

CITY OF LUCAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Prepared by
Liz Exum, Finance Director

Fiscal Year ended September 30, 2018





City of Lucas, Texas

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September 30, 2018

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INTRODUCTORY SECTION





February 15, 2019

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, 2018. 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, 2018 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, 2018.

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.



Our Economy

With an estimated population 7,947, 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:

- 79 new homes were permitted annually with an average taxable market value of \$592,002.
- Commercial development included completion of a Fed-Ex Center (Wal-Mart) submittal of site, landscape, and architectural plans for O'Reilly's auto parts store on Angel Parkway.
- Completion of Lucas Plaza Phase One (8,000 square foot retail center) located on southeast corner of Angel Parkway and Lake Travis Drive. The tenant spaces are two dentists, and one nail salon.
- Lucas Plaza Phase Two (8,050 square foot retail center) located northeast corner of Angel Parkway and Lake Travis Drive, permit has been issued waiting for pickup.
- Village Center (south of Jessica) - Seven acres with potential for a planned development.
- Village Center Phase 2 on Country Club- plans have been picked up and the building has started.
- Permits were issued for Tabernacle Church on West Lucas and a 3,000 square foot church at the intersection of Orr Road and Horseman.
- Park improvements included construction of a new pavilion, sports court at Forest Creek Park, cleanup, repair, and landscape enhancements to Community and Kenneth R Lewis parks.
- Roadway improvements included completion of Winningkoff Road Reverse Curve, West Lucas Road widening and overlay, and White Rock Trail.
- Water system improvements included installation of flood monitoring devices at Stinson Road and Snider Lane, Parker Road 12-inch water line phase 1 and Parker Road 6-inch water line phase 2.



- Neptune meter replacement program was fifty percent complete with the installation of 1,058 meters.

Our Operational Efficiencies

The City of Lucas made improvements to operational efficiencies, public safety, and emergency management planning. The City added three firefighter paramedics, and one EMS officer position in the Fire-Rescue department. Improvements made included the following:

- Engineering department promoted tech position to project manager.
- Public works department hired four seasonal employees.
- Fire-Rescue received a \$20,703 grant for a chest compression system, upgraded the dispatch system, reconditioned ambulance - (Medic 862), and ordered a new fire engine for delivery late January 2019.
- Transparency Star for Debt Obligations for providing debt information in a variety of formats and exceeding the legislative requirements of House Bill 1378 for debt reporting was received July 23, 2018.
- Collin County contract was renegotiated to include an additional dedicated deputy for law enforcement services for the City.
- Two radios were acquired for Emergency Operations Center (EOC), “Go Boxes” were created for Emergency Management Team, EOC activation for fireworks patrol and weather flooding, and NIMS training requirements were identified for every staff member.

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 and reliable. 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.



Our Future

At the end of September 2018, the City of Lucas is working on the following:

- 500,000-gallon elevated storage tank at the North Pump Station currently under design.
- Stinson/West Lucas Road Intersection currently under construction and is ninety percent complete.
- Blondy Jhune Road (Western bridge to Winningkoff Road), Winningkoff Road (Reverse curve to Snider Lane), and Stinson Road (Parker Road to Bristol Park) design has been completed. Project bidding is scheduled for late January 2019 with an estimated construction start date of March – April 2019.
- Country Club Road/Estates Parkway design completion working with TXDOT on construction.

Our Financial Standards

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

Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. In compliance with GASB 54, the City's financial practice requires a General Fund reserve equal to at least six months of working capital, which equates to 50% of expenditures. The current reserve in the general fund is at 14 months with funds equaling 113% 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 15 months with current funds equaling 123% of this year's expenditures.



City of Lucas

665 Country Club Road
Lucas, Texas 75002
972.727.8999
www.lucastexas.us

Our Awards

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lucas for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal years ended September 30, 2010 through 2017.

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 eighth consecutive year that the City has received this prestigious award.

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

Our Appreciation

Many persons are responsible for the preparation of this report and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those employees of the Finance Department who were instrumental in the successful completion of this report. Our appreciation is also extended to the Mayor and members of the City Council for providing the resources necessary to maintain the integrity of the City’s financial affairs.

