



*Photos by Tricia Millsap*



## COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED SEPTEMBER 30, 2017





# City of Lucas, Texas

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September 30, 2017

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## *INTRODUCTORY SECTION*





February 23, 2018

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, 2017. 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 BrooksWatson & Co., is to provide reasonable assurance that the financial statements of the City for fiscal year ended September 30, 2017 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 unmodified ("clean") opinion on the City of Lucas' financial statements for the year ended September 30, 2017.

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 auditor's 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.



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## Our Economy

With an estimated population 7,395, 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 benefited from a robust economy in the Metropolitan area.

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:

- 128 new homes were permitted annually with an average taxable market value of \$555,451.
- Commercial development included preliminary plat completion for a 7,000 square foot Lucas Plaza retail space and O'Reilly's auto parts store on Angel Parkway.
- Lovejoy independent school district completed a new addition at the high school.
- Neptune meter replacement program was twenty percent complete with the installation of 505 meters.
- East Winningkoff Trailhead project was completed the end of 2017.
- East and West bridges at Blondy Jhune were completed May of 2017.
- One of thirteen Texas cities awarded Scenic City Certification in 2017 for implementing high quality standards for public infrastructure, parks and open spaces, and sign regulation.
- Debt Capacity analysis and the issuance of nine million dollars in certificates of obligation to fund future infrastructure projects was completed in July of 2017.

## Our Operational Efficiencies

The City of Lucas made improvements to operational efficiencies, internal and external communication and emergency management planning. The City also added two full-time positions, increased a position from part-time to full time, and promoted three staff members to support continued growth within the city. Improvements made included the following:





- Development Services department promoted Code Enforcement Officer to Building Inspector and hired replacement Code Enforcement Officer Position.
- Public Works department hired a new Specialist I and promoted Crew Chief to Supervisor and Specialist I to a Specialist II position.
- Part-time Special Projects Coordinator position was changed to full-time position.
- Electronic payment import for customer check processing.
- Remodeled Fire Station conference room, operations area, and refinished bay floors.
- Utility rate study was completed to formulate the City's five year water and wastewater rate structure.
- Comprehensive Plan Update was completed and approved by city council in March 2017.
- Transparency Star in Traditional Finances for enhancements made to website by adding summaries, downloadable data, and visualizations.
- Fire-Rescue facilitated the improvements of the city's ISO rating from a 3 to a 2.
- Launched Nixle (emergency notification system)
- Emergency operations plan was completed and reviewed by the departments.

### **Our Internal Controls**

Management of the City is responsible for establishing and maintaining an internal control structure. This structure is designed to provide reasonable, but not absolute, assurance that: (1) City assets are protected from loss, theft or misuse; and (2) City financial records and data are accurate, reliable, and free of material misstatements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of cost and benefits requires estimates and judgments by management. The objective of internal control is to provide reasonable rather than absolute assurance, that the financial statements are free from material misstatement.

### **Our Future**

At the end of September 2017, the City of Lucas is working on the following:



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- The addition of 3 Firefighter/Paramedics and 1 EMS Officer position for Fiscal Year 2017-2018.
  - Parker Road 12 inch Water Line is in the construction phase and estimated to be completed January 2018.
  - Parker Road Waterline Phase 2 and Phase 3T are currently in the design phase and estimated to be completed in 2018.
  - 500,000-gallon elevated storage tank at the North Pump Station is currently under design with estimated completion December 2018.
  - Winningkoff Reverse Curve is under construction and estimated to be completed June of 2018.
  - West Lucas Road Widening and Overlay is under construction and estimated to be complete early 2018.
  - Stinson/West Lucas Road Intersection design ninety percent complete/projected construction 2018.
  - Blondy Jhune Road currently under design/estimated to have the plans ready for project bidding by August of 2018.

Additional projects identified in the debt capacity analysis and \$9 million Certificates of Obligation funding included:

- Winningkoff Road (Reverse curve to Snider Lane) had notice to proceed for design work to begin October 2017 and estimated to have plans ready for project bidding by July 2018.
- Country Club Road/Estates Parkway had notice to proceed for design work to begin October 2017 and estimated to have plans ready for project bidding by April 2018.
- Stinson Road (Parker Road to Bristol Park) had notice to proceed for design work to begin November 2017 and estimated to have plans ready for project bidding by July 2018.

### **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



## City of Lucas

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Lucas, Texas 75002  
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www.lucastexas.us

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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 20 months with funds equaling 170% of this year's budgeted expenditures.

The City also maintains a reserve of six 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 13 months with current funds equaling 108% of this year's expenditures.

### **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, 2016, 2015, 2014, 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 seventh 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.



## City of Lucas

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### **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**

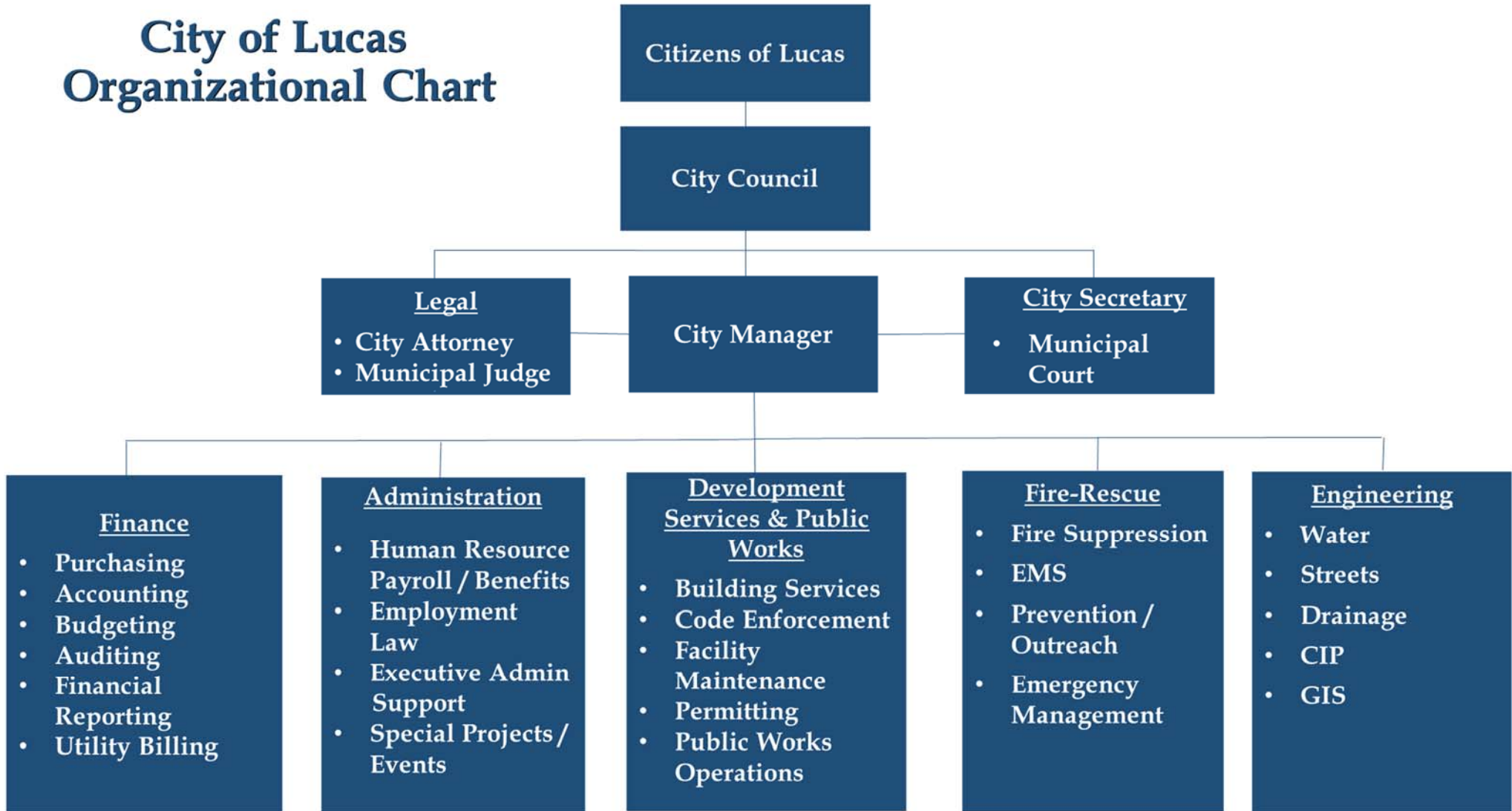
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

# City of Lucas Organizational Chart



**CITY OF LUCAS, TEXAS  
ELECTED OFFICIALS AND ADMINISTRATIVE  
OFFICERS SEPTEMBER 30, 2017**

**City Council:**

Jim Olk	Mayor
Kathleen Peele	Mayor Pro Tem, Seat 6
Wayne Millsap	Seat 1
Tim Baney	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
Ted Stephens	Fire Chief
Joe Hilbourn	Development Services Director





## *FINANCIAL SECTION*





## *INDEPENDENT AUDITOR'S REPORT*

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

### **Management's Responsibility for the Financial Statements**

The City's 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. 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 the 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 such opinion. An audit also includes evaluating 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 opinion.

## **Opinion**

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 as of September 30, 2017 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note V.D. to the financial statements, the City restated the beginning net position of governmental activities and the beginning fund balance of the general fund due to accounting error occurring in the prior year. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions to pension plan 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's basic financial statements. The introductory section, budgetary comparison information, and statistical sections are presented for additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements noted above are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section has 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 it.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
February 23, 2018



*MANAGEMENT'S DISCUSSION  
AND ANALYSIS*





# City of Lucas, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### September 30, 2017

As management of the City of Lucas, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

#### **Financial Highlights**

- The assets of the City exceeded its liabilities (net position) at September 30, 2017 by \$49,760,266. Of this amount, \$13,138,218 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,898,309. The majority of the City's net position are invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$18,284,004 at September 30, 2017, an increase of \$5,603,109 from the prior fiscal year; this includes an increase of \$128,665 in the debt service fund, an increase of \$3,965,617 in the capital improvement fund, an increase of \$3,142 in the nonmajor Lucas Fire District fund, and an increase of \$1,505,685 in the general fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$8,774,909 or 214% of total general fund expenditures.

#### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### **Government-Wide Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

# City of Lucas, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2017

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is 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. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and community development. The business-type activities of the City include water and sewer operations.

The government-wide financial statements only include the City itself (known as the *primary government*), and does not include any other legally separate entities for which the City is financially accountable.

### FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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 the government-wide financial statements. By

# City of Lucas, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2017

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 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. The Lucas fire district fund is considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, capital projects fund, and fire district fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

### **Proprietary Funds**

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund since it is considered a major fund of the City.

# City of Lucas, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2017

### Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Lucas, assets exceed liabilities by \$49,760,266 as of September 30, 2017 in the primary government.

The largest portion of the City's net position, \$33,760,170, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. 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 related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**City of Lucas, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2017**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2017			2016		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and other assets	\$ 19,750,732	\$ 9,632,649	\$ 29,383,381	\$ 13,596,163	\$ 6,430,357	\$ 20,026,520
Capital assets, net	24,212,241	18,378,860	42,591,101	22,152,645	18,034,289	40,186,934
<b>Total Assets</b>	<b>43,962,973</b>	<b>28,011,509</b>	<b>71,974,482</b>	<b>35,748,808</b>	<b>24,464,646</b>	<b>60,213,454</b>
<b>Total Deferred Outflows</b>	<b>299,934</b>	<b>100,628</b>	<b>400,562</b>	<b>327,886</b>	<b>112,965</b>	<b>440,851</b>
Other liabilities	2,402,707	890,728	3,293,435	1,549,367	836,410	2,385,777
Long-term liabilities	12,948,640	6,368,518	19,317,158	7,581,763	3,752,817	11,334,580
<b>Total Liabilities</b>	<b>15,351,347</b>	<b>7,259,246</b>	<b>22,610,593</b>	<b>9,131,130</b>	<b>4,589,227</b>	<b>13,720,357</b>
<b>Total Deferred Inflows</b>	<b>4,185</b>	<b>-</b>	<b>4,185</b>	<b>71,991</b>	<b>-</b>	<b>71,991</b>
Net Position:						
Net investment in capital assets	18,969,607	14,790,563	33,760,170	17,817,626	14,112,099	31,929,725
Restricted	2,425,677	436,201	2,861,878	5,021,277	375,000	5,396,277
Unrestricted	7,512,091	5,626,127	13,138,218	4,034,670	5,501,285	9,535,955
<b>Total Net Position</b>	<b>\$ 28,907,375</b>	<b>\$ 20,852,891</b>	<b>\$ 49,760,266</b>	<b>\$ 26,873,573</b>	<b>\$ 19,988,384</b>	<b>\$ 46,861,957</b>

During the current year, the City's current assets and long-term liabilities increased. These changes are a direct result of the \$8,775,000 issuance of 2017 Certificates of Obligation bonds in the current year, as cash on hand increased and outstanding long-term maturities have increased. The City's total capital assets increased \$2,404,167. This increase is mainly caused by the City's investments in infrastructure assets in the current year.

