2007	-	5,150,000	-	-	4,575,000	-	365,000	10,090,000	6.30%	2,142
2008	-	4,872,500	-	-	4,297,500	-	327,000	9,497,000	5.15%	1,933
2009	1,745,000	2,790,000	-	1,360,000	2,735,000	-	-	8,630,000	3.45%	1,599
2010	1,653,605	2,375,000	-	1,241,605	2,430,000	-	-	7,700,210	3.07%	1,426
2011	1,651,005	5,433,250	-	1,186,913	4,391,375	-	-	12,662,543	5.46%	2,380
2012	1,648,404	5,116,500	-	1,127,222	4,155,250	-	-	12,110,000	4.37%	2,149
2013	1,645,804	4,764,750	-	1,067,531	3,899,125	-	-	11,377,210	3.61%	1,854
2014	1,643,204	4,393,000	288,009	1,002,839	3,618,000	-	-	10,945,052	2.97%	1,649

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

(1) Amounts include bond defeasance

(2) Amounts include issuance premiums and issuance discounts

(3) 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 are listed

CITY OF LUCAS, TEXAS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST NINE 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	4,028,605	488,907	3,539,698	0.66%	655
2011	5,320	552,318,974	7,084,255	326,369	6,757,886	1.22%	1,270
2012	5,635	567,043,409	6,764,904	359,900	6,405,004	1.13%	1,137
2013	5,949	589,607,007	6,410,554	380,000	6,030,554	1.02%	1,014
2014	6,636	663,672,428	6,036,204	391,905	5,644,299	0.85%	851

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: Accrual-basis financial information for the City as a whole is only available back to 2004,

CITY OF LUCAS, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2014
(unaudited)

Table 12

Governmental Subdivision	Gross Bonded Debt	As of	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Allen ISD	\$ 499,128,037 *	9/30/14	0.87%	\$ 4,342,414
Collin County	391,410,000 *	9/30/14	0.76%	2,974,716
Collin County CCD	34,595,000 *	9/30/14	0.68%	235,246
Lovejoy ISD	147,060,471 *	9/30/14	35.50%	52,206,467
McKinney ISD	465,965,000 *	9/30/14	0.54%	2,516,211
Plano ISD	922,505,466 *	9/30/14	0.10%	922,505
Princeton ISD	85,455,068 *	9/30/14	0.12%	102,546
Wylie ISD	222,529,362 *	9/30/14	0.26%	578,576
	<u>\$ 2,768,648,404</u>			63,878,682
City of Lucas		09/30/14		<u>10,700,000</u>
				<u>\$ 74,578,682</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)				11.24%
Per capita overlapping bonded debt				<u>\$ 11,238</u>

*Gross Debt

Source: "Texas Municipal Report" as of September 30, 2014, 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 NINE FISCAL YEARS
(unaudited)**

Table 13

	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.3766	0.375	0.375	0.374177	0.374177	0.374177	0.374177	0.374177	0.355616
Available Tax Rate	<u>\$2.12340</u>	<u>\$2.12500</u>	<u>\$2.12500</u>	<u>\$2.12582</u>	<u>\$2.12582</u>	<u>\$2.12582</u>	<u>\$2.12582</u>	<u>\$2.12582</u>	<u>\$2.14438</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 are listed

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

Table 14

Fiscal Year	Water and Sewer Revenue Bonds					
	Total Revenues (1)	Less: Operating Expenses (2)	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	2.60
2007	1,464,900	1,331,882	133,018	125,000	57,133	0.73
2008	2,229,136	1,411,365	817,771	277,500	201,579	1.71
2009	2,205,610	1,438,308	767,302	345,000	191,280	1.43
2010	2,085,458	1,586,816	498,642	365,000	139,217	0.99
2011	3,427,231	1,800,605	1,626,626	300,000	219,815	3.13
2012	3,024,736	1,893,302	1,131,434	320,000	195,583	2.19
2013	3,607,299	2,110,397	1,496,902	350,000	183,020	2.81
2014	3,690,858	2,169,697	1,521,161	360,000	170,164	2.87

Note:

- (1). Total Revenues does not include non-operating revenues.
- (2). Operating Expenses only, no transfers 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 are listed.

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

Table 15

Fiscal Year	Estimated Population ¹	Personal Income ¹	Per Capita Income	Average Age ¹	Grade School Enrollment ²	Unemployment Rate ³
2006	4,491	\$ 149,855,688	\$ 33,368	39	1122	4.00%
2007	4,710	160,234,200	34,020	41	1316	3.50%
2008	4,914	184,466,646	37,539	39	1254	2.30%
2009	5,397	250,377,624	46,392	41.1	1356	3.90%
2010	5,400	250,776,000	46,440	40	1434	7.20%
2011	5,320	232,026,480	43,614	39	1499	7.00%
2012	5,635	277,208,190	49,194	40.8	1485	6.02%
2013	6,135	315,081,330	51,358	41	1506	5.74%
2014	6,636	368,662,980	55,555	39.9	1517	5.02%

Sources:

- ¹ City of Lucas' staff estimate
- ² Lovejoy ISD - Hart, Lovejoy, & Puster Elementary Estimates
- ³ Texas Workforce Commission

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

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

Table 16

Function / Program	Full-time Equivalent Employees for Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	7	8	8	8	10	10	10	10	11
Municipal Court	1	1	1	1	1	1	1	1.5	1
Police	-	-	-	-	-	-	-	-	-
Fire	1	1	1	2	1	1	1	2	8
Public Works	6	7	8	8	6	6	6	6	6
Water and Sewer Systems	3	3	4	4	4	4	4	4	2.5
	<u>18</u>	<u>20</u>	<u>22</u>	<u>23</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>23.5</u>	<u>28.5</u>

Source: City Staff

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

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

Table 17

Function/Program	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Development Services									
Building Permits	207	380	371	303	308	443	527	578	639
Public Safety									
Municipal Court									
Number of cases filed	109	123	133	2	72	400	333	260	30
Fire/ EMS									
Number of calls answered	348	310	357	402	311	352	388	403	502
Public Works									
Streets maintained	140	155	170	190	210	230	245	263	267
Water and Wastewater									
New connections	298	298	277	215	298	306	300	323	259
Annual gallons of water pumped (thousands)	400,000	294,000	428,000	420,080	420,805	587,816	517,953	567,325	458,360
Miles of water mains maintained	40	41	42	42	42	42	42	45	48

Note: Building permits include residential, commercial, and miscellaneous (e.g. pools, fences) permits.

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

Source: City departments

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

Table 18

Function/Program	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety									
Fire									
Stations	1	1	1	1	1	1	1	1	1
Public Works									
Streets (miles)	37	38	38.5	39	39	39	39	45	48
Parks	2	2	2	2	3	3	3	3	3
Park Acreage	7	7	7	7	11	11	11	11	11
Water and Wastewater									
Water main (miles)	40	41	41.5	42	42	42	42	45	48.5
Storm main (miles)	n/a	n/a	n/a	n/a	n/a	n/a	2	3	3
Storm drainage (miles)	2.3	2.3	2.4	2.5	2.5	2.5	2.5	2.5	2.5

Source: City departments

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