Respectfully submitted,

Joni Clarke
City Manager

Liz Exum
Finance Director





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Lucas
Texas**

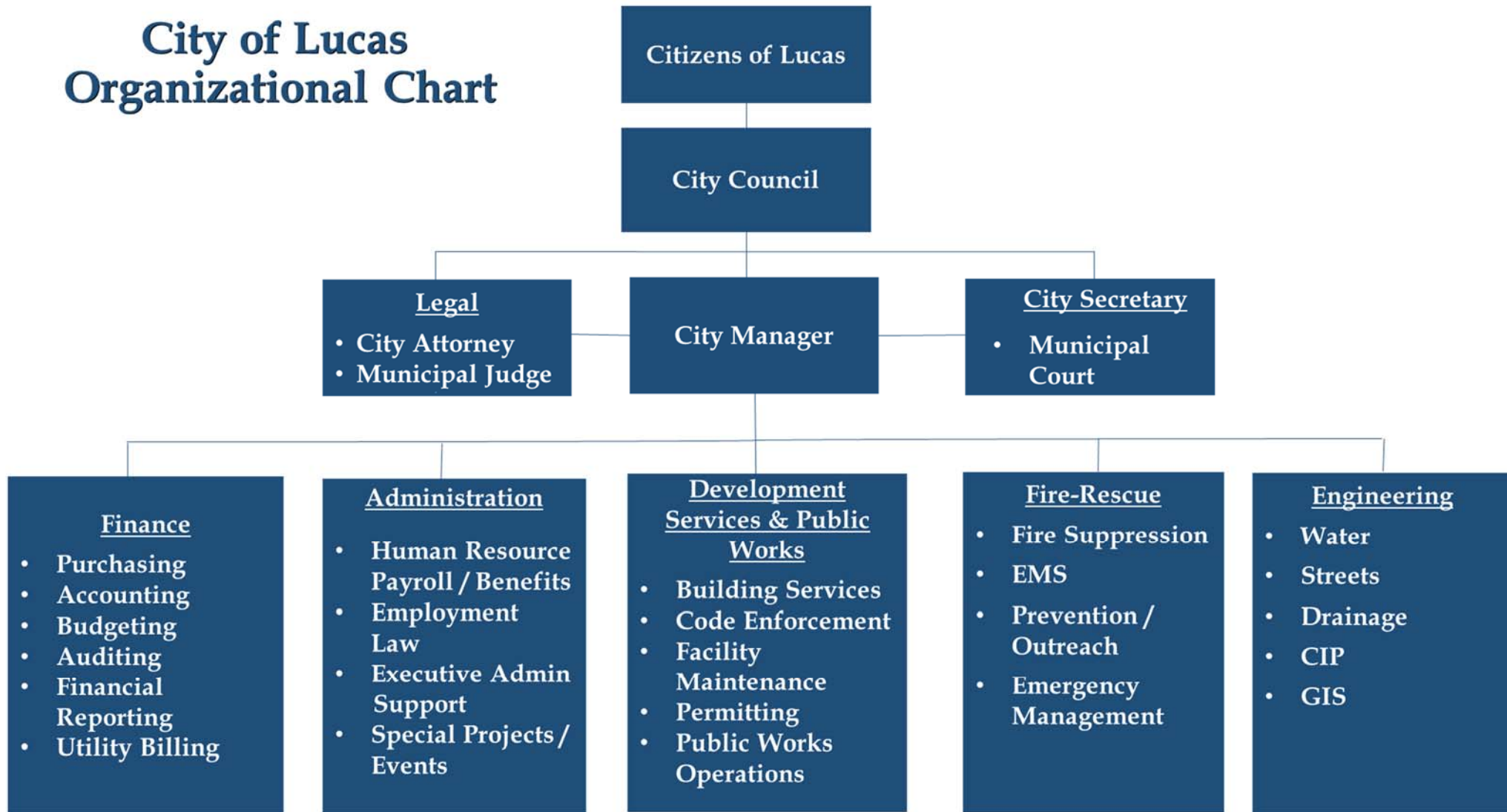
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Monill

Executive Director/CEO

City of Lucas Organizational Chart



**CITY OF LUCAS, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE
OFFICERS SEPTEMBER 30, 2018**

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
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, 2018, 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, 2018 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, due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. 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 general fund budgetary comparison information, the schedule of changes in net pension liabilities and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liability and related ratios, 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 budgetary comparison information noted above is the responsibility of management and was 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 15, 2019



*MANAGEMENT'S DISCUSSION
AND ANALYSIS*



City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2018

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, 2018. 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, 2018 by \$52,660,406. Of this amount, \$14,329,328 (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 \$2,940,856. 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 \$17,085,461 at September 30, 2018, a decrease of \$1,198,543 from the prior fiscal year; this includes an increase of \$136,549 in the debt service fund, a decrease of \$1,974,717 in the capital improvement fund, an increase of \$11,591 in the nonmajor Lucas Fire District fund, and an increase of \$628,034 in the general fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$7,380,496 or 123% 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, 2018

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, 2018

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, 2018

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 \$52,660,406 as of September 30, 2018 in the primary government.

The largest portion of the City's net position, \$34,580,812, 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, 2018

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2018			2017		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and						
other assets	\$ 17,795,165	\$ 9,668,419	\$ 27,463,584	\$ 19,750,732	\$ 9,632,649	\$ 29,383,381
Capital assets, net	26,581,779	18,728,824	45,310,603	24,212,241	18,378,860	42,591,101
Total Assets	44,376,944	28,397,243	72,774,187	43,962,973	28,011,509	71,974,482
Total Deferred						
Outflows	180,105	78,926	259,031	299,934	100,628	400,562
Other liabilities	1,645,895	773,871	2,419,766	2,402,707	890,728	3,293,435
Long-term liabilities	11,936,159	5,898,859	17,835,018	12,979,577	6,378,297	19,357,874
Total Liabilities	13,582,054	6,672,730	20,254,784	15,382,284	7,269,025	22,651,309
Total Deferred						
Inflows	95,748	22,280	118,028	4,185	-	4,185
Net Position:						
Net investment						
in capital assets	19,557,740	15,023,072	34,580,812	18,969,607	14,790,563	33,760,170
Restricted	3,194,287	555,979	3,750,266	2,425,677	436,201	2,861,878
Unrestricted	8,127,220	6,202,108	14,329,328	7,481,154	5,616,348	13,097,502
Total Net Position	\$ 30,879,247	\$ 21,781,159	\$ 52,660,406	\$ 28,876,438	\$ 20,843,112	\$ 49,719,550

During the current year, the City's current assets for governmental activities decreased. This change was a direct result of the expenditure of the Certificates of Obligation bond proceeds issued in the prior year. The City's capital assets in governmental activities increased \$2,369,538. This increase is primarily attributed to the City's investments in infrastructure and fire equipment assets in the current year.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2018

Statement of Activities:

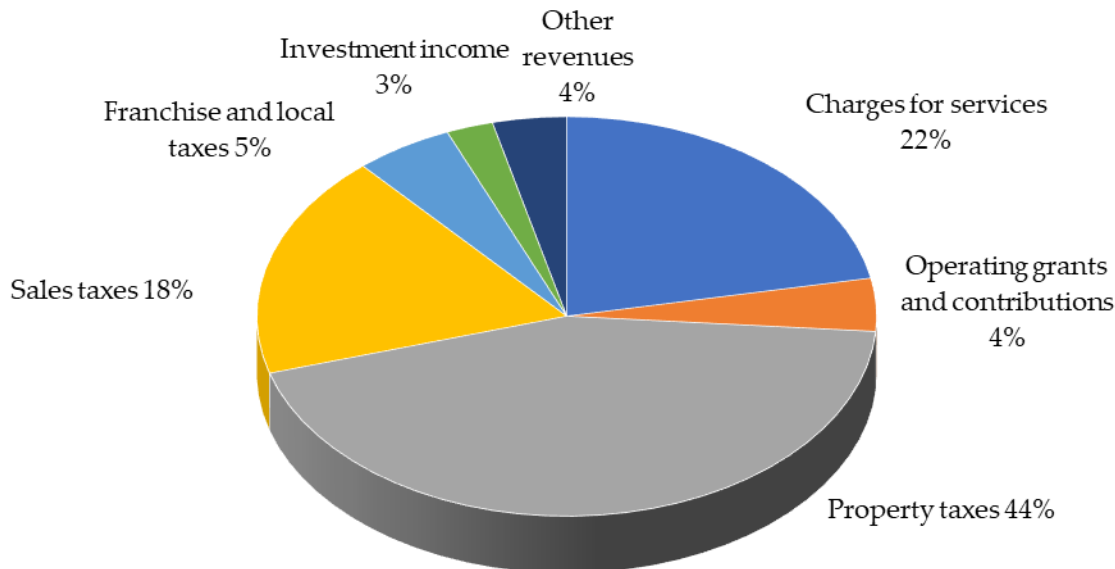
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2018			For the Year Ended September 30, 2017		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 1,756,284	\$ 5,314,349	\$ 7,070,633	\$ 1,519,101	\$ 4,403,061	\$ 5,922,162
Operating grants and contributions	-	-	-	126,168	-	126,168
Capital grants and contributions	342,372	37,419	379,791	-	417,020	417,020
General revenues:						
Property taxes	3,534,633	-	3,534,633	3,176,863	-	3,176,863
Sales taxes	1,454,670	-	1,454,670	1,407,216	-	1,407,216
Franchise and local taxes	410,594	-	410,594	318,056	-	318,056
Investment income	195,398	104,144	299,542	80,081	33,792	113,873
Other revenues	309,452	-	309,452	64,651	-	64,651
Total Revenues	8,003,403	5,455,912	13,459,315	6,692,136	4,853,873	11,546,009
Expenses						
General government	935,150	-	935,150	961,459	-	961,459
Public safety	2,223,061	-	2,223,061	2,082,243	-	2,082,243
Public works	2,189,754	-	2,189,754	971,612	-	971,612
Parks and recreation	126,327	-	126,327	113,916	-	113,916
Development services	408,654	-	408,654	345,336	-	345,336
Interest and fiscal charges	392,146	216,753	608,899	373,570	157,412	530,982
Utility	-	4,026,614	4,026,614	-	3,682,868	3,682,868
Total Expenses	6,275,092	4,243,367	10,518,459	4,848,136	3,840,280	8,688,416
Change in Net Position						
Before Transfers	1,728,311	1,212,545	2,940,856	1,844,000	1,013,593	2,857,593
Transfers	274,498	(274,498)	-	158,865	(158,865)	-
Total	274,498	(274,498)	-	158,865	(158,865)	-
Change in Net Position	2,002,809	938,047	2,940,856	2,002,865	854,728	2,857,593
Beginning Net Position	28,876,438	20,843,112	49,719,550	26,873,573	19,988,384	46,861,957
Ending Net Position	\$ 30,879,247	\$ 21,781,159	\$ 52,660,406	\$ 28,876,438	\$ 20,843,112	\$ 49,719,550