**City of Lucas, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2017**

**Statement of Activities:**

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2017			For the Year Ended September 30, 2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,519,101	\$ 4,403,061	\$ 5,922,162	\$ 1,474,364	\$ 4,332,497	\$ 5,806,861
Operating grants and contributions	126,168	-	126,168	1,824,487	-	1,824,487
Capital grants and contributions	-	417,020	417,020	37,600	418,089	455,689
General revenues:						
Property taxes	3,176,863	-	3,176,863	2,988,174	-	2,988,174
Sales taxes	1,407,216	-	1,407,216	1,349,475	-	1,349,475
Franchise and local taxes	318,056	-	318,056	420,003	-	420,003
Investment income	80,081	33,792	113,873	31,531	8,478	40,009
Other revenues	64,651	-	64,651	183,261	-	183,261
<b>Total Revenues</b>	<b>6,692,136</b>	<b>4,853,873</b>	<b>11,546,009</b>	<b>8,308,895</b>	<b>4,759,064</b>	<b>13,067,959</b>
<b>Expenses</b>						
General government	954,117	-	954,117	955,548	-	955,548
Public safety	2,066,271	-	2,066,271	1,866,920	-	1,866,920
Public works	968,651	-	968,651	883,514	-	883,514
Parks and recreation	113,916	-	113,916	159,565	-	159,565
Development services	340,674	-	340,674	279,699	-	279,699
Interest and fiscal charges	373,570	157,412	530,982	263,690	153,351	417,041
Utility	-	3,673,089	3,673,089	-	3,439,655	3,439,655
<b>Total Expenses</b>	<b>4,817,199</b>	<b>3,830,501</b>	<b>8,647,700</b>	<b>4,408,936</b>	<b>3,593,006</b>	<b>8,001,942</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	1,874,937	1,023,372	2,898,309	3,899,959	1,166,058	5,066,017
Transfers	158,865	(158,865)	-	160,926	(160,926)	-
<b>Total</b>	<b>158,865</b>	<b>(158,865)</b>	<b>-</b>	<b>160,926</b>	<b>(160,926)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>2,033,802</b>	<b>864,507</b>	<b>2,898,309</b>	<b>4,060,885</b>	<b>1,005,132</b>	<b>5,066,017</b>
Beginning Net Position	26,873,573	19,988,384	46,861,957	22,812,688	18,983,252	41,795,940
<b>Ending Net Position</b>	<b>\$ 28,907,375</b>	<b>\$ 20,852,891</b>	<b>\$ 49,760,266</b>	<b>\$ 26,873,573</b>	<b>\$ 19,988,384</b>	<b>\$ 46,861,957</b>

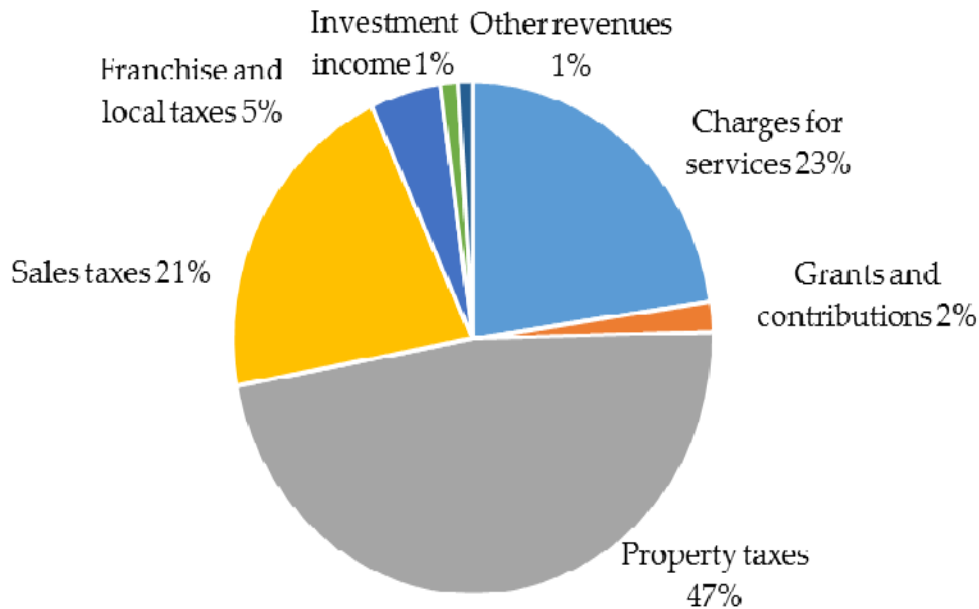
# City of Lucas, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2017

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

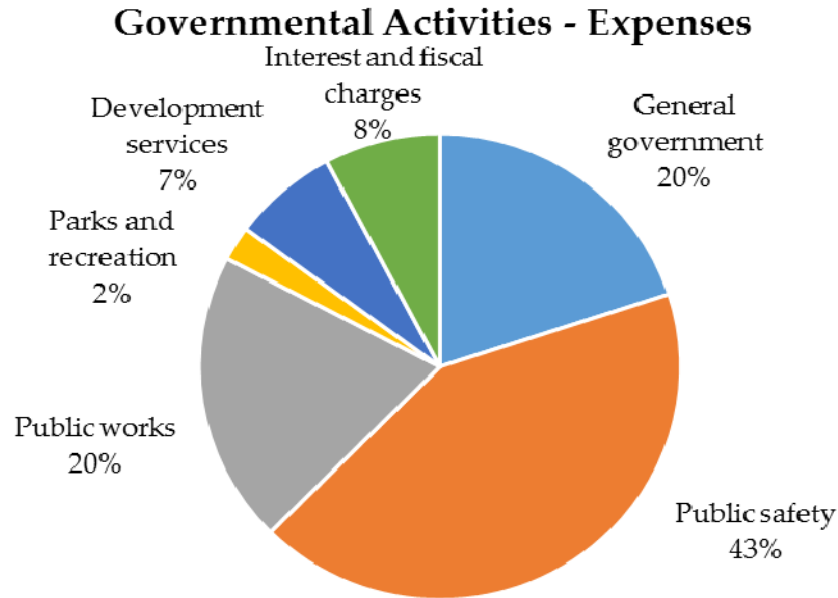
### Governmental Activities - Revenues



For the year ended September 30, 2017, revenues from governmental activities totaled \$6,692,136. Property tax, sales tax and charges for services are the City's largest general revenue sources. Overall revenue decreased \$1,616,759 which is primarily due to the decrease in grants and contributions received. Grants and contributions decreased by \$1,698,319, which is attributed to fewer capital asset contributions compared to the prior year. Other revenues decreased by \$118,610 as a result of the write down incurred on the demolition of the old city hall and public works building in the current year. All other revenues remained relatively stable when compared to the previous year.

**City of Lucas, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2017**

This graph shows the governmental function expenses of the City:



For the year ended September 30, 2017, expenses for governmental activities totaled \$4,817,199. This represents an increase of \$408,263 or 9% from the prior year. The City's largest functional expense is public safety of \$2,066,271. Public safety increased by \$199,351 or 11%, which is mainly attributable to personnel related costs. Public works increased \$85,137 or 10% and development services increased \$60,975 or 22% due to increased personnel and maintenance expenses. In addition, interest and fiscal charges increased \$109,880 or 42%. This category increased due to bond issuance costs incurred in the current year.



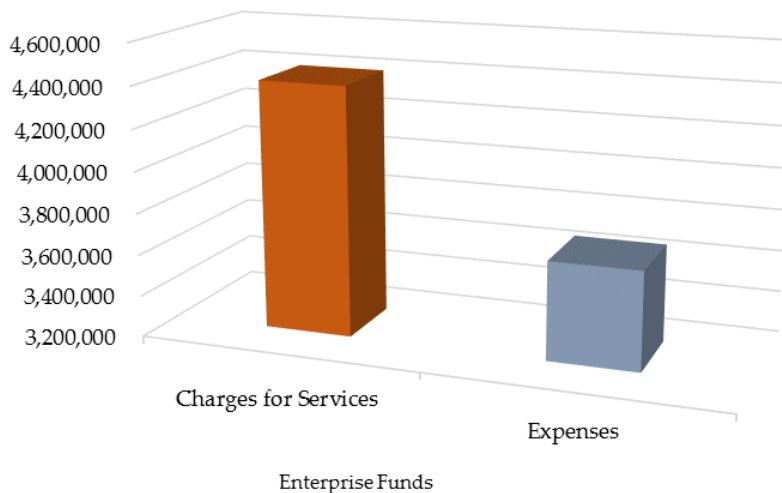
# City of Lucas, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2017

Business-type activities are shown comparing operating costs to revenues generated by related services.

### Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2017, charges for services by business-type activities totaled \$4,403,061. This is an increase of \$70,564, or 2%, from the previous year. This variance is relatively consistent with the prior year.

Total expenses increased \$237,495 or 7% to a total of \$3,830,501, due primarily to an increase in the North Texas Municipal Water District contract, the City's source of water.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

At September 30, 2017, the City's governmental funds reported combined fund balances of \$18,284,004, an increase of \$5,603,109 in comparison with the prior year. Approximately 48% of this amount \$8,774,909 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *restricted*.

As of the end of the year the general fund reflected a total fund balance of \$10,527,862. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total fund balance of General Fund is 257% of total general fund expenditures. The unassigned

# City of Lucas, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2017

(the amount available for spending) fund balance of the general fund of \$8,774,909 is 214% of total general fund expenditures. The general fund increased by \$1,505,685 compared to the prior year. This increase is mainly attributed to less than anticipated capital outlay and other expenditures.

The debt service fund had an ending fund balance of \$833,062 at September 30, 2017 compared to the previous year's balance of \$704,397. Principal payments amounted to \$540,000 and interest payments totaled \$242,948 in the current year.

The capital projects fund ending fund balance is \$6,866,803. During the year, the City expended \$2,529,122 on various projects and recorded the 2017 Certificates of Obligation bond issuance of \$5,855,000.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the utility fund totaled \$20,852,891. Unrestricted net position of the enterprise fund at the close of the fiscal year amounted to \$5,626,127. Total net position increased \$864,507. The fund had an investment in capital assets, net of related debt of \$14,790,563. The City operates and maintains a water and sewer distribution system with force mains and lift stations. The City has six water storage facilities with a total capacity of approximately 2.6 million gallons. The following are additional comments regarding operations of the enterprise fund:

- The City received capital contributions of \$417,020 consisting of water infrastructure.
- Operational expenses excluding depreciation and amortization were \$3,005,270.
- Cash and cash equivalents in the utility fund were \$5,548,487 at fiscal year end.

### GENERAL FUND BUDGETARY HIGHLIGHTS

There were several budget amendments approved during the fiscal year, and increased budgeted expenditures by \$125,083. The amendment also increased budgeted revenues by \$238,306. The following are additional comments regarding appropriations:

- There was a total positive variance of \$140,483 in budgeted revenue compared to actual.
- \$1,218,363 is the surplus of revenues over expenditures before transfers.
- There was a net positive change in fund balance of \$1,505,685.

### CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$24,212,241 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$18,378,860 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park

**City of Lucas, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2017**

improvements, and infrastructure. The City's total investment in capital assets increased by \$2,404,167, net of depreciation.

Major capital asset events during the current year include the following:

- Contribution of water infrastructure assets of \$417,020 by a developer.
- Investment in water utility equipment of \$248,975.
- Purchase of FM 1378/3286 land assets of \$300,000.
- Investment in new infrastructure totaling \$2,187,387.
- New fire department radio equipment totaling \$175,093.
- Purchase of two fire department vehicles amounting to \$129,312.

More detailed information about the City's capital assets is presented in note IV. D to the financial statements.

#### **LONG-TERM DEBT**

At the end of the current fiscal year, the City had total debt obligations of \$19,522,082 including premiums. Of this amount, \$6,613,006 is self-supporting through revenues collected from the rates of the City's utility fund. All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following known factors were considered in preparing the City's operating budget for FY 2017-2018:

- This budget will raise more total property taxes than last year's budget by \$334,230, or 11.70%, and of that amount, \$160,649 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2017-2018 reflects total anticipated revenues of \$11,238,406 and total anticipated expenditures of \$10,981,279.
- The City tax rate is set each fall and is enacted via ordinance. The rate for fiscal year 2017-2018 was enacted by Ordinance #2017-09-00868 and is set to \$0.317948 cents per \$100 of valuation.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional

# City of Lucas, Texas

## *MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*

September 30, 2017

information, contact the Department of Finance at 665 Country Club Rd., Lucas, Texas 75002 or call (972) 727-8999.

## ***FINANCIAL STATEMENTS***



**City of Lucas, Texas**  
**STATEMENT OF NET POSITION**  
September 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 8,773,940	\$ 5,548,487	\$ 14,322,427
Restricted cash	10,392,972	3,439,679	13,832,651
Restricted investments	216,615	-	216,615
Receivables, net	367,205	644,483	1,011,688
<b>Total Current Assets</b>	<b>19,750,732</b>	<b>9,632,649</b>	<b>29,383,381</b>
Capital assets:			
Non-depreciable	1,456,191	590,190	2,046,381
Net depreciable capital assets	22,756,050	17,788,670	40,544,720
	<b>24,212,241</b>	<b>18,378,860</b>	<b>42,591,101</b>
<b>Total Assets</b>	<b>43,962,973</b>	<b>28,011,509</b>	<b>71,974,482</b>
<b>Deferred Outflows of Resources</b>			
Pension contributions	174,668	47,950	222,618
Pension investment earnings	68,219	19,247	87,466
Pension gain on investments	20,507	6,456	26,963
Pension assumption changes	6,944	5,740	12,684
Deferred charge on refunding	29,596	21,235	50,831
<b>Total Deferred Outflows of Resources</b>	<b>299,934</b>	<b>100,628</b>	<b>400,562</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	903,074	163,182	1,066,256
Unearned revenue	506,317	-	506,317
Accrued interest payable	73,125	39,968	113,093
Customer deposits	19,800	245,600	265,400
Long term debt due within one year	900,391	441,978	1,342,369
	<b>2,402,707</b>	<b>890,728</b>	<b>3,293,435</b>
Noncurrent liabilities:			
Due in more than one year	12,064,859	6,188,006	18,252,865
Net pension liabilities	883,781	180,512	1,064,293
<b>Total Liabilities</b>	<b>15,351,347</b>	<b>7,259,246</b>	<b>22,610,593</b>
<b>Deferred Inflows of Resources</b>			
Pension proportion changes	4,185	-	4,185
<b>Total Deferred Inflows of Resources</b>	<b>4,185</b>	<b>-</b>	<b>4,185</b>
<b>Net Position</b>			
Net investment in capital assets	18,969,607	14,790,563	33,760,170
Restricted for:			
Impact fees	1,254,213	-	1,254,213
Debt service	833,062	436,201	1,269,263
Municipal court	55,688	-	55,688
Fire protection	56,277	-	56,277
Cable fees	21,843	-	21,843
Street maintenance	204,594	-	204,594
Unrestricted	7,512,091	5,626,127	13,138,218
<b>Total Net Position</b>	<b>\$ 28,907,375</b>	<b>\$ 20,852,891</b>	<b>\$ 49,760,266</b>

See Notes to Financial Statements.

# City of Lucas, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 954,117	\$ -	\$ -	\$ -
Public safety	2,066,271	448,607	-	-
Public works	968,651	356,940	126,168	-
Parks and recreation	113,916	-	-	-
Development services	340,674	713,554	-	-
Interest and fiscal charges	373,570	-	-	-
<b>Total Governmental Activities</b>	<b>4,817,199</b>	<b>1,519,101</b>	<b>126,168</b>	<b>-</b>
<b>Business-Type Activities</b>				
Utility fund	3,830,501	4,403,061	-	417,020
<b>Total Business-Type Activities</b>	<b>3,830,501</b>	<b>4,403,061</b>	<b>-</b>	<b>417,020</b>
<b>Total Primary Government</b>	<b>\$ 8,647,700</b>	<b>\$ 5,922,162</b>	<b>\$ 126,168</b>	<b>417,020</b>

### General Revenues:

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

### Transfers

### Total General Revenues and Transfers

### Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.



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

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (954,117)	\$ -	\$ (954,117)
(1,617,664)	-	(1,617,664)
(485,543)	-	(485,543)
(113,916)	-	(113,916)
372,880	-	372,880
(373,570)	-	(373,570)
<u>(3,171,930)</u>	<u>-</u>	<u>(3,171,930)</u>
-	989,580	989,580
-	989,580	989,580
<u>(3,171,930)</u>	<u>989,580</u>	<u>(2,182,350)</u>
3,176,863	-	3,176,863
1,407,216	-	1,407,216
318,056	-	318,056
80,081	33,792	113,873
64,651	-	64,651
158,865	(158,865)	-
<u>5,205,732</u>	<u>(125,073)</u>	<u>5,080,659</u>
2,033,802	864,507	2,898,309
26,873,573	19,988,384	46,861,957
<u>\$ 28,907,375</u>	<u>\$ 20,852,891</u>	<u>\$ 49,760,266</u>

# City of Lucas, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Nonmajor Lucas Fire District</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 8,769,121	\$ -	\$ -	\$ 4,819
Receivables, net	304,595	11,152	-	51,458
Cash and cash equivalents - restricted	1,737,041	833,062	7,822,869	-
Restricted investments	216,615	-	-	-
<b>Total Assets</b>	<b>\$ 11,027,372</b>	<b>\$ 844,214</b>	<b>\$ 7,822,869</b>	<b>\$ 56,277</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 133,072	\$ -	\$ 770,002	\$ -
Unearned revenue	320,253	-	186,064	-
Customer deposits	19,800	-	-	-
<b>Total Liabilities</b>	<b>473,125</b>	<b>-</b>	<b>956,066</b>	<b>-</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - Property taxes	26,385	11,152	-	-
<b>Total Deferred Inflows</b>	<b>26,385</b>	<b>11,152</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>				
Restricted for:				
Impact fees	1,254,213	-	-	-
Pensions	216,615	-	-	-
Debt service	-	833,062	-	-
Capital improvements	-	-	6,866,803	-
Municipal court	55,688	-	-	-
Fire protection	-	-	-	56,277
Cable fees	21,843	-	-	-
Street maintenance	204,594	-	-	-
Unassigned	8,774,909	-	-	-
<b>Total Fund Balances</b>	<b>10,527,862</b>	<b>833,062</b>	<b>6,866,803</b>	<b>56,277</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 11,027,372</b>	<b>\$ 844,214</b>	<b>\$ 7,822,869</b>	<b>\$ 56,277</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

\$ 8,773,940  
367,205

10,392,972  
216,615

\$ 19,750,732

\$ 903,074  
506,317  
19,800  
1,429,191

37,537  
37,537

1,254,213  
216,615  
833,062  
6,866,803  
55,688  
56,277  
21,843  
204,594  
8,774,909  
18,284,004

\$ 19,750,732



# City of Lucas, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2017

<b>Fund Balances - Total Governmental Funds</b>	\$ 18,284,004
<b>Adjustments for the Statement of Net Position:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	1,456,191
Capital assets - net depreciable	22,756,050
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	37,537
Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure) until then.	
Pension contributions	174,668
Pension investment earnings	68,219
Pension gains	20,507
Pension assumption changes	6,944
Pension proportion changes	(4,185)
Deferred charge on refunding	29,596
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(73,125)
Bond premium	(363,928)
Non-current liabilities due in one year	(900,391)
Non-current liabilities due in more than one year	(11,700,931)
Net pension liability - TMRS	(571,109)
Net pension liability - LOSAP	(234,097)
Net pension liability - TESRS	(78,575)
<b>Net Position of Governmental Activities</b>	<b>\$ 28,907,375</b>

See Notes to Financial Statements.

# City of Lucas, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Nonmajor Lucas Fire District</u>
<b><u>Revenues</u></b>				
Property tax	\$ 2,316,540	\$ 882,578	\$ -	\$ -
Sales tax	1,089,074	-	-	318,142
Franchise and local taxes	318,056	-	-	-
Licenses and permits	627,675	-	-	-
Impact fees	356,940	-	-	-
Fire department agreements	446,144	-	-	-
Grants and contributions	61,595	-	64,573	-
Fines and forfeitures	88,342	-	-	-
Investment income	39,437	29,035	11,609	-
Other revenue	136,307	-	-	-
<b>Total Revenues</b>	<b>5,480,110</b>	<b>911,613</b>	<b>76,182</b>	<b>318,142</b>
<b><u>Expenditures</u></b>				
Current:				
General government	886,212	-	-	-
Public safety	1,777,743	-	-	-
Public works	446,562	-	-	-
Development services	340,270	-	-	-
Parks and recreation	69,247	-	-	-
Debt Service:				
Principal	57,555	540,000	-	-
Interest and fiscal charges	5,134	242,948	-	-
Bond issuance costs	-	-	111,007	-
Capital outlay	508,683	-	2,529,122	-
<b>Total Expenditures</b>	<b>4,091,406</b>	<b>782,948</b>	<b>2,640,129</b>	<b>-</b>
<b>Revenues</b>				
<b>Over (Under) Expenditures</b>	1,388,704	128,665	(2,563,947)	318,142
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	547,441	-	431,732	-
Transfers (out)	(431,732)	-	(73,576)	(315,000)
Sale of capital assets	1,272	-	-	-
Insurance proceeds	-	-	60,401	-
Bond issuance	-	-	5,855,000	-
Bond premium	-	-	256,007	-
<b>Total Other</b>				
<b>Financing Sources (Uses)</b>	<b>116,981</b>	<b>-</b>	<b>6,529,564</b>	<b>(315,000)</b>
<b>Net Change in Fund Balances</b>	<b>1,505,685</b>	<b>128,665</b>	<b>3,965,617</b>	<b>3,142</b>
Beginning fund balances	9,022,177	704,397	2,901,186	53,135
<b>Ending Fund Balances</b>	<b>\$ 10,527,862</b>	<b>\$ 833,062</b>	<b>\$ 6,866,803</b>	<b>\$ 56,277</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

---

\$ 3,199,118  
1,407,216  
318,056  
627,675  
356,940  
446,144  
126,168  
88,342  
80,081  
136,307

---

886,212  
1,777,743  
446,562  
340,270  
69,247

597,555  
248,082  
111,007  
3,037,805

---

7,514,483

---

(728,436)

979,173  
(820,308)  
1,272  
60,401  
5,855,000  
256,007

---

6,331,545

---

5,603,109

12,680,895

\$ 18,284,004





# 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, 2017**

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

Net changes in fund balances - total governmental funds	\$	5,603,109
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		3,101,568
Depreciation expense		(908,643)

The net effect of capital asset disposals during the current year.		(133,329)
--	--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(22,255)
--	--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(2,231)
Accrued interest		(29,117)
Pension expense		(76,484)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from bond issuance		(5,855,000)
Bond premium		(256,007)
Amortization of deferred charges on refunding		(7,400)
Amortization of debt premium		22,036
Debt payments		597,555

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,033,802</b>
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See Notes to Financial Statements.

**City of Lucas, Texas**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2017**

	<b>Utility</b>
<b><u>Assets</u></b>	
<b><u>Current Assets</u></b>	
Cash and cash equivalents	\$ 5,548,487
Restricted cash	3,439,679
Receivables, net	644,483
<b>Total Current Assets</b>	<b>9,632,649</b>
<b><u>Noncurrent Assets</u></b>	
Capital assets:	
Non-depreciable	590,190
Net depreciable capital assets	17,788,670
<b>Total Noncurrent Assets</b>	<b>18,378,860</b>
<b>Total Assets</b>	<b>28,011,509</b>
 <b><u>Deferred Outflows of Resources</u></b>	
Pension contributions	47,950
Pension investment earnings	19,247
Pension gain on investments	6,456
Pension assumption changes	5,740
Deferred charge on refunding	21,235
<b>Total Deferred Outflows of Resources</b>	<b>100,628</b>
 <b><u>Liabilities</u></b>	
<b><u>Current Liabilities</u></b>	
Accounts payable and accrued liabilities	163,182
Accrued interest	39,968
Customer deposits	245,600
Current portion of long term debt	441,978
<b>Total Current Liabilities</b>	<b>890,728</b>
<b><u>Noncurrent Liabilities</u></b>	
Noncurrent portion of long term debt	6,188,006
Net pension liability	180,512
<b>Total Liabilities</b>	<b>7,259,246</b>
 <b><u>Net Position</u></b>	
Net investment in capital assets	14,790,563
Restricted for:	
Debt service	436,201
Unrestricted	5,626,127
<b>Total Net Position</b>	<b>\$ 20,852,891</b>

See Notes to Financial Statements.

# City of Lucas, Texas

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2017

	<b>Utility</b>
<b><u>Operating Revenues</u></b>	
Charges for services	\$ 4,034,128
Impact fees	368,933
<b>Total Operating Revenues</b>	<b>4,403,061</b>
 <b><u>Operating Expenses</u></b>	
Personnel	639,267
Contractual services	1,818,357
Trash services	407,958
Supplies and materials	27,260
Maintenance and repair	112,430
Depreciation	620,636
<b>Total Operating Expenses</b>	<b>3,625,908</b>
<b>Operating Income</b>	<b>777,153</b>
 <b><u>Non-Operating Revenues (Expenses)</u></b>	
Amortization expense	937
Bond issuance costs	(48,118)
Investment income	33,792
Interest expense	(157,412)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(170,801)</b>
<b>Income Before Capital Contributions and Transfers</b>	<b>606,352</b>
Contributed capital	417,020
Transfers in	73,576
Transfers (out)	(232,441)
<b>Change in Net Position</b>	<b>864,507</b>
Beginning net position	19,988,384
<b>Ending Net Position</b>	<b>\$ 20,852,891</b>

See Notes to Financial Statements.

**City of Lucas, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND (Page 1 of 2)**  
**For the Year Ended September 30, 2017**

	<b>Utility</b>
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers	\$ 4,240,539
Payments to suppliers	(2,382,283)
Payments to employees	(631,343)
<b>Net Cash (Used for) Operating Activities</b>	<b>1,226,913</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Transfer in	73,576
Transfer (out)	(232,441)
<b>Net Cash (Used for) Noncapital Financing Activities</b>	<b>(158,865)</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Capital purchases	(548,187)
Proceeds from bond issuance	3,047,918
Principal paid on debt	(375,000)
Bond issuance costs	(48,118)
Interest paid on debt	(145,033)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>1,931,580</b>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest on investments	33,792
<b>Net Cash Provided by Investing Activities</b>	<b>33,792</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,033,420</b>
Beginning cash and cash equivalents	5,954,746
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 8,988,166</b>

See Notes to Financial Statements.

**City of Lucas, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND (Page 2 of 2)**  
**For the Year Ended September 30, 2017**

	<b>Utility</b>
<b><u>Reconciliation of Operating Income</u></b>	
<b><u>to Net Cash Provided by Operating Activities</u></b>	
Operating Income	\$ 777,153
Adjustments to reconcile operating income to net cash provided:	
Depreciation	620,636
<b>Changes in Operating Assets and Liabilities:</b>	
<b>(Increase) Decrease in:</b>	
Accounts receivable	(168,872)
<b>Increase (Decrease) in:</b>	
Accounts payable and accrued liabilities	(16,278)
Compensated absences	(533)
Customer deposits	6,350
Deferred outflows - pension contributions	(2,637)
Deferred outflows - investment earnings	7,845
Deferred outflows - pension (gains) losses	7,561
Deferred outflows - pension assumption changes	(5,740)
Net pension liability	1,428
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,226,913</b>
 <b><u>Schedule of Non-cash Capital and Related Financing Activities:</u></b>	
Capital contributions	\$ 417,020

See Notes to Financial Statements.



**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Lucas, Texas (the "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 composed of the Mayor and six-member Council. The City provides the following services as authorized by its charter: public safety, public works, sanitation, water and sanitary sewer utilities, culture-recreation, planning and zoning, and general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Lucas Fire District, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Blended Component Unit**

Lucas Fire District

The City created the Lucas Fire District in January 2014 to fund and improve fire control, prevention, and emergency medical service within the City's limits. The creation of this district allows the City to collect extra sales tax that is restricted for this purpose. Currently,

**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2017

the City's Mayor and Council serve as directors of this district and there is a financial benefit/burden with the City.

**B. Basis of Presentation - Government-Wide and Fund Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following governmental funds:

**General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, culture and recreation, community development, and nondepartmental. This fund is considered to be a major fund.

**Debt Service Fund**

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. This fund is considered to be a major fund.



# City of Lucas, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

### **Capital Improvements Fund**

The capital projects fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds. This fund is considered to be a major fund.

### **Lucas Fire District Fund**

The fund accounts for the activity of the aforementioned Lucas Fire District. This fund is a non-major fund.

The government reports the following major enterprise fund:

### **Utility Fund**

This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**C. Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized 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 payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2017

**D. Assets, Liabilities, and Fund Equity or Net Position**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool and LOGIC, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government, State of Texas and agencies thereof
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

**2. Fair Value Measurement**

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**3. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual

# City of Lucas, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

#### 4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized (the consumption method).

#### 5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years
Infrastructure	5 to 30 years
Buildings and improvements	25 years

**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2017

**6. Net Position Flow Assumption**

Sometimes the government 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 government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**7. Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both 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 government’s policy to consider restricted fund balance to have been depleted before using any of the components of 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.

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the fund.

**8. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2017

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The government has adopted a policy to maintain a minimum reserve of an amount equal to or greater than 50% of operating expenditures in the general fund.