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

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2018

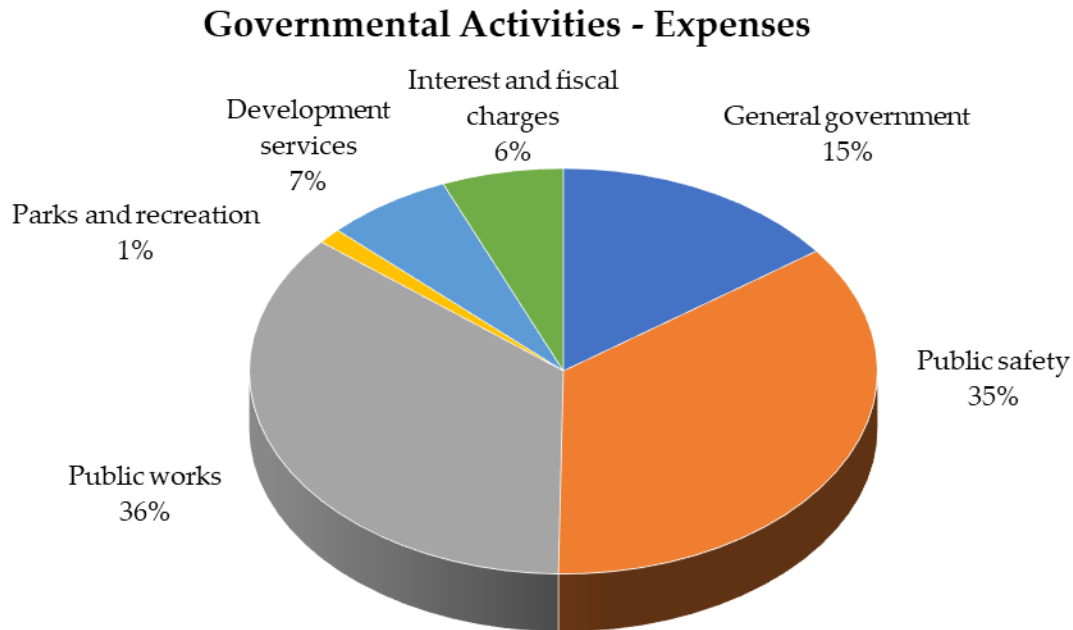
Governmental Activities - Revenues



For the year ended September 30, 2018, revenues from governmental activities totaled \$8,003,403. Property tax, sales tax and charges for services are the City's largest general revenue sources. Overall revenue increased \$1,311,267 or 20%. Charges for services increased by \$237,183 primarily due to an increase in new home construction permits in the current year. Grants and contributions increased by \$216,204 which is attributed to nonrecurring intergovernmental funding from Collin County for roadway improvements, such as West Lucas road (FM 2551 to FM 1378). Property taxes increased by \$357,770, which is primarily attributed to the increase in appraised property values. Franchise and local taxes increased by \$92,538 due to economic growth within the City. Investment income increased by \$115,317 as a result of the increase in interest-bearing cash accounts. Other revenues increased by \$244,801 primarily as a result of a private donation the City received for the purchase of a new ambulance. All other revenues remained relatively stable when compared to the previous year.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2018

This graph shows the governmental function expenses of the City:

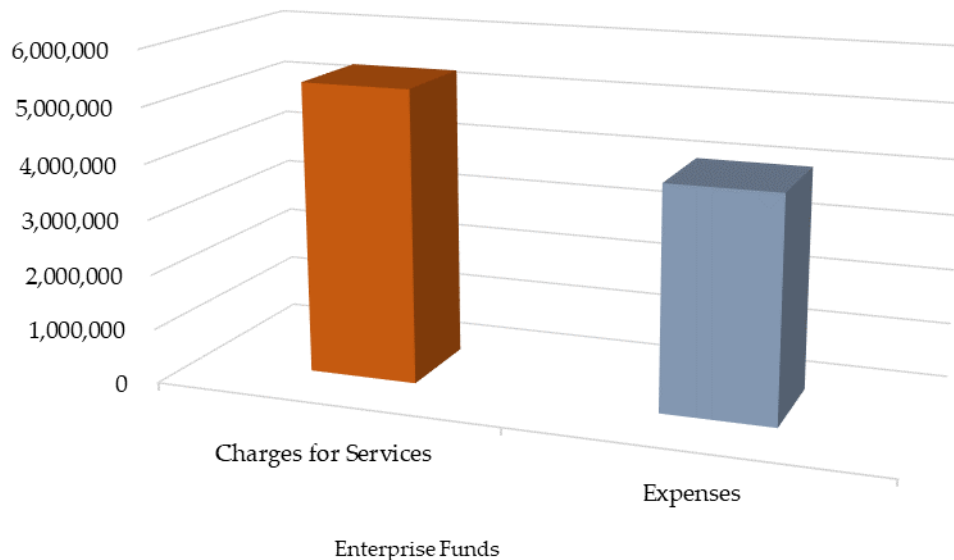


For the year ended September 30, 2018, expenses for governmental activities totaled \$6,275,092. This represents an increase of \$1,426,956 or 29% from the prior year. The City's largest functional expense is public safety of \$2,223,061. Public safety expenses increased by \$140,818 or 7% primarily due to increased personnel and contract costs with Collin County. Public works increased by \$1,218,142, which is mainly attributable to current year road repair projects. Parks and recreation increased \$12,411 or 11% mainly due to salaries and special event expenses. Development services increased \$63,318 or 18% due to increased personnel and professional services expenses. All other expenditures remained relatively stable when compared to the previous year.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2018

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, 2018, charges for services by business-type activities totaled \$5,314,349. This is an increase of \$911,288 or 21%, from the previous year. This variance is due to an increase in water consumption and sewer billing rates in the current year.

Total expenses increased \$403,087 or 10% to a total of \$4,243,367, due primarily to an increase in the North Texas Municipal Water District contract, the City's source of water and trash services expenditures.

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, 2018, the City's governmental funds reported combined fund balances of \$17,085,461, a decrease of \$1,198,543 in comparison with the prior year. Approximately 43% of this amount \$7,380,496 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *restricted*.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2018

As of the end of the year the general fund reflected a total fund balance of \$11,155,896. 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 186% of total general fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$7,380,496 is 123% of total general fund expenditures. The general fund increased by \$628,034 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 \$969,611 at September 30, 2018 compared to the previous year's balance of \$833,062. Principal payments amounted to \$785,000 and interest payments totaled \$412,371 in the current year.

The capital improvement fund ending fund balance is \$4,892,086. During the year, the City expended \$2,264,236 on various projects during the year from this fund.

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 \$21,781,159. Unrestricted net position of the enterprise fund at the close of the fiscal year amounted to \$6,202,108. Total net position increased \$938,047. The fund had an investment in capital assets, net of related debt of \$15,023,072. 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 developer contributions of \$37,419 consisting of water infrastructure.
- Operational expenses excluding depreciation and amortization were \$3,382,384.
- Cash and cash equivalents in the utility fund were \$5,996,412 at fiscal year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were several budget amendments approved during the fiscal year, and increased budgeted expenditures by \$1,254,638. The amendment also increased budgeted revenues by \$570,941. The following are additional comments regarding appropriations:

- There was a total positive variance of \$272,602 in final budgeted revenue compared to actual.
- \$938,260 is the surplus of revenues over expenditures before transfers.
- There was a net positive change in fund balance of \$1,123,273.
- Significant amendments include an increase of \$738,698 in capital outlay expenditures for the purchase of a fire truck.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2018

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$26,581,779 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$18,728,824 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure. The City's total investment in capital assets increased by \$820,642, net of depreciation.

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

- Investment in water utility infrastructure of \$687,856.
- Purchase of new water meters totaling \$257,855.
- Investment in new road infrastructure totaling \$2,321,115.
- New fire department equipment totaling \$181,397.
- Purchase of new fire truck amounting to \$731,176.

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 \$18,222,011, including premiums. Of this amount, \$6,179,189 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. D 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 2018-2019:

- This budget will raise more total property taxes than last year's budget by \$339,130 or 10.65%, and of that amount, \$359,140 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2018-2019 reflects total anticipated revenues of \$11,693,058 and total anticipated expenditures of \$11,387,591.
- The City tax rate is set each fall and is enacted via ordinance. The rate for fiscal year 2018-2019 was enacted by Ordinance #2018-09-00885 and is set to \$0.303216 cents per \$100 of valuation.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2018

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 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 (Page 1 of 2)
September 30, 2018

		Primary Government		
		Governmental	Business-Type	
		Activities	Activities	Total
<u>Assets</u>				
Current assets:				
Cash and cash equivalents		\$ 7,572,408	\$ 5,996,412	\$ 13,568,820
Restricted cash		9,542,277	3,013,666	12,555,943
Restricted investments		233,592	-	233,592
Receivables, net		446,888	658,341	1,105,229
	Total Current Assets	17,795,165	9,668,419	27,463,584
Capital assets:				
Non-depreciable		3,596,114	1,273,725	4,869,839
Net depreciable capital assets		22,985,665	17,455,099	40,440,764
		26,581,779	18,728,824	45,310,603
	Total Assets	44,376,944	28,397,243	72,774,187
<u>Deferred Outflows of Resources</u>				
Pension contributions		185,190	53,435	238,625
OPEB contributions		126	40	166
Pension proportion changes		(30,505)	-	(30,505)
Pension experience vs actual		-	5,380	5,380
Pension assumption changes		-	3,166	3,166
OPEB assumption changes		3,098	979	4,077
Deferred charge on refunding		22,196	15,926	38,122
	Total Deferred Outflows of Resources	180,105	78,926	259,031

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	270,528	38,837	309,365
Unearned revenue	363,591	-	363,591
Accrued interest payable	64,065	35,033	99,098
Customer deposits	21,600	247,600	269,200
Long term debt due within one year	926,111	452,401	1,378,512
	<u>1,645,895</u>	<u>773,871</u>	<u>2,419,766</u>
Noncurrent liabilities:			
Due in more than one year	11,189,133	5,746,123	16,935,256
Net pension liabilities	708,529	140,568	849,097
OPEB liability	38,497	12,168	50,665
Total Liabilities	<u>13,582,054</u>	<u>6,672,730</u>	<u>20,254,784</u>
<u>Deferred Inflows of Resources</u>			
Pension investment earnings	72,822	22,280	95,102
Pension experience vs actual	20,306	-	20,306
Pension assumption changes	2,620	-	2,620
Total Deferred Inflows of Resources	<u>95,748</u>	<u>22,280</u>	<u>118,028</u>
<u>Net Position</u>			
Net investment in capital assets	19,557,740	15,023,072	34,580,812
Restricted for:			
Impact fees	1,572,405	-	1,572,405
Debt service	969,611	435,000	1,404,611
Capital projects	-	120,979	120,979
Municipal court	62,899	-	62,899
Fire protection	67,868	-	67,868
Cable fees	25,318	-	25,318
Street maintenance (Brockdale)	245,054	-	245,054
Capital outlay (Other)	150,000	-	150,000
Capital outlay (Ambulance)	100,000	-	100,000
Capital outlay (Playground E&P)	1,132	-	1,132
Unrestricted	8,127,220	6,202,108	14,329,328
Total Net Position	<u>\$ 30,879,247</u>	<u>\$ 21,781,159</u>	<u>\$ 52,660,406</u>

See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 935,150	\$ -	\$ -
Public safety	2,223,061	509,862	-
Public works	2,189,754	341,597	342,372
Parks and recreation	126,327	-	-
Development services	408,654	904,825	-
Interest and fiscal charges	392,146	-	-
Total Governmental Activities	<u>6,275,092</u>	<u>1,756,284</u>	<u>342,372</u>
Business-Type Activities			
Utility fund	4,243,367	5,314,349	37,419
Total Business-Type Activities	<u>4,243,367</u>	<u>5,314,349</u>	<u>37,419</u>
Total Primary Government	<u>\$ 10,518,459</u>	<u>\$ 7,070,633</u>	<u>379,791</u>

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

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (935,150)	\$ -	\$ (935,150)
(1,713,199)	-	(1,713,199)
(1,505,785)	-	(1,505,785)
(126,327)	-	(126,327)
496,171	-	496,171
(392,146)	-	(392,146)
(4,176,436)	-	(4,176,436)
-	1,108,401	1,108,401
-	1,108,401	1,108,401
(4,176,436)	1,108,401	(3,068,035)
3,534,633	-	3,534,633
1,454,670	-	1,454,670
410,594	-	410,594
195,398	104,144	299,542
309,452	-	309,452
274,498	(274,498)	-
6,179,245	(170,354)	6,008,891
2,002,809	938,047	2,940,856
28,876,438	20,843,112	49,719,550
\$ 30,879,247	\$ 21,781,159	\$ 52,660,406