**9. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2017

**10. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**11. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position and additions to/deductions from Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**E. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2017

**3. Compensated Absences**

City employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, until retirement or termination. There is no liability for unpaid accumulated sick leave when employees separate from service with the City. All vacation and qualifying sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

**4. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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 principal ongoing operations. The principal operating revenues of the water and sewer fund 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 enterprise fund includes 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.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.



# City of Lucas, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

### **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, capital improvements, Lucas Fire District, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriation was made during the year.

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As stated in I.D.1., the City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. The City's investments in 2a7-like pools such as TexPool are included in this category. Although the City's investments in TexPool and TexStar are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond rating are required. The City had the following investments at year end:

<u>Investment Type</u>	<u>Total</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Group annuity	\$ 216,615	0.00	AA+
External investment pools			
TexPool	813,084	37	AAAm
LOGIC	10,565,222	43	AAAm
Lone Star	2,691,795	21	AAAm
Total fair value	<u>\$ 14,286,716</u>		
Total portfolio		34	

*Interest rate risk* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

*Credit risk* The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2017, the City's investment in TexPool, LOGIC, and the Lone Star Investment Pool were rated AAAM by Standard & Poor's.

*Custodial credit risk – deposits* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies

**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2017

and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2017, the market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

**TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

**LOGIC**

LOGIC is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for the joint investments of participant's public funds and funds under their control. LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. Standard & Poor's rates Local Government Investment Cooperative (LOGIC) 'AAAM'. This is Standard & Poor's highest principal stability fund rating and is based on an analysis of the pool's investment portfolio and guidelines, market price exposure, and management. The rating demonstrates that the pool has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. LOGIC has a conservative investment policy and invests in only authorized investments under the Texas Public Funds Investment Act.

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

To ensure an accurate and current rating, Standard & Poor's monitors pertinent pool information, including the fund's portfolio holdings, on a weekly basis.

**Lone Star Investment Pool**

The Lone Star Investment Pool limits investments only to those allowed by the Public Funds Investment Act. The Lone Star fund has earned Standard & Poor's highest rating (AAA), which meets the standards set by the Public Funds Investment Act.

**A. Fair Value Measurement**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are remeasured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City's financial instruments consist of cash and cash equivalents, investments in certificates of deposits maturing in greater than three months, and accounts receivable. The estimated fair value of cash, cash equivalents, investments, and accounts receivable approximate their carrying amounts due to the short-term nature of these instruments.

The following table sets forth by level, within the fair value hierarchy, the City's fair value measurements at September 30, 2017.

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Group Annuity	\$ 216,615	\$ 216,615	\$ -	\$ -
Total Assets at fair value	\$ 216,615	\$ 216,615	\$ -	\$ -

The City's may redeem the group annuity investment without notice or penalty. The value at redemption will be equal to the book value at that time. The annuity has a fixed interest rate of 3%

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**B. Receivables**

The following comprise receivable balances of the primary government at year end:

	Lucas				Total
	General	Debt Service	Fire District	Utility	
Property taxes	\$ 26,384	\$ 11,152	\$ -	\$ -	\$ 37,536
Sales tax	183,465	-	51,458	-	234,923
Franchise tax	94,746	-	-	-	94,746
Accounts	-	-	-	605,130	605,130
Other	-	-	-	42,633	42,633
Allowance	-	-	-	(3,280)	(3,280)
	<u>\$ 304,595</u>	<u>\$ 11,152</u>	<u>\$ 51,458</u>	<u>\$ 644,483</u>	<u>\$ 1,011,688</u>

**C. Capital Assets**

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 916,447	\$ 300,000	\$ -	\$ 1,216,447
Construction in progress	643,791	86,080	(490,127)	239,744
Total capital assets not being depreciated	<u>1,560,238</u>	<u>386,080</u>	<u>(490,127)</u>	<u>1,456,191</u>
Capital assets, being depreciated:				
Buildings and improvements	4,843,114	180,740	(166,857)	4,856,997
Furniture and equipment	1,538,872	218,048	-	1,756,920
Vehicles	1,675,567	129,313	(6,000)	1,798,880
Infrastructure	18,170,163	2,187,387	423,076	20,780,626
Total capital assets being depreciated	<u>26,227,716</u>	<u>2,715,488</u>	<u>250,219</u>	<u>29,193,423</u>
Less accumulated depreciation				
Buildings and improvements	(633,154)	(130,179)	100,579	(662,754)
Furniture and equipment	(1,147,645)	(130,552)	-	(1,278,197)
Vehicles	(1,026,480)	(121,047)	6,000	(1,141,527)
Infrastructure	(2,828,030)	(526,865)	-	(3,354,895)
Total accumulated depreciation	<u>(5,635,309)</u>	<u>(908,643)</u>	<u>106,579</u>	<u>(6,437,373)</u>
Net capital assets being depreciated	20,592,407	1,806,845	356,798	22,756,050
<b>Total Capital Assets</b>	<u><u>\$ 22,152,645</u></u>	<u><u>\$ 2,192,925</u></u>	<u><u>\$ (133,329)</u></u>	<u><u>\$ 24,212,241</u></u>

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
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Depreciation was charged to governmental functions as follows:

General government	\$	57,568
Public safety		231,043
Public works		581,684
Parks and recreation		38,348
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$</b>	<b>908,643</b>

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 378,257	\$ -	\$ -	\$ 378,257
Construction in progress	57,682	154,251	-	211,933
Total capital assets not being depreciated	<u>435,939</u>	<u>154,251</u>	<u>-</u>	<u>590,190</u>
Capital assets, being depreciated:				
Buildings and improvements	734,067	-	(20,678)	713,389
Infrastructure	20,875,295	544,127	-	21,419,422
Furniture and equipment	1,196,660	266,829	-	1,463,489
Vehicles	76,747	-	-	76,747
Total capital assets being depreciated	<u>22,882,769</u>	<u>810,956</u>	<u>(20,678)</u>	<u>23,673,047</u>
Less accumulated depreciation				
Buildings and improvements	(251,834)	(32,758)	20,678	(263,914)
Infrastructure	(4,149,309)	(507,200)	-	(4,656,509)
Furniture and equipment	(821,591)	(73,477)	-	(895,068)
Vehicles	(61,685)	(7,201)	-	(68,886)
Total accumulated depreciation	<u>(5,284,419)</u>	<u>(620,636)</u>	<u>20,678</u>	<u>(5,884,377)</u>
Net capital assets being depreciated	17,598,350	190,320	-	17,788,670
<b>Total Capital Assets</b>	<u>\$ 18,034,289</u>	<u>\$ 344,571</u>	<u>\$ -</u>	<u>\$ 18,378,860</u>

Depreciation was charged to business-type activities as follows:

Utility	\$	620,636
<b>Total Business-Type Activities Depreciation Expense</b>	<b>\$</b>	<b>620,636</b>

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**D. Long-term Debt**

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 1,325,000	\$ -	\$ (200,000)	\$ 1,125,000	\$ 205,000
Certificates of Obligation	5,785,000	5,855,000	(340,000)	11,300,000	580,000
Premium	129,957	256,007	(22,036)	363,928	-
Other liabilities:					
Capital lease	177,703	-	(57,555)	120,148	59,217
Compensated absences	53,943	67,020	(64,789)	56,174	56,174
<b>Total Governmental Activities</b>	<u>\$ 7,471,603</u>	<u>\$ 6,178,027</u>	<u>\$ (684,380)</u>	<u>\$ 12,965,250</u>	<u>\$ 900,391</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 12,064,859</u>	
<b>Business-Type Activities:</b>					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 695,000	\$ -	\$ (170,000)	\$ 525,000	\$ 100,000
Certificates of Obligation	3,220,000	2,920,000	(205,000)	5,935,000	325,000
Premium	33,733	127,918	(8,645)	153,006	-
Other liabilities:					
Compensated absences	17,511	-	(533)	16,978	16,978
<b>Total Business-Type Activities</b>	<u>\$ 3,966,244</u>	<u>\$ 3,047,918</u>	<u>\$ (384,178)</u>	<u>\$ 6,629,984</u>	<u>\$ 441,978</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 6,188,006</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The business-type long-term debt will be repaid, plus accrued interest, from operating revenues of the water and sewer fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

The City issued \$8,775,000 of Series 2017 Certificates of Obligation bonds in August 2017. Principal payments are due in annual installments through February 2037. The bonds bear an interest rate of 3% due February 1 and August 1.

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
<b>Governmental Activities:</b>			
2007 General obligation refunding bonds	3.76%	\$ 1,790,000	\$ 1,125,000
2007 Certificates of obligation	4.25%	2,500,000	950,000
2011 Certificates of obligation	3.60%	3,500,000	2,755,000
2015 Certificates of obligation	3.00%	2,000,000	1,740,000
2017 Certificates of obligation	3.00%	5,855,000	5,855,000
<b>Total Governmental Activities</b>		<u>15,645,000</u>	<u>12,425,000</u>
<b>Business-type Activities:</b>			
2007 General obligation refunding bonds	3.76%	\$ 1,455,000	\$ 525,000
2007 Certificates of obligation	4.25%	2,500,000	1,235,000
2011 Certificates of obligation	3.60%	2,250,000	1,780,000
2017 Certificates of obligation	3.00%	2,920,000	2,920,000
<b>Total Business-Type Activities</b>		<u>\$ 9,125,000</u>	<u>\$ 6,460,000</u>
<b>Total Long-Term Debt</b>			
2007 General obligation refunding bonds	3.76%	\$ 3,245,000	\$ 1,650,000
2007 Certificates of obligation	4.25%	5,000,000	2,185,000
2011 Certificates of obligation	3.60%	5,750,000	4,535,000
2015 Certificates of obligation	3.00%	2,000,000	1,740,000
2017 Certificates of obligation	3.00%	8,775,000	8,775,000
<b>Total</b>		<u>\$ 24,770,000</u>	<u>\$ 18,885,000</u>



**City of Lucas, Texas**  
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**September 30, 2017**

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

<b>Governmental Activities</b>				
<b>Year ending September 30,</b>	<b>General Obligation Bonds</b>		<b>Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 205,000	\$ 38,446	\$ 580,000	\$ 373,125
2019	215,000	30,550	585,000	341,038
2020	225,000	22,278	600,000	322,713
2021	235,000	13,630	610,000	303,438
2022	245,000	4,606	635,000	283,638
2023	-	-	660,000	262,575
2024	-	-	680,000	239,825
2025	-	-	700,000	215,925
2026	-	-	720,000	191,350
2027	-	-	745,000	166,025
2028	-	-	670,000	141,975
2029	-	-	690,000	119,275
2030	-	-	715,000	95,800
2031 & After	-	-	2,710,000	271,725
<b>Total</b>	\$ 1,125,000	\$ 109,510	\$ 11,300,000	\$ 3,328,425

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

<b>Year ending September 30,</b>	<b>Business-Type Activities</b>			
	<b>General Obligation Bonds</b>		<b>Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 100,000	\$ 17,860	\$ 325,000	\$ 207,138
2019	105,000	14,006	330,000	188,513
2020	110,000	9,964	340,000	176,963
2021	105,000	5,922	360,000	164,931
2022	105,000	1,974	355,000	152,644
2023	-	-	365,000	139,994
2024	-	-	375,000	126,444
2025	-	-	385,000	112,256
2026	-	-	400,000	97,619
2027	-	-	405,000	82,606
2028	-	-	290,000	69,975
2029	-	-	300,000	59,650
2030	-	-	315,000	48,875
2031	-	-	1,390,000	136,125
<b>Total</b>	\$ 525,000	\$ 49,726	\$ 5,935,000	\$ 1,763,731

The annual requirements to amortize governmental capital leases outstanding at year ending were as follows:

Capital Leases

<b>Year ending September 30,</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 59,217	\$ 3,471
2019	60,931	1,758
	\$ 120,148	\$ 5,229

The City entered into a finance contract for the purchase an ambulance and equipment on November 7, 2013. The initial principal balance of the lease was \$347,712 with an interest rate of 2.9%, payable in annual installments of \$62,688 over 6 years. The asset under lease has a book value of \$175,504 as of year end.

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**F. Deferred Charges on Refunding**

Deferred charges resulting from the issuance of series 2007 general obligation refunding and improvement bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding certificates of obligation. End of year balances totaled \$29,596 for governmental activities and \$21,235 for business-type activities. Current year amortization expense for governmental activities totaled \$7,400. For business-type activities amortization expense was \$5,308.

**G. Interfund Transactions**

Transfers between the primary government funds during the 2017 year were as follows:

Transfer Out	Transfer In	Amount
General	Capital Projects	\$ 431,732
Capital Projects	Utility Fund	73,576
Lucas Fire District	General	315,000
Utility Fund	General	232,441
	<b>Total</b>	<b>\$ 1,052,749</b>

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2017

**H. Restricted Net Position**

The City records restricted net position to indicate that a portion is legally restricted for a specific future use.

The following is a list of restricted net position of the City:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
<b>Restricted for:</b>		
Impact fees	\$ 1,254,213	\$ -
Debt service	833,062	436,201
* Municipal court	55,688	-
* Fire protection	56,277	-
* Cable fees	21,843	-
Street maintenance	204,594	-
<b>Total</b>	<b>\$ 2,425,677</b>	<b>\$ 436,201</b>

\* Restricted by enabling legislation

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
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GASB 62 defines probability of loss contingencies as the following:

*Probable.* The future event or events are likely to occur.

*Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.

*Remote.* The chance of the future event or events occurring is slight.

Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

At year end there was no litigation that was required to be recorded.

**C. Pension Plans**

**Texas Municipal Retirement Systems**

**1. Plan Description**

The City of Lucas participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tMrs.com](http://www.tMrs.com).

All eligible employees of the city are required to participate in TMRS.

**2. Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an

# City of Lucas, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	<u>Plan Year 2016</u>	<u>Plan Year 2015</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

### **Employees covered by benefit terms**

At the December 31, 2016 and 2015 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2016</u>	<u>2015</u>
Inactive employees or beneficiaries currently receiving benefits	12	10
Inactive employees entitled to but not yet receiving benefits	23	24
Active employees	30	31
Total	65	65

### **3. Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Lucas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lucas were 13.32% and 13.75% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for

**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
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the year ended September 30, 2017, were \$276,739, and were equal to the required contributions.