City of Lucas, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2018

	General	Debt Service	Capital Improvement	Nonmajor Lucas Fire District
<u>Assets</u>				
Cash and cash equivalents	\$ 7,567,589	\$ -	\$ -	\$ 4,819
Receivables, net	352,285	17,733	13,821	63,049
Cash and cash equivalents - restricted	3,541,808	969,611	5,030,858	-
Restricted investments	233,592	-	-	-
Total Assets	\$ 11,695,274	\$ 987,344	\$ 5,044,679	\$ 67,868
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 117,935	\$ -	\$ 152,593	\$ -
Unearned revenue	363,591	-	-	-
Customer deposits	21,600	-	-	-
Total Liabilities	503,126	-	152,593	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - Property taxes	36,252	17,733	-	-
Total Deferred Inflows	36,252	17,733	-	-
<u>Fund Balances</u>				
Restricted for:				
Impact fees	1,572,405	-	-	-
Pensions	233,592	-	-	-
Debt service	-	969,611	-	-
Capital improvements	1,385,000	-	4,892,086	-
Municipal court	62,899	-	-	-
Fire protection	-	-	-	67,868
Cable fees	25,318	-	-	-
Street maintenance (Brockdale)	245,054	-	-	-
Capital outlay (Other)	150,000	-	-	-
Capital outlay (Ambulance)	100,000	-	-	-
Capital outlay (Playground E&P)	1,132	-	-	-
Unassigned	7,380,496	-	-	-
Total Fund Balances	11,155,896	969,611	4,892,086	67,868
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,695,274	\$ 987,344	\$ 5,044,679	\$ 67,868

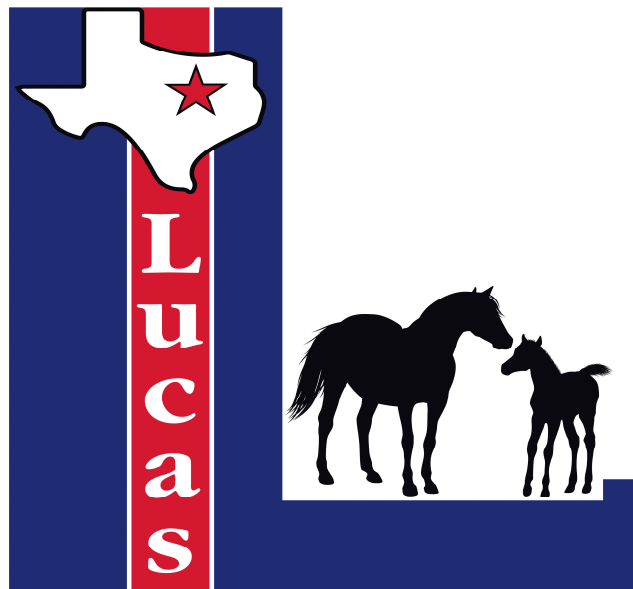
See Notes to Financial Statements.

Total Governmental Funds	
<hr/>	
\$	7,572,408
	446,888
	9,542,277
	233,592
<hr/>	
\$	17,795,165
<hr/>	

\$	270,528
	363,591
	21,600
<hr/>	
	655,719
<hr/>	

	53,985
<hr/>	
	53,985
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	1,572,405
	233,592
	969,611
	6,277,086
	62,899
	67,868
	25,318
	245,054
	150,000
	100,000
	1,132
	7,380,496
<hr/>	
	17,085,461
<hr/>	
\$	17,795,165
<hr/>	



City of Lucas, Texas

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

September 30, 2018

Fund Balances - Total Governmental Funds	\$ 17,085,461
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	3,596,114
Capital assets - net depreciable	22,985,665
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	53,985
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	185,190
OPEB contributions	126
Pension investment earnings	(72,822)
Pension experience vs actual	(20,306)
Pension assumption changes	(2,620)
OPEB assumption changes	3,098
Pension proportion changes	(30,505)
Deferred charge on refunding	22,196
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(64,065)
Bond premium	(341,892)
Non-current liabilities due in one year	(926,111)
Non-current liabilities due in more than one year	(10,847,241)
Net pension liability - TMRS	(444,732)
OPEB liability - TMRS	(38,497)
Net pension liability - LOSAP	(221,634)
Net pension liability - TESRS	(42,163)
Net Position of Governmental Activities	<u><u>\$ 30,879,247</u></u>

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, 2018

		Debt	Capital	Nonmajor
	General	Service	Improvement	Lucas Fire
				District
<u>Revenues</u>				
Property tax	\$ 2,201,507	\$ 1,316,678	\$ -	\$ -
Sales tax	1,100,167	-	-	354,503
Franchise and local taxes	410,594	-	-	-
Licenses and permits	871,480	-	-	-
Impact fees	341,597	-	-	-
Fire department agreements	508,170	-	-	-
Grants and contributions	54,799	-	287,573	-
Fines and forfeitures	35,037	-	-	-
Investment income	75,020	17,242	103,136	-
Other revenue	306,219	-	-	-
Total Revenues	5,904,590	1,333,920	390,709	354,503
<u>Expenditures</u>				
Current:				
General government	918,481	-	-	-
Public safety	2,113,481	-	-	-
Public works	455,740	-	-	-
Development services	405,016	-	-	-
Parks and recreation	86,102	-	-	-
Debt Service:				
Principal	59,218	785,000	-	-
Interest and fiscal charges	3,471	412,371	-	-
Capital outlay	1,967,938	-	2,264,236	-
Total Expenditures	6,009,447	1,197,371	2,264,236	-
Revenues				
Over (Under) Expenditures	(104,857)	136,549	(1,873,527)	354,503
<u>Other Financing Sources (Uses)</u>				
Transfers in	718,600	-	-	-
Transfers (out)	-	-	(101,190)	(342,912)
Sale of capital assets	14,291	-	-	-
Total Other				
Financing Sources (Uses)	732,891	-	(101,190)	(342,912)
Net Change in Fund Balances	628,034	136,549	(1,974,717)	11,591
Beginning fund balances	10,527,862	833,062	6,866,803	56,277
Ending Fund Balances	\$ 11,155,896	\$ 969,611	\$ 4,892,086	\$ 67,868
See Notes to Financial Statements.				