**4. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions:**

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return

# City of Lucas, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

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(expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

### **Discount Rate:**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.



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**NOTES TO FINANCIAL STATEMENTS, Continued**  
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**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,297,566	\$ 751,621	\$ 313,972

**Changes in the Net Pension Liability:**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
<b>Balance at 12/31/15</b>	\$ 2,792,618	\$ 2,076,285	\$ 716,333
Changes for the year:			
Service Cost	348,892	-	348,892
Interest	198,270	-	198,270
Difference between expected and actual experience	17,647	-	17,647
Changes of assumptions	-	-	-
Contributions – employer	-	256,187	(256,187)
Contributions – employee	-	134,633	(134,633)
Net investment income	-	140,372	(140,372)
Benefit payments, including refunds of emp. contributions	(59,465)	(59,465)	-
Administrative expense	-	(1,585)	1,585
Other changes	-	(86)	86
Net changes	505,344	470,056	35,288
<b>Balance at 12/31/16</b>	<b>\$ 3,297,962</b>	<b>\$ 2,546,341</b>	<b>\$ 751,621</b>

**Pension Plan Fiduciary Net Position:**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2017, the City recognized pension expense of \$324,992.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 26,881	\$ -
Changes in actuarial assumptions	23,901	-
Difference between projected and investment earnings	80,139	-
Contributions subsequent to the measurement date	199,654	-
<b>Total</b>	<b>\$ 330,575</b>	<b>\$ -</b>

The City reported \$199,654 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended September 30:</b>	
2017	\$ 50,942
2018	46,650
2019	30,552
2020	2,777
2021	-
Thereafter	-
<b>Total</b>	<b>\$ 130,921</b>

**Supplemental Death Benefits Fund**

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

# City of Lucas, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

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 offers supplemental death to:	Plan Year 2016	Plan Year 2017
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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 2017, 2016 and 2015 were \$0, \$0 and \$0, respectively, which equaled the required contributions each year.

### Schedule of Contribution Rates (RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2015	0.0%	0.0%	100.0%
2016	0.0%	0.0%	100.0%
2017	0.0%	0.0%	100.0%

### Texas Emergency Services Retirement System

#### **1. Plan Description**

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2017, there were 235 member fire or emergency services departments actively participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

At August 31, 2017, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,104
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	2,208
Active Participants (Vested and Nonvested)	<u>4,046</u>
Total	<u>9,358</u>

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

**2. Funding Policy**

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of TESRS contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make TESRS "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2017

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017.

Additional contributions may be made by governing bodies within two years of joining TESRS, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in TESRS.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into TESRS. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by TESRS.

**3. Contributions**

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2017, total contributions (dues and prior service) of \$5,012,131 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,583,825 for the fiscal year ending August 31, 2017.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2016 concluded that the system has an adequate contribution arrangement.

To the best of our knowledge, the actuarial information supplied in this section is complete, accurate and in compliance with GASB Statement No. 25. In our opinion, the assumptions used are reasonably related to the experience of the System and to reasonable expectations. The assumptions represent a reasonable estimate of anticipated experience of the System over the long-term future, and their selection complies with the appropriate actuarial standards of practice.

# City of Lucas, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

Valuation Date	<u>August 31, 2012</u>	<u>August 31, 2014</u>	<u>August 31, 2016</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar, open	Level dollar, open	Level dollar, open
Amortization	Infinity	30 years	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Actuarial Assumptions:			
Investment Rate of Return *	7.75% per year, net of investment expenses	7.75% per year, net of investment expenses	7.75% per year, net of investment expenses
Projected Salary Increases *	N/A	N/A	N/A
* Includes Inflation at	3.50%	3.50%	3.50%
Cost-of-Living Adjustments	None	None	None

The target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities:		
Large cap domestic	32%	5.72%
Small cap domestic	10%	5.96%
Developed international	21%	6.21%
Emerging markets	6%	7.18%
Master limited partnership	5%	7.61%
Fixed income:		
Domestic	26%	1.61%
International	0%	1.81%
Total	100.0%	

### Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**4. Changes in the Net Pension Liability:**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balance at 8/31/16</b>	\$ 402,971	\$ 307,613	\$ 95,358
Changes for the year:			
Service Cost	5,217	-	5,217
Interest (on the Total Pension Liab.)	30,996	-	30,996
Contributions – members	-	16,408	(16,408)
Contributions – state	-	5,185	(5,185)
Net investment income	-	32,005	(32,005)
Benefit payments, including refunds of emp. contributions	(16,474)	(16,474)	-
Administrative expense	-	(602)	602
Net changes	19,739	36,522	(16,783)
<b>Balance at 8/31/17</b>	<b>\$ 422,710</b>	<b>\$ 344,135</b>	<b>\$ 78,575</b>

**Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

<b>1% Decrease 6.75%</b>	<b>Current Single Rate Assumption 7.75%</b>	<b>1% Increase 8.75%</b>
\$ 146,733	\$ 78,575	\$ 35,578

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**Pension Plan Fiduciary Net Position:**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TESRS financial report. That report may be obtained on the internet at [www.tesrs.com](http://www.tesrs.com).

**5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2017, the City recognized pension expense \$16,487.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		<b>Deferred Outflows (Inflows) of Resources</b>
Investment earnings	\$	7,327
Changes in actuarial assumptions		1,148
Proportion changes		(4,185)
Pension gains		83
<b>Total</b>	<b>\$</b>	<b>4,373</b>

Other amounts reported as deferred outflows related to the TESRS pension will be recognized in pension expense as follows:

<b>Year ended August 31:</b>		
2018	\$	3,211
2019		6,296
2020		(812)
2021		(2,082)
2022		(487)
Thereafter		(1,753)
	<b>\$</b>	<b>4,373</b>



**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2017

**Length of Service Awards Program (LOSAP)**

**1. Plan Description**

The City of Lucas participates in a Volunteer Firefighter Length of Service Award (LOSAP) Pension Plan. The plan was effective on July 1, 2015. Members eligible to enter the Plan must be an active Member of the City's Volunteer Fire Department for at least 12 months and be a minimum of 18 years of Age. Participants are eligible to begin receiving benefits after reaching the age of 65 and completing at least one year of active service. The City's LOSAP is considered single-employer defined benefit pension plan and subject to GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Not within the Scope of GASB Statement 68*. GASB 68 applies to pension plans that are administered through trusts in which contributions are irrevocable, trust assets are dedicated to providing pensions to plan members, and trust assets are legally protected from creditors. GASB 73 applies to pension plans (both defined benefit and defined contribution) that either do not have any dedicated assets associated with them or have assets that are not in a trust meeting the requirements specified above. The City's dedicated assets for the LOSAP are not accumulated in a trust and would be subject to creditors.

**2. Benefits Provided**

**FORMULA FOR MONTHLY BENEFIT PAID AT ENTITLEMENT AGE**

- (a) \$15.00 multiplied by Years of Service completed before the Effective Date of the Plan, Years of Service completed prior to the Effective Date of the Plan not to exceed 5.
- (b) \$15.00 multiplied by Years of Service completed after the Effective Date of the Plan.
- (c) Total Years of Service under (a) and (b) not to exceed 20 years.
- (d) \$300.00 is the maximum monthly benefit that may be accumulated in this Plan.

**PRE ENTITLEMENT DEATH BENEFIT**

If an insured Participant dies prior to Entitlement Age, his designated Beneficiary shall receive a single lump sum equal to the greater of \$10,000 or the Actuarial Equivalent value of the Participant's Accrued Benefit (as of the most recent determination date).

Upon death, an uninsured Participant's (active or terminated-vested) designated Beneficiary shall receive the Participant's Accrued Benefit (as of the most recent determination date) for a period of 10 years (120 payments).

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

Any Member who is deemed Disabled under the terms of this Plan prior to attainment of Entitlement Age shall be entitled to receive a lump sum distribution of the Actuarial Equivalent value of his Accrued Benefit as of the most recent determination date. This lump sum shall be considered total settlement of all benefits previously earned under the terms of this Plan.

**VESTING SCHEDULE**

A Participant who severs service with the City as a result of attainment of entitlement age or disability shall have a fully vested and non-forfeitable right to his accrued benefit as of the most recent determination date. Participants severing service for any other reason shall have a vested right to the accrued benefit in accordance with the following schedule:

<b>Year(s) of Service</b>	<b>Vested Percentage</b>
0-2	0%
3	60%
4	80%
5 or more	100%

**Employees Covered by Benefit Terms**

At the July 1, 2016 valuation date, the following employees were covered by the benefit terms:

	<u>2016</u>
Active members	26
Vested-Terminated Members	7
Retired Beneficiaries	<u>1</u>
Total	<u><u>34</u></u>

**3. Contributions**

Employees do not contribute to the plan. The contribution rate for the City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The City's contributions to the LOSAP for the year ended September 30, 2017, were \$25,974, and were more than the required contributions.

**City of Lucas, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2017

As of September 30, 2017, the City has an investment balance of \$216,615, designated for LOSAP benefit payments. This asset is not within an irrevocable trust and therefore is not considered part of the net pension liability.

**4. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of June 30, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as July 1, 2016.

**Actuarial assumptions:**

The Total Pension Liability measured as of June 30, 2017 was determined using the following actuarial assumptions:

Inflation	0% per year
Overall payroll growth	not applicable
Investment Rate of Return	3.56%, net of pension plan investment expense, including inflation
Mortality	No pre-retirement mortality; post retirement RP200MF with improvement
Retirement	First eligible
Turnover	T5
Disability	None

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

**Discount Rate:**

The calculations of the pension liability assume that the plan remains unfunded and uses a discount rate of 3.56% which is based on the 20-year AA general obligation bond rate as of June 30, 2017.

Any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68, should not be considered pension plan assets. As such, the Plan remains unfunded and uses is required to use a discount rate with a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using the discount rate of 3.56%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current rate:

1% Decrease 2.56%	Current Rate 3.56%	1% Increase 4.56%
\$ 250,472	\$ 234,097	\$ 217,359

**Changes in the Net Pension Liability:**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
<b>Balance at 7/1/16</b>	\$ 212,887	\$ -	\$ 212,887
Changes for the year:			
Service Cost	34,136	-	34,136
Interest	7,558	-	7,558
Difference between expected and actual experience	(1)	-	(1)
Changes of assumptions	(13,739)	-	(13,739)
Benefit payments, including refunds of emp. contributions	(6,744)	-	(6,744)
Net changes	21,210	-	21,210
<b>Balance at 6/30/17</b>	<b>\$ 234,097</b>	<b>\$ -</b>	<b>\$ 234,097</b>

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2017, the City recognized pension expense of \$40,320. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to LOSAP pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1
Differences between actuarial assumption changes	-	12,365
Contributions subsequent to the measurement date	22,964	-
<b>Total</b>	<b>\$ 22,964</b>	<b>\$ 12,366</b>

**City of Lucas, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

The City reported \$22,964 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended</b>	
<b>September 30:</b>	
2018	\$ (1,374)
2019	(1,374)
2020	(1,374)
2021	(1,374)
2022	(1,374)
Thereafter	(5,496)
<b>Total</b>	<b>\$ (12,366)</b>

**D. Restatement**

The City restated the beginning net position of governmental activities and the beginning fund balance of the general fund due to accounting errors in the prior year and recognition of the LOSAP pension liability. The City has restated net position and fund balance as follows:

	<b>Governmental Activities</b>	<b>General Fund</b>
Prior year ending net position/ fund balance as reported	\$ 26,786,219	\$ 8,733,428
Addition of LOSAP investment account	193,283	193,283
Recognition of franchise tax receivable	95,466	95,466
Recognition of LOSAP pension liability	(212,887)	-
Deferred outflows for contributions - LOSAP	29,520	-
Correction to deferred outflows for pensions	37,656	-
Correction of TESRS balances	(46,221)	-
Correction to bond premium amortization	(9,463)	-
Restated beginning net position/fund balance	\$ 26,873,573	\$ 9,022,177

**E. Subsequent Events**

There were no material subsequent events through February 23, 2018, the date the financial statements were issued.



***REQUIRED SUPPLEMENTARY INFORMATION***

# City of Lucas, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

### GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property tax	\$ 2,279,538	\$ 2,285,918	\$ 2,316,540	\$ 30,622
Sales tax	975,000	1,050,000	1,089,074	39,074
Franchise and local taxes	312,000	317,000	318,056	1,056
Licenses and permits	596,490	642,380	627,675	(14,705)
Impact fees	305,000	320,900	356,940	36,040
Fire department agreements	399,331	436,472	446,144	9,672
Contributions	-	-	61,595	61,595
Fines and forfeitures	78,972	93,184	88,342	(4,842)
Investment income	15,000	30,000	39,437	9,437
Other revenue	139,990	163,773	136,307	(27,466)
<b>Total Revenues</b>	<b>5,101,321</b>	<b>5,339,627</b>	<b>5,480,110</b>	<b>140,483</b>
<b>Expenditures</b>				
Current:				
General government				
City council	18,389	18,389	13,073	5,316
City secretary	147,469	153,633	138,824	14,809
Administrative	804,290	817,980	734,315	83,665
Total general government	970,148	990,002	886,212	103,790
Public safety				
Fire department	1,744,889	1,773,246	1,676,078	97,168
Police	110,700	110,700	101,665	9,035
Total public safety	1,855,589	1,883,946	1,777,743	106,203
Public works				
Public works	512,452	498,446	412,562	85,884
Parks and recreation	91,255	96,255	69,247	27,008
Animal control	35,000	35,000	34,000	1,000
Total public works	638,707	629,701	515,809	113,892
Development services	387,170	389,965	340,270	49,695
Capital outlay	1,129,900	1,212,983	508,683	704,300
Debt service:				
Principal	57,555	57,595	57,555	40
Interest	5,134	5,094	5,134	(40)
Total debt service	62,689	62,689	62,689	-
<b>Total Expenditures</b>	<b>5,044,203</b>	<b>5,169,286</b>	<b>4,091,406</b>	<b>1,077,880</b>
<b>Revenues Over (Under)</b>	<b>57,118</b>	<b>170,341</b>	<b>1,388,704</b>	<b>1,218,363</b>



# City of Lucas, Texas

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND (Page 2 of 2)  
For the Year Ended September 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	536,134	526,134	547,441	21,307
Transfers (out)	(851,000)	(1,119,581)	(431,732)	687,849
Sale of capital assets	-	1,272	1,272	-
<b>Total Other Financing Sources</b>				
<b>(Uses)</b>	(314,866)	(592,175)	116,981	709,156
<b>Net Change in Fund Balance</b>	\$ (257,748)	\$ (421,834)	1,505,685	\$ 1,927,519
Beginning fund balance			9,022,177	
<b>Ending Fund Balance</b>			\$ 10,527,862	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# City of Lucas, Texas

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Total pension liability			<sup>1</sup>
Service cost	\$ 348,892	\$ 293,557	\$ 182,681
Interest	198,270	171,059	144,591
Changes in benefit terms	-	-	305,541
Differences between expected and actual experience	17,647	3,953	33,580
Changes of assumptions	-	45,337	-
Benefit payments, including refunds of participant contributions	(59,465)	(36,429)	(39,926)
<b>Net change in total pension liability</b>	<u>505,344</u>	<u>477,477</u>	<u>626,467</u>
<b>Total pension liability - beginning</b>	<u>\$ 2,792,618</u>	<u>\$ 2,315,141</u>	<u>\$ 1,688,674</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 3,297,962</u>	<u>\$ 2,792,618</u>	<u>\$ 2,315,141</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 256,187	\$ 229,058	\$ 113,742
Contributions - members	134,633	116,030	103,947
Net investment income	140,372	2,608	86,065
Benefit payments, including refunds of participant contributions	(59,465)	(36,429)	(39,926)
Administrative expenses	(1,585)	(1,588)	(898)
Other	(86)	(78)	(74)
<b>Net change in plan fiduciary net position</b>	<u>470,056</u>	<u>309,601</u>	<u>262,856</u>
<b>Plan fiduciary net position - beginning</b>	<u>2,076,285</u>	<u>1,766,684</u>	<u>1,503,828</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,546,341</u>	<u>\$ 2,076,285</u>	<u>\$ 1,766,684</u>
<b>Fund's net pension liability - ending (a) - (b)</b>	<u>\$ 751,621</u>	<u>\$ 716,333</u>	<u>\$ 548,457</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	77.21%	74.35%	76.31%
<b>Covered employee payroll</b>	\$ 1,923,330	\$ 1,657,575	\$ 1,484,954
<b>Fund's net position as a percentage of covered employee payroll</b>	39.08%	43.22%	36.93%

**Notes to schedule:**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

# City of Lucas, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	9/30/2017	9/30/2016	9/30/2015 <sup>1</sup>
Actuarially determined employer contributions	\$ 276,739	\$ 249,286	\$ 192,781
Contributions in relation to the actuarially determined contribution	\$ 276,739	\$ 249,286	\$ 192,781
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Annual covered employee payroll	\$ 2,030,750	\$ 1,845,924	\$ 1,484,954
Employer contributions as a percentage of covered employee payroll	13.63%	13.50%	12.98%

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed.
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes Increased statutory max to 15.50%.

# City of Lucas, Texas

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Years Ended:

	8/31/2017	8/31/2016	8/31/2015 <sup>1</sup>
<b>Total pension liability</b>			
Service cost	\$ 5,217	\$ 576	\$ 6,499
Interest	30,996	3,027	32,495
Changes in benefit terms	-	246	-
Differences between expected and actual experience	-	22	-
Changes of assumptions	-	303	-
Benefit payments, including refunds of participant contributions	(16,474)	(1,599)	(17,258)
<b>Net change in total pension liability</b>	19,739	2,575	21,736
<b>Total pension liability - beginning</b>	\$ 402,971	\$ 39,286	\$ 421,417 <sup>2</sup>
<b>Total pension liability - ending (a)</b>	\$ 422,710 <sup>3</sup>	\$ 41,861	\$ 443,153
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 16,408	\$ 1,178	\$ 13,486
Contributions - state	5,185	539	6,281
Net investment income	32,005	1,686	(12,632)
Benefit payments, including refunds of participant contributions	(16,474)	(1,599)	(17,258)
Administrative expenses	(602)	(57)	(828)
Other	-	-	-
<b>Net change in plan fiduciary net position</b>	36,522	1,747	(10,951)
<b>Plan fiduciary net position - beginning</b>	307,613	30,208	351,709
<b>Plan fiduciary net position - ending (b)</b>	\$ 344,135	\$ 31,955	\$ 340,758
<b>Fund's net pension liability - ending (a) - (b)</b>	\$ 78,575	\$ 9,906	\$ 102,395
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	81.41%	76.34%	76.89%
<b>Number of active members</b>	4,046	3,634	4,036 <sup>2</sup>
<b>Net pension liability per active member</b>	\$ 19	\$ 12	\$ 110
<b>City's proportion of the net pension liability</b>	0.3274%	0.0340%	0.3836%

**Notes to schedule:**

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

2) There is no compensation for active members, so number of active members is used instead.

3) The System's net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016 and rolled forward to August 31, 2017

# City of Lucas, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Years Ended:

	9/30/2017	9/30/2016	9/30/2015
Board determined employer contributions	\$ 15,834	\$ 1,558	\$ 18,120
Contributions in relation to the board determined contribution	\$ 15,834	\$ 1,558	\$ 18,120
Contribution deficiency (excess)	\$ -	\$ -	\$ -

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

**Valuation Date:**

Notes	Contribution rates are determined by board rule and become effective August 31.
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**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period	30 years
Asset Valuation Method	5 Year smoothed market; 20% soft corridor
Inflation	3.0%
Salary Increases	n/a
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits.

Mortality	RP2000 Combined Healthy Lives Mortality for males and females projected to 2024 by scale AA.
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**Other Information:**

Notes	There were no benefit changes during the year.
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# City of Lucas, Texas

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARDS PROGRAM

Year Ended:

	6/30/2017 <sup>1</sup>
Total pension liability	
Service cost	\$ 34,136
Interest	7,558
Changes in benefit terms	-
Differences between expected and actual experience	(1)
Changes of assumptions	(13,739)
Benefit payments, including refunds of participant contributions	(6,744)
<b>Net change in total pension liability</b>	<b>21,210</b>
<b>Total pension liability - beginning</b>	<b>\$ 212,887</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 234,097</b>
<b>Plan fiduciary net position</b>	
<b>Plan fiduciary net position - beginning</b>	-
<b>Plan fiduciary net position - ending (b)</b>	\$ -
<b>Fund's net pension liability - ending (a) - (b)</b>	<b>\$ 234,097</b>
 <b>Plan fiduciary net position</b>	
<b>as a percentage of the total pension liability</b>	0.00%

**Notes to schedule:**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<sup>2</sup> The plan does not have any assets accumulated to pay related benefits that meet the definition of a trust as defined in paragraph 4 of GASB Statement No. 73

***OTHER SUPPLEMENTARY INFORMATION***

# City of Lucas, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

### DEBT SERVICE FUND

For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Revenues</u></b>				
Property tax	\$ 804,948	\$ 864,606	\$ 882,578	\$ 17,972
Investment income	1,200	4,756	29,035	24,279
<b>Total Revenues</b>	<u>806,148</u>	<u>869,362</u>	<u>911,613</u>	<u>42,251</u>
<b><u>Expenditures</u></b>				
Debt service				
Principal	540,000	540,000	540,000	-
Interest	242,948	242,948	242,948	-
<b>Total Expenditures</b>	<u>782,948</u>	<u>782,948</u>	<u>782,948</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 23,200</u>	<u>\$ 86,414</u>	128,665	<u>\$ 42,251</u>
Beginning fund balance			<u>704,397</u>	
<b>Ending Fund Balance</b>			<u>\$ 833,062</u>	

#### Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).



# City of Lucas, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

### CAPITAL IMPROVEMENT FUND For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Intergovernmental revenue	\$ 106,480	\$ 6,223	\$ 64,573	\$ 58,350
Interest income	6,000	6,000	11,609	5,609
<b>Total Revenues</b>	112,480	12,223	76,182	63,959
 <b><u>Expenditures</u></b>				
Capital outlay	3,516,215	4,907,383	2,529,122	2,378,261
<b>Total Expenditures</b>	3,516,215	4,907,383	2,529,122	2,378,261
 <b><u>Other Financing Sources (Uses)</u></b>				
Bond issuance proceeds	-	5,855,000	5,855,000	-
Bond premium	-	256,007	256,007	-
Bond issuance costs	-	(111,007)	(111,007)	-
Insurance proceeds	-	60,401	60,401	-
Transfers in	840,000	1,108,581	431,732	(676,849)
Transfers (out)	-	(73,576)	(73,576)	-
<b>Total Other Financing Sources (Uses)</b>	840,000	7,095,406	6,418,557	(676,849)
<b>Net Change in Fund Balance</b>	\$ 952,480	\$ 2,200,246	3,965,617	\$ 1,765,371
Beginning fund balance			2,901,186	
<b>Ending Fund Balance</b>			\$ 6,866,803	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# City of Lucas, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

### LUCAS FIRE DISTRICT

For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Sales tax	\$ 325,000	\$ 317,000	\$ 318,142	\$ 1,142
<b>Total Revenues</b>	325,000	317,000	318,142	1,142
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers (out)	(323,000)	(315,000)	(315,000)	-
<b>Total Other Financing Sources (Uses)</b>	(323,000)	(315,000)	(315,000)	-
<b>Net Change in Fund Balance</b>	\$ 2,000	\$ 2,000	3,142	\$ 1,142
Beginning fund balance			53,135	
<b>Ending Fund Balance</b>			\$ 56,277	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

## STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
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Financial Trends	102
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*These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.*

Revenue Capacity	113
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*These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.*

Debt Capacity	120
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*These schedules 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.*

Demographic and Economic Information	125
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*These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.*

Operating Information	127
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*These schedules 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.*

**City of Lucas, Texas**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 2,611,818	\$ 4,308,459	\$ 5,429,217	\$ 6,946,186
Restricted	3,204,311	495,249	500,694	427,803
Unrestricted	2,711,342	4,276,542	3,097,616	2,819,545
<b>Total Governmental Activities Net Position</b>	<u><u>\$ 8,527,471</u></u>	<u><u>\$ 9,080,250</u></u>	<u><u>\$ 9,027,527</u></u>	<u><u>\$ 10,193,534</u></u>
<b>Business-type Activities</b>				
Net investment in capital assets	\$ 4,895,746	\$ 5,327,139	\$ 6,871,815	\$ 7,954,921
Restricted	-	526,921	370,000	300,000
Unrestricted	4,428,199	4,518,161	4,447,405	4,259,481
<b>Total Business-type Activities Net Position</b>	<u><u>\$ 9,323,945</u></u>	<u><u>\$ 10,372,221</u></u>	<u><u>\$ 11,689,220</u></u>	<u><u>\$ 12,514,402</u></u>
<b>Primary Government</b>				
Net investment in capital assets	\$ 7,507,564	\$ 9,635,598	\$ 12,301,032	\$ 14,901,107
Restricted	3,204,311	1,022,170	870,694	727,803
Unrestricted	7,139,541	8,794,703	7,545,021	7,079,026
<b>Total Primary Government Net Position</b>	<u><u>\$ 17,851,416</u></u>	<u><u>\$ 19,452,471</u></u>	<u><u>\$ 20,716,747</u></u>	<u><u>\$ 22,707,936</u></u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 7,912,596	\$ 9,735,155	\$ 11,217,229	\$ 15,687,778	\$ 17,817,626	\$ 18,969,607
1,034,404	1,441,795	2,535,158	5,101,359	5,021,277	2,425,677
3,785,982	5,097,482	5,024,220	2,022,200	4,034,670	7,512,091
<u>\$ 12,732,982</u>	<u>\$ 16,274,432</u>	<u>\$ 18,776,607</u>	<u>\$ 22,811,337</u>	<u>\$ 26,873,573</u>	<u>\$ 28,907,375</u>
\$ 9,724,745	\$ 11,450,187	\$ 13,112,606	\$ 13,793,927	\$ 14,112,099	\$ 14,790,563
320,000	350,000	382,027	365,000	375,000	436,201
4,263,267	4,265,404	3,752,393	4,824,325	5,501,285	5,626,127
<u>\$ 14,308,012</u>	<u>\$ 16,065,591</u>	<u>\$ 17,247,026</u>	<u>\$ 18,983,252</u>	<u>\$ 19,988,384</u>	<u>\$ 20,852,891</u>
\$ 17,637,341	\$ 21,185,342	\$ 24,329,835	\$ 29,481,705	\$ 31,929,725	\$ 33,760,170
1,354,404	1,791,795	2,917,185	5,466,359	5,396,277	2,861,878
8,049,249	9,362,886	8,776,613	6,846,525	9,535,955	13,138,218
<u>\$ 27,040,994</u>	<u>\$ 32,340,023</u>	<u>\$ 36,023,633</u>	<u>\$ 41,794,589</u>	<u>\$ 46,861,957</u>	<u>\$ 49,760,266</u>

**City of Lucas, Texas**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 539,061	\$ 503,433	\$ 583,494	\$ 684,352
Public safety	448,930	518,869	615,541	653,625
Public works	474,705	587,841	581,006	605,274
Development services	308,474	144,485	225,401	289,492
Parks and recreation	64,339	67,630	79,458	87,811
Community development	259,180	290,328	302,779	-
Interest and fiscal charges	216,839	217,022	175,627	184,707
Total governmental activities	<u>2,311,528</u>	<u>2,329,608</u>	<u>2,563,306</u>	<u>2,505,261</u>
Business-type activities:				
Utility fund	1,633,259	1,704,106	1,734,592	2,352,455
Total business-type activities	<u>1,633,259</u>	<u>1,704,106</u>	<u>1,734,592</u>	<u>2,352,455</u>
Total primary government	<u>\$ 3,944,787</u>	<u>\$ 4,033,714</u>	<u>\$ 4,297,898</u>	<u>\$ 4,857,716</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ -	\$ -	\$ -	\$ 1,804
Public safety	53,003	27,762	72,689	137,312
Public works	74,700	262,503	333,596	103,551
Development services	354,009	-	-	377,558
Parks and recreation	-	-	-	9,000
Trash service	298,515	336,374	335,846	-
Capital grants and contributions	-	-	19,860	218,510
Operating grants and contributions	88,260	-	-	-
Total governmental activities	<u>868,487</u>	<u>626,639</u>	<u>761,991</u>	<u>847,735</u>
Business-type activities:				
Charges for services:				
Water and sewer	2,229,136	2,205,460	2,085,458	3,427,231
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>2,229,136</u>	<u>2,205,460</u>	<u>2,085,458</u>	<u>3,427,231</u>
Total primary government	<u>\$ 3,097,623</u>	<u>\$ 2,832,099</u>	<u>\$ 2,847,449</u>	<u>\$ 4,274,966</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (1,443,041)	\$ (1,702,969)	\$ (1,801,315)	\$ (1,657,526)
Business-type activities	595,877	501,354	350,866	1,074,776
Total primary government	<u>\$ (847,164)</u>	<u>\$ (1,201,615)</u>	<u>\$ (1,450,449)</u>	<u>\$ (582,750)</u>