**Total
Governmental**

Funds

\$	3,518,185
	1,454,670
	410,594
	871,480
	341,597
	508,170
	342,372
	35,037
	195,398
	306,219
	<u>7,983,722</u>

	918,481
	2,113,481
	455,740
	405,016
	86,102

	844,218
	415,842
	<u>4,232,174</u>
	<u>9,471,054</u>

(1,487,332)

	718,600
	(444,102)
	<u>14,291</u>

	<u>288,789</u>
--	----------------

(1,198,543)

	18,284,004
\$	<u><u>17,085,461</u></u>



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, 2018

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

Net changes in fund balances - total governmental funds	\$ (1,198,543)
---	----------------

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	3,357,629
Depreciation expense	(977,033)

The net effect of capital asset disposals during the current year.	(11,058)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	16,448
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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	(16,248)
Accrued interest	9,060
Pension expense	(31,964)
OPEB expense	(4,336)

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.

Amortization of deferred charges on refunding	(7,400)
Amortization of debt premium	22,036
Debt payments	844,218

Change in Net Position of Governmental Activities	\$ 2,002,809
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See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2018

	<u>Utility</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 5,996,412
Restricted cash	3,013,666
Receivables, net	658,341
Total Current Assets	<u>9,668,419</u>
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	1,273,725
Net depreciable capital assets	17,455,099
Total Noncurrent Assets	<u>18,728,824</u>
Total Assets	<u>28,397,243</u>
<u>Deferred Outflows of Resources</u>	
Pension contributions	53,435
OPEB contributions	40
Pension experience vs actual	5,380
Pension assumption changes	3,166
OPEB assumption changes	979
Deferred charge on refunding	15,926
Total Deferred Outflows of Resources	<u>78,926</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	38,837
Accrued interest	35,033
Customer deposits	247,600
Current portion of long term debt	452,401
Total Current Liabilities	<u>773,871</u>
<u>Noncurrent Liabilities</u>	
Noncurrent portion of long term debt	5,746,123
Net pension liability	140,568
OPEB liability	12,168
Total Liabilities	<u>6,672,730</u>
<u>Deferred Inflows of Resources</u>	
Pension investment earnings	22,280
<u>Net Position</u>	
Net investment in capital assets	15,023,072
Restricted for:	
Debt service	435,000
Capital projects	120,979
Unrestricted	6,202,108
Total Net Position	<u>\$ 21,781,159</u>

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, 2018

	<u>Utility</u>
<u>Operating Revenues</u>	
Charges for services	\$ 4,951,064
Impact fees	363,216
Other revenue	69
Total Operating Revenues	<u>5,314,349</u>
<u>Operating Expenses</u>	
Personnel	679,463
Contractual services	2,003,522
Trash services	525,147
Supplies and materials	17,713
Maintenance and repair	156,539
Depreciation	644,230
Total Operating Expenses	<u>4,026,614</u>
Operating Income	<u>1,287,735</u>
<u>Non-Operating Revenues (Expenses)</u>	
Investment income	104,144
Interest expense	(216,753)
Total Non-Operating Revenues (Expenses)	<u>(112,609)</u>
Income Before Capital Contributions and Transfers	1,175,126
Contributed capital	37,419
Transfers (out)	(274,498)
Change in Net Position	<u>938,047</u>
Beginning net position	20,843,112
Ending Net Position	<u><u>\$ 21,781,159</u></u>

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, 2018

	<u>Utility</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 5,302,491
Payments to suppliers	(2,827,265)
Payments to employees	(675,988)
Net Cash Provided by (Used for) Operating Activities	<u>1,799,238</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfer (out)	(274,498)
Net Cash (Used for) Noncapital Financing Activities	<u>(274,498)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital purchases	(961,095)
Capital disposals	4,320
Principal paid on debt	(425,000)
Interest paid on debt	(225,197)
Net Cash (Used for) Capital and Related Financing Activities	<u>(1,606,972)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	104,144
Net Cash Provided by Investing Activities	<u>104,144</u>
Net Increase in Cash and Cash Equivalents	21,912
Beginning cash and cash equivalents	<u>8,988,166</u>
Ending Cash and Cash Equivalents	<u><u>\$ 9,010,078</u></u>

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, 2018

	<u>Utility</u>
<u>Reconciliation of Operating Income</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 1,287,735
Adjustments to reconcile operating income to net cash provided:	
Depreciation	644,230
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(13,858)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(124,344)
Compensated absences	2,357
Customer deposits	2,000
Deferred outflows - pension contributions	(5,485)
Deferred outflows - OPEB contributions	(40)
Deferred outflows - investment earnings	41,527
Deferred outflows - pension experience vs. actual	1,076
Deferred outflows - pension assumption changes	2,574
Deferred outflows - OPEB assumption changes	(979)
Net pension liability	(39,944)
OPEB liability	2,389
Net Cash Provided by Operating Activities	\$ 1,799,238
<u>Schedule of Non-cash Capital and Related Financing Activities:</u>	
Capital contributions	\$ 37,419

See Notes to Financial Statements.



City of Lucas, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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
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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
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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
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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, 2018

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
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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.

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

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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
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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 and utility funds.

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
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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.

12. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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.

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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.

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 appropriations were made during the year.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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>Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Group annuity	\$ 233,592	0.00	AA+
External investment pools			
TexPool	950,033	28	AAAm
LOGIC	14,658,192	42	AAAm
Lone Star	2,733,188	28	AAAm
Total value	<u>\$ 18,575,005</u>		
Total portfolio		33	

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, 2018, 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*

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and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2018, 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. There were no limitations or restrictions on withdrawals.

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

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To ensure an accurate and current rating, Standard & Poor's monitors pertinent pool information, including the fund's portfolio holdings, on a weekly basis. There were no limitations or restrictions on withdrawals.

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. There were no limitations or restrictions on withdrawals.

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, 2018.

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Group Annuity	\$ 233,592	\$ 233,592	\$ -	\$ -
Total Assets at fair value	<u>\$ 233,592</u>	<u>\$ 233,592</u>	<u>\$ -</u>	<u>\$ -</u>

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%.