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	626,484	\$ 715,216	\$ 840,998	\$ 934,322	\$ 955,548	\$ 954,117
	775,050	889,680	1,469,546	1,693,535	1,866,920	2,066,271
	609,532	1,029,582	867,243	1,091,137	883,514	968,651
	293,418	273,707	257,331	352,718	279,699	340,674
	111,766	137,616	132,379	78,233	159,565	113,916
	-	-	-	-	-	-
	256,685	244,060	232,858	331,834	263,690	373,570
	<u>2,672,935</u>	<u>3,289,861</u>	<u>3,800,355</u>	<u>4,481,779</u>	<u>4,408,936</u>	<u>4,817,199</u>
	<u>2,530,479</u>	<u>2,969,977</u>	<u>2,891,141</u>	<u>3,237,288</u>	<u>3,593,006</u>	<u>3,830,501</u>
	<u>2,530,479</u>	<u>2,969,977</u>	<u>2,891,141</u>	<u>3,237,288</u>	<u>3,593,006</u>	<u>3,830,501</u>
\$	<u>5,203,414</u>	<u>\$ 6,259,838</u>	<u>\$ 6,691,496</u>	<u>\$ 7,719,067</u>	<u>\$ 8,001,942</u>	<u>8,647,700</u>
\$	9,015	\$ 10,351	\$ 2,501	\$ -	\$ -	\$ -
	176,777	184,020	252,949	327,745	413,588	448,607
	652,830	319,402	74,050	335,163	402,068	356,940
	539,593	545,526	553,264	707,807	658,708	713,554
	10,000	67,000	15,000	-	-	-
	-	-	-	-	-	-
	946,567	2,297,740	1,804,078	196,000	37,600	-
	-	-	-	2,470,277	1,824,487	126,168
	<u>2,334,782</u>	<u>3,424,039</u>	<u>2,701,842</u>	<u>4,036,992</u>	<u>3,336,451</u>	<u>1,645,269</u>
	<u>3,025,171</u>	<u>3,608,367</u>	<u>3,832,078</u>	<u>3,879,602</u>	<u>4,332,497</u>	<u>4,403,061</u>
	<u>1,350,014</u>	<u>1,300,659</u>	<u>512,011</u>	<u>1,299,604</u>	<u>418,089</u>	<u>417,020</u>
	<u>4,375,185</u>	<u>4,909,026</u>	<u>4,344,089</u>	<u>5,179,206</u>	<u>4,750,586</u>	<u>4,820,081</u>
\$	<u>6,709,967</u>	<u>\$ 8,333,065</u>	<u>\$ 7,045,931</u>	<u>\$ 9,216,198</u>	<u>\$ 8,087,037</u>	<u>6,465,350</u>
\$	(338,153)	\$ 134,178	\$ (1,098,513)	\$ (444,787)	\$ (1,072,485)	\$ (3,171,930)
	1,844,706	1,939,049	1,452,948	1,941,918	1,157,580	989,580
\$	<u>1,506,553</u>	<u>\$ 2,073,227</u>	<u>\$ 354,435</u>	<u>\$ 1,497,131</u>	<u>\$ 85,095</u>	<u>\$ (2,182,350)</u>

**City of Lucas, Texas**  
**CHANGES IN NET POSITION (Continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General Revenues</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 1,736,812	\$ 1,939,859	\$ 2,004,665	\$ 2,053,573
Sales tax	158,380	160,314	157,918	186,642
Franchise tax	204,310	220,729	258,522	244,161
Investment earnings	258,007	100,960	50,305	30,079
Other income	58,370	53,842	57,418	53,362
Intergovernmental	-	203,682	164,739	-
Transfers, net	(1,056,888)	(424,647)	(970,175)	255,716
Total governmental activities	<u>1,358,991</u>	<u>2,254,739</u>	<u>1,723,392</u>	<u>2,823,533</u>
Business-type activities:				
Investment earnings	119,102	29,359	4,555	6,122
Other income	-	150	-	-
Transfers, net	1,056,888	424,647	970,175	(255,716)
Total business-type activities	<u>1,175,990</u>	<u>454,156</u>	<u>974,730</u>	<u>(249,594)</u>
Total primary government	<u>\$ 2,534,981</u>	<u>\$ 2,708,895</u>	<u>\$ 2,698,122</u>	<u>\$ 2,573,939</u>
<b>Change in Net Position</b>				
Governmental activities	\$ (84,050)	\$ 551,770	\$ (77,923)	\$ 1,166,007
Business-type activities	1,771,867	955,510	1,325,596	825,182
Total primary government	<u>\$ 1,687,817</u>	<u>\$ 1,507,280</u>	<u>\$ 1,247,673</u>	<u>\$ 1,991,189</u>



	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	2,095,821	\$ 2,292,931	\$ 2,430,447	\$ 2,500,042	\$ 2,988,174	\$ 3,176,863
	178,331	587,259	814,033	1,180,171	1,349,475	1,407,216
	258,112	258,356	319,026	333,591	420,003	318,056
	19,009	15,682	18,681	25,026	31,531	80,081
	44,897	64,773	122,164	120,443	183,261	64,651
	-	-	-	-	-	-
	166,229	188,271	275,834	320,244	160,926	158,865
	<u>2,762,399</u>	<u>3,407,272</u>	<u>3,980,185</u>	<u>4,479,517</u>	<u>5,133,370</u>	<u>5,205,732</u>
	9,175	6,300	4,321	3,342	8,478	33,792
	565	500	-	111,210	-	-
	(166,229)	(188,271)	(275,834)	(320,244)	(160,926)	(158,865)
	<u>(156,489)</u>	<u>(181,471)</u>	<u>(271,513)</u>	<u>(205,692)</u>	<u>(152,448)</u>	<u>(125,073)</u>
\$	<u>2,605,910</u>	<u>\$ 3,225,801</u>	<u>\$ 3,708,672</u>	<u>\$ 4,273,825</u>	<u>\$ 4,980,922</u>	<u>\$ 5,080,659</u>
\$	2,424,246	\$ 3,541,450	\$ 2,881,672	\$ 4,034,730	\$ 4,060,885	\$ 2,033,802
	1,688,217	1,757,578	1,181,435	1,736,226	1,005,132	864,507
\$	<u>4,112,463</u>	<u>\$ 5,299,028</u>	<u>\$ 4,063,107</u>	<u>\$ 5,770,956</u>	<u>\$ 5,066,017</u>	<u>\$ 2,898,309</u>

**City of Lucas, Texas**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Ten Years**  
**(modified accrual basis of accounting)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund:				
Restricted				
Impact fees	\$ -	\$ 75,309	\$ 1,500	\$ 99,050
Pensions	-	-	-	-
Municipal court	-	5,010	10,287	3,753
Cable fees	-	-	-	-
Street maintenance	-	-	-	-
Miscellaneous	-	-	-	-
Unassigned	2,694,193	2,199,402	2,429,724	3,179,629
Total general fund	<u>\$ 2,694,193</u>	<u>\$ 2,279,721</u>	<u>\$ 2,441,511</u>	<u>\$ 3,282,432</u>
All other governmental funds:				
Restricted for:				
Debt service	\$ 232,477	\$ 412,749	\$ 488,907	\$ 326,368
Special revenue funds	-	-	-	-
Capital improvement funds	2,971,834	2,206,278	832,435	4,048,401
Total all other governmental funds	<u>\$ 3,204,311</u>	<u>\$ 2,619,027</u>	<u>\$ 1,321,342</u>	<u>\$ 4,374,769</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 649,220	\$ 828,316	\$ 770,508	\$ 867,279	\$ 1,116,079	\$ 1,254,213
-	-	-	-	-	216,615
23,291	28,624	35,473	45,612	51,623	55,688
1,893	4,608	8,256	12,773	17,670	21,843
-	-	-	-	-	204,594
-	-	-	-	2,382	-
3,822,755	5,140,955	5,867,875	6,203,973	7,834,423	8,774,909
<u>\$ 4,497,159</u>	<u>\$ 6,002,503</u>	<u>\$ 6,682,112</u>	<u>\$ 7,129,637</u>	<u>\$ 9,022,177</u>	<u>\$ 10,527,862</u>
\$ 359,900	\$ 379,905	\$ 391,905	\$ 560,000	\$ 704,397	\$ 833,062
-	-	-	50,075	53,135	56,277
3,279,282	2,983,071	3,480,905	3,575,719	2,901,186	6,866,803
<u>\$ 3,639,182</u>	<u>\$ 3,362,976</u>	<u>\$ 3,872,810</u>	<u>\$ 4,185,794</u>	<u>\$ 3,658,718</u>	<u>\$ 7,756,142</u>

# City of Lucas, Texas

## CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2008	2009	2010	2011
<b>Revenues</b>				
Property taxes	\$ 1,731,793	\$ 1,933,243	\$ 2,004,665	\$ 2,020,469
Sales tax	158,380	160,314	157,918	186,642
Franchise taxes	204,310	220,729	256,522	244,161
Fines and forfeitures	16,126	10,026	18,608	53,010
Licenses and permits	272,607	181,306	262,463	369,573
Fire service agreements	36,877	23,624	68,143	101,493
Charges for service	81,402	-	-	-
Trash service	298,515	336,374	335,846	-
Grants	8,260	-	19,860	218,510
Donations	80,000	3,250	-	-
Impact fees	74,700	75,309	57,070	103,550
Intergovernmental	-	203,682	164,739	1,599
Interest income	258,007	100,960	50,305	39,497
Other revenue	58,370	50,592	57,418	53,362
<b>Total Revenues</b>	3,279,347	3,299,409	3,453,557	3,391,866
<b>Expenditures</b>				
General government	532,478	456,189	507,566	595,706
Public works	268,793	362,622	339,221	311,002
Parks and recreation	56,218	62,083	71,479	110,394
Public safety	477,471	432,947	527,795	540,536
Development services	308,474	144,485	221,931	285,706
Trash services	259,180	290,327	302,779	-
Debt service				
Principal	277,500	475,240	425,000	485,000
Interest	226,396	198,384	178,791	158,778
Bond issuance costs	-	-	-	81,746
Capital outlay	631,116	1,540,886	1,046,718	754,566
<b>Total Expenditures</b>	3,037,626	3,963,163	3,621,280	3,323,434
<b>Revenues Over (Under) Expenditures</b>	241,721	(663,754)	(167,723)	68,432
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	(1,056,888)	(424,647)	(970,174)	255,716
Debt issued	-	-	-	3,500,000
Premium on bonds issued	-	-	-	70,200
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
<b>Total other financing sources</b>	(1,056,888)	(424,647)	(970,174)	3,825,916
<b>Net Change in Fund Balances</b>	\$ (815,167)	\$ (1,088,401)	\$ (1,137,897)	\$ 3,894,348
Ratio of total debt service expenditures to noncapital	21%	28%	23%	25%

	2012	2013	2014	2015	2016	2017
\$	2,096,519	\$ 2,303,432	\$ 2,430,447	\$ 2,492,526	\$ 2,964,421	\$ 3,199,118
	178,331	587,259	814,033	1,180,171	1,349,475	1,407,216
	258,112	258,356	319,026	333,591	420,003	318,056
	108,610	104,539	91,059	137,842	90,522	88,342
	482,755	467,719	483,163	571,932	568,630	627,675
	135,021	157,389	231,991	325,778	413,144	446,144
	-	-	-	-	-	-
	-	-	-	-	-	-
	9,667	1,000	-	-	-	126,168
	-	-	101,400	55,000	37,600	-
	652,830	386,402	89,050	335,163	402,068	356,940
	135,000	640,000	1,000,000	141,000	-	-
	19,009	15,682	18,681	25,026	31,531	80,081
	44,897	64,773	122,164	120,443	140,006	136,307
	<u>4,120,751</u>	<u>4,986,551</u>	<u>5,701,014</u>	<u>5,718,472</u>	<u>6,417,400</u>	<u>6,786,047</u>
	586,357	671,248	770,722	817,532	882,248	886,212
	270,836	614,999	416,843	548,519	479,430	446,562
	123,301	134,866	129,207	78,233	106,408	69,247
	655,648	748,936	1,282,562	1,412,056	1,640,309	1,713,980
	570,860	264,989	248,613	328,126	279,243	340,270
	279,787	-	-	-	-	-
	325,000	360,000	439,703	444,367	615,940	597,555
	278,158	246,242	235,196	227,132	273,287	248,082
	-	-	-	85,771	-	111,007
	1,297,754	914,655	1,612,063	3,422,242	1,172,535	3,101,568
	<u>4,387,701</u>	<u>3,955,935</u>	<u>5,134,909</u>	<u>7,363,978</u>	<u>5,449,400</u>	<u>7,514,483</u>
	(266,950)	1,030,616	566,105	(1,645,506)	968,000	(728,436)
	166,229	188,271	275,833	320,244	160,926	158,865
	-	-	345,000	2,000,000	43,255	5,855,000
	-	-	-	85,771	-	256,007
	-	-	-	-	-	60,401
	9,000	10,250	2,501	-	-	1,272
	<u>175,229</u>	<u>198,521</u>	<u>623,334</u>	<u>2,406,015</u>	<u>204,181</u>	<u>6,331,545</u>
\$	<u>(91,721)</u>	<u>\$ 1,229,137</u>	<u>\$ 1,189,439</u>	<u>\$ 760,509</u>	<u>\$ 1,172,181</u>	<u>\$ 5,603,109</u>
	20%	20%	19%	17%	21%	19%



# City of Lucas, Texas

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less: Tax Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Total Estimated Actual Taxable Value</b>	<b>Assessed Value as Percentage of Actual Value</b>
2008	\$ 551,603,993	\$ 24,356,690	\$ 122,054,413	\$ 453,906,270	0.37500	\$ 575,960,683	78.81%
2009	620,467,247	29,502,376	141,084,260	508,885,363	0.37418	649,969,623	78.29%
2010	646,621,342	33,135,759	141,718,774	538,038,327	0.37418	679,757,101	79.15%
2011	672,582,013	31,426,610	151,689,649	552,318,974	0.37418	704,008,623	78.45%
2012	691,413,029	26,934,184	151,303,804	567,043,409	0.37418	718,347,213	78.94%
2013	716,326,368	37,240,949	163,960,310	589,607,007	0.37418	753,567,317	78.24%
2014	790,398,481	49,743,972	176,470,025	663,672,428	0.35562	840,142,453	79.00%
2015	901,321,744	69,309,682	201,710,713	768,920,713	0.32066	970,631,426	79.22%
2016	1,023,259,148	158,170,201	302,812,807	878,616,542	0.32066	1,181,429,349	74.37%
2017	1,147,772,070	179,725,707	326,310,300	1,001,187,477	0.31795	1,327,497,777	75.42%

Note: Tax rates per \$100 of assessed valuation.

Source: Collin County Appraisal District

# City of Lucas, Texas

## PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

	2008	2009	2010	2011
<b>Direct Rates:</b>				
City of Lucas - Operating	0.24426	0.25051	0.25204	0.24723
City of Lucas - Debt Service	0.13074	0.12367	0.12214	0.12695
<b>Total Direct Rate</b>	0.37500	0.37418	0.37418	0.37418
 <b>Overlapping Rates:</b>				
Lovejoy Independent School District	1.47630	1.51500	1.53500	1.53500
Allen Independent School District	1.47030	1.47030	1.54000	1.54000
McKinney Independent School District	1.51700	1.51700	1.54000	1.52800
Plano Independent School District	1.26840	1.30340	1.32840	1.35340
Princeton Independent School District	1.36870	1.49000	1.49000	1.49000
Wylie Independent School District	1.39000	1.51000	1.59000	1.64000
Collin County	0.24500	0.24250	0.24250	0.24000
Collin County Community College	0.08698	0.08649	0.08630	0.08630

Tax rates per \$100 of assessed valuation.

Source: Collin County Central Appraisal Districts and City records.



<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
0.25772	0.26122	0.25401	0.23307	0.21551	0.23037
0.11645	0.11296	0.10161	0.08759	0.10515	0.08758
0.37418	0.37418	0.35562	0.32066	0.32066	0.31795
1.53500	1.53500	1.53500	1.56000	1.56000	1.67000
1.67000	1.67000	1.67000	1.64000	1.61000	1.59000
1.54000	1.54000	1.67000	1.67000	1.67000	1.62000
1.37340	1.37340	1.45300	1.44800	1.43900	1.43900
1.47360	1.48000	1.51000	1.62000	1.62000	1.62000
1.64000	1.64000	1.64000	1.64000	1.64000	1.64000
0.24000	0.24000	0.23750	0.23500	0.22500	0.20800
0.08630	0.08630	0.08364	0.08196	0.08196	0.08122



**City of Lucas, Texas**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**Current Year and Nine Years Ago**

Property Tax Payer	2017			2008		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Wal-mart Real Estate	\$ 15,507,253	1	1.55%	\$ -	-	-
Wal-mart Stores	7,734,687	2	0.77%	-	-	-
CTMGT Lucas 238 LLC	7,726,767	3	0.77%	-	-	-
D R Horton - Texas LTD	6,116,322	4	0.61%	-	-	-
MCCH Industries LLC	5,457,402	5	0.55%	-	-	-
First Texas Homes, Inc	5,058,829	6	0.51%	-	-	-
CADG Lewis Parl LLC	4,945,920	7	0.49%	-	-	-
Williams Karl	3,063,308	8	0.31%	-	-	-
NRE Lucas LLC	2,765,686	9	0.28%	-	-	-
R Rivas Family Partnership	2,571,013	10	0.26%	-	-	-
Weekly Homes LP	-	-	-	3,430,348	1	0.34%
Paul Taylor Homes Limited	-	-	-	2,172,095	2	0.22%
FG Creek Properties LTD	-	-	-	1,887,050	3	0.19%
Wolf Creek Lucas Investors LP	-	-	-	1,815,550	4	0.18%
New Lineage Custom Homes	-	-	-	1,670,632	5	0.17%
Holmes Family Interests	-	-	-	1,495,505	6	0.15%
Rockland Farms Lot Venture	-	-	-	1,419,778	7	0.14%
Weekly Homes	-	-	-	1,408,421	8	0.14%
RH Texas LTD	-	-	-	1,106,843	9	0.11%
Plains Capital Bank	-	-	-	1,083,015	10	0.11%
<b>Total</b>	<b>\$ 60,947,187</b>		<b>6.09%</b>	<b>\$ 17,489,237</b>		<b>4.24%</b>
<b>Total Assessed Valuation</b>	<b>\$ 1,001,187,477</b>		<b>100%</b>	<b>\$ 412,788,433</b>		<b>100%</b>

Source: Tax Office.

Note: Property is assessed as of January 1 and certified to the City by July 25 for taxable values.

**City of Lucas, Texas**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Tax levy	\$ 1,721,972	\$ 1,903,518	\$ 1,985,447	\$ 2,027,004
Current tax collected	\$ 1,700,854	\$ 1,880,257	\$ 1,968,139	\$ 2,011,207
Percent of current tax collections	98.77%	98.78%	99.13%	99.22%
Delinquent tax collections	\$ 20,958	\$ 21,320	\$ 14,681	\$ 13,285
Total tax collections	\$ 1,721,812	\$ 1,901,577	\$ 1,982,820	\$ 2,024,492
Total collections as a percentage of levy	99.99%	99.90%	99.87%	99.88%

Source: Dallas and Collin County reports.

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$	2,096,021	\$ 2,217,506	\$ 2,466,765	\$ 2,468,541	\$ 2,916,026	\$ 3,133,460
\$	2,076,932	\$ 2,167,874	\$ 2,321,282	\$ 2,426,661	\$ 2,796,734	\$ 3,117,732
	99.09%	97.76%	94.1%	98.3%	95.9%	99.5%
\$	16,726	\$ 47,153	\$ 142,950	\$ 39,020	\$ 115,281	\$ -
\$	2,093,658	\$ 2,215,027	\$ 2,464,232	\$ 2,465,681	\$ 2,912,015	\$ 3,117,732
	99.89%	99.89%	99.90%	99.88%	99.86%	99.50%

**City of Lucas, Texas**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental activities:</b>				
General Obligation Bonds	\$ -	\$ 1,745,000	\$ 1,653,605	\$ 1,651,005
Certificates of Obligation	4,872,500	2,790,000	2,375,000	5,433,250
Capital Leases	-	-	-	-
<b>Business-type activities:</b>				
General Obligation Bonds	-	1,360,000	1,241,605	1,186,913
Certificates of Obligation	4,297,500	2,735,000	2,430,000	4,391,375
Revenue Bonds	327,000	-	-	-
<b>Total primary government</b>	<u>\$ 9,497,000</u>	<u>\$ 8,630,000</u>	<u>\$ 7,700,210</u>	<u>\$ 12,662,543</u>
Percentage of personal income (1)	5.15%	3.45%	3.07%	5.46%
Per capita (1)	\$ 1,933	\$ 1,599	\$ 1,426	\$ 2,380

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

(1) Personal income and population data is disclosed on page 117.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	1,648,404	\$ 1,645,804	\$ 1,643,204	\$ 1,515,000	\$ 1,325,000	\$ 1,125,000
	5,116,500	4,764,750	4,393,000	6,155,000	5,785,000	11,300,000
	-	-	288,009	233,641	177,703	120,148
	1,127,222	1,067,531	1,002,839	865,000	695,000	525,000
	4,155,250	3,899,125	3,618,000	3,415,000	3,220,000	5,935,000
	-	-	-	-	-	-
\$	<u>12,047,376</u>	<u>\$ 11,377,210</u>	<u>\$ 10,945,052</u>	<u>\$ 12,183,641</u>	<u>\$ 11,202,703</u>	<u>\$ 19,005,148</u>
	4.35%	3.61%	2.97%	3.18%	2.78%	4.20%
\$	2,138	\$ 1,854	\$ 1,649	\$ 1,792	\$ 1,587	\$ 2,570

# City of Lucas, Texas

## RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	2008	2009	2010	2011
<b>NET TAXABLE ASSESSED VALUE</b>				
All property	\$ 453,906,270	\$ 508,885,363	\$ 538,038,327	\$ 552,318,974
<b>NET BONDED DEBT (1)</b>				
Gross bonded debt	4,872,500	4,535,000	4,028,605	7,084,255
Less debt service funds	(232,477)	(412,748)	(488,907)	(326,369)
<b>Net Bonded Debt</b>	\$ 4,640,023	\$ 4,122,252	\$ 3,539,698	\$ 6,757,886
<b>RATIO OF NET BONDED DEBT TO ASSESSED VALUE</b>	1.02%	0.81%	0.66%	1.22%
<b>POPULATION</b>	4,914	5,397	5,400	5,320
<b>NET BONDED DEBT PER CAPITA</b>	\$ 944	\$ 764	\$ 655	\$ 1,270

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

(1) This is the general bonded debt of both governmental and business-type activities.



<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 567,043,409	\$ 589,607,007	\$ 663,672,428	\$ 768,920,713	\$ 878,616,542	\$ 1,001,187,477
6,764,904	6,410,554	6,036,204	7,764,024	7,201,437	12,425,000
(359,900)	(380,000)	(391,905)	(560,000)	(704,397)	(833,062)
<u>\$ 6,405,004</u>	<u>\$ 6,030,554</u>	<u>\$ 5,644,299</u>	<u>\$ 7,204,024</u>	<u>\$ 6,497,040</u>	<u>\$ 11,591,938</u>
1.13%	1.02%	0.85%	0.94%	0.74%	1.16%
5,635	6,135	6,636	6,800	7,061	7,395
\$ 1,137	\$ 983	\$ 851	\$ 1,059	\$ 920	\$ 1,568

# City of Lucas, Texas

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2017

Governmental Unit	Gross Bonded Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Allen ISD	\$ 651,299,087	0.90%	\$ 5,861,692
Collin County	352,380,000	0.80%	2,819,040
Collin County Community College District	14,590,000	0.85%	124,015
Lovejoy ISD	166,095,234	35.28%	58,598,399
McKinney ISD	570,270,000	0.47%	2,680,269
Plano ISD	1,031,725,000	0.11%	1,134,898
Princeton ISD	137,205,641	0.16%	219,529
Wylie ISD	283,132,271	0.25%	707,831
Subtotal, overlapping debt			72,145,672
<b>City direct debt</b>			12,545,148
<b>Total direct and overlapping debt</b>			\$ 84,690,820

Sources: Taxing Entities and City, Dallas Central Appraisal District, and the Collin County Appraisal District.

**City of Lucas, Texas**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

<b>Year</b>	<b>Estimated Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Average Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2008	4,914	\$ 184,466,646	\$ 37,539	39	1,254	2.3%
2009	5,397	250,377,624	46,392	41	1,356	3.9%
2010	5,400	250,776,000	46,440	40	1,434	7.2%
2011	5,320	232,026,480	43,614	39	1,499	7.0%
2012	5,635	277,208,190	49,194	41	1,485	6.0%
2013	6,135	315,081,330	51,358	41	1,506	5.7%
2014	6,636	368,662,980	55,555	40	1,517	5.0%
2015	6,800	382,948,800	56,316	41	1,887	3.0%
2016	7,061	403,585,577	57,157	40	1,890	3.4%
2017	7,395	452,418,705	61,179	41	1,959	3.5%

Sources: Estimated population provided by the City of Lucas.  
Per Capita Income provided by North Central Texas Council of Governments.  
Enrollment information provided by Lovejoy Independent School District.  
Unemployment information provided by the Texas Workforce Commission.



# City of Lucas, Texas

## *FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM*

Last Ten Fiscal Years

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government and adminstration	8	8	10	10	10	10	11	12	13	14
Municipal court	1	1	1	1	1	1	1	-	-	-
Police	-	-	-	-	-	-	-	-	-	-
Fire	1	2	1	1	1	2	8	8	12	12
Public works	8	8	6	6	6	6	6	5	4	4
Water & sewer system	4	4	4	4	4	4	2	3	3	3
<b>Total</b>	<u>22</u>	<u>23</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>23</u>	<u>28</u>	<u>28</u>	<u>32</u>	<u>33</u>

Sources: Various City departments.

# City of Lucas, Texas

## OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011
Public safety				
Municipal court				
Number of cases filed	133	2	72	400
Fire/EMS				
Number of calls answered	357	402	311	352
Public works				
Streets maintained (miles)	170	190	210	230
Development services				
Building permits	371	303	308	443
Water and sewer				
New connections	277	215	298	306
Annual gallons pumped (thousands)	428,000	420,080	420,805	587,816
Miles of water mains maintained	42	42	42	42

Sources: Various City departments.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
333	260	30	4	2	4
388	403	499	502	526	584
245	263	267	280	320	324
527	578	639	660	778	818
300	323	259	200	105	81
517,953	567,325	458,360	499,963	421,738	424,082
42	45	48	53	55	57

# City of Lucas, Texas

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public safety				
Fire stations	1	1	1	1
Public works				
Streets-paved	39	39	39	39
Parks	2	2	3	3
Parks (acres)	7	7	11	11
Water and sewer				
Water mains (miles)	41.5	42.0	42.0	42.0
Storm mains (miles)	n/a	n/a	n/a	n/a
Storm drainage (miles)	2.4	2.5	2.5	2.5

Sources: Various City departments.



<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1	1	1	1	1	1
39	45	48	53	56	58
3	3	3	3	3	3
11	11	11	11	11	11
42.0	45.0	48.5	50.9	55.0	57.0
2	3	3	3	3	3
2.5	2.5	2.5	2.5	2.5	2.5