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NOTES TO FINANCIAL STATEMENTS, Continued
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B. Receivables

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

	General	Debt Service	Capital Improvement	Lucas Fire District	Utility
Property taxes	\$ 36,252	\$ 17,733	\$ -	\$ -	\$ -
Sales tax	183,967	-	-	63,049	-
Franchise tax	132,066	-	-	-	-
Accounts	-	-	-	-	649,511
Other	-	-	13,821	-	9,689
Allowance	-	-	-	-	(859)
	<u>\$ 352,285</u>	<u>\$ 17,733</u>	<u>\$ 13,821</u>	<u>\$ 63,049</u>	<u>\$ 658,341</u>

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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	\$ 1,216,447	\$ -	\$ -	\$ 1,216,447
Construction in progress	239,744	2,139,923	-	2,379,667
Total capital assets not being depreciated	<u>1,456,191</u>	<u>2,139,923</u>	<u>-</u>	<u>3,596,114</u>
Capital assets, being depreciated:				
Buildings and improvements	4,856,997	48,465	-	4,905,462
Furniture and equipment	1,756,920	181,396	(90,175)	1,848,141
Vehicles	1,798,880	56,422	-	1,855,302
Infrastructure	20,780,626	931,423	-	21,712,049
Total capital assets being depreciated	<u>29,193,423</u>	<u>1,217,706</u>	<u>(90,175)</u>	<u>30,320,954</u>
Less accumulated depreciation				
Buildings and improvements	(662,754)	(129,497)	-	(792,251)
Furniture and equipment	(1,278,197)	(132,103)	79,117	(1,331,183)
Vehicles	(1,141,527)	(119,322)	-	(1,260,849)
Infrastructure	(3,354,895)	(596,111)	-	(3,951,006)
Total accumulated depreciation	<u>(6,437,373)</u>	<u>(977,033)</u>	<u>79,117</u>	<u>(7,335,289)</u>
Net capital assets being depreciated	<u>22,756,050</u>	<u>240,673</u>	<u>(11,058)</u>	<u>22,985,665</u>
Total Capital Assets	<u><u>\$ 24,212,241</u></u>	<u><u>\$ 2,380,596</u></u>	<u><u>\$ (11,058)</u></u>	<u><u>\$ 26,581,779</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 42,522
Public safety	246,779
Public works	647,507
Parks and recreation	40,225
Total Governmental Activities Depreciation Expense	<u><u>\$ 977,033</u></u>

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 378,257	\$ -	\$ -	\$ 378,257
Construction in progress	211,933	687,855	(4,320)	895,468
Total capital assets not being depreciated	<u>590,190</u>	<u>687,855</u>	<u>(4,320)</u>	<u>1,273,725</u>
Capital assets, being depreciated:				
Buildings and improvements	713,389	-	-	713,389
Infrastructure	21,419,422	37,419	-	21,456,841
Furniture and equipment	1,463,489	273,240	-	1,736,729
Vehicles	76,747	-	(15,259)	61,488
Total capital assets being depreciated	<u>23,673,047</u>	<u>310,659</u>	<u>(15,259)</u>	<u>23,968,447</u>
Less accumulated depreciation				
Buildings and improvements	(263,914)	(32,069)	-	(295,983)
Infrastructure	(4,656,509)	(520,318)	-	(5,176,827)
Furniture and equipment	(895,068)	(85,105)	-	(980,173)
Vehicles	(68,886)	(6,738)	15,259	(60,365)
Total accumulated depreciation	<u>(5,884,377)</u>	<u>(644,230)</u>	<u>15,259</u>	<u>(6,513,348)</u>
Net capital assets being depreciated	<u>17,788,670</u>	<u>(333,571)</u>	<u>-</u>	<u>17,455,099</u>
Total Capital Assets	<u><u>\$ 18,378,860</u></u>	<u><u>\$ 354,284</u></u>	<u><u>\$ (4,320)</u></u>	<u><u>\$ 18,728,824</u></u>

Depreciation was charged to business-type activities as follows:

Utility	<u>\$ 644,230</u>
Total Business-Type Activities Depreciation Expense	<u><u>\$ 644,230</u></u>

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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>
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 1,125,000	\$ -	\$ (205,000)	\$ 920,000	\$ 215,000
Certificates of Obligation	11,300,000	-	(580,000)	10,720,000	585,000
Premium	363,928	-	(22,036)	341,892	-
Other liabilities:					
Capital lease	120,148	-	(59,218)	60,930	60,930
Compensated absences	56,174	81,100	(64,852)	72,422	65,181
Total Governmental Activities	<u>\$ 12,965,250</u>	<u>\$ 81,100</u>	<u>\$ (931,106)</u>	<u>\$ 12,115,244</u>	<u>\$ 926,111</u>
Long-term liabilities due in more than one year				<u>\$ 11,189,133</u>	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 525,000	\$ -	\$ (100,000)	\$ 425,000	\$ 105,000
Certificates of Obligation	5,935,000	-	(325,000)	5,610,000	330,000
Premium	153,006	-	(8,817)	144,189	-
Other liabilities:					
Compensated absences	16,978	21,957	(19,600)	19,335	17,401
Total Business-Type Activities	<u>\$ 6,629,984</u>	<u>\$ 21,957</u>	<u>\$ (453,417)</u>	<u>\$ 6,198,524</u>	<u>\$ 452,401</u>
Long-term liabilities due in more than one year				<u>\$ 5,746,123</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, 2018

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

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
2007 General obligation refunding bonds	3.76%	\$ 1,790,000	\$ 920,000
2007 Certificates of obligation	4.25%	2,500,000	860,000
2011 Certificates of obligation	3.60%	3,500,000	2,605,000
2015 Certificates of obligation	3.00%	2,000,000	1,625,000
2017 Certificates of obligation	3.00%	5,855,000	5,630,000
Total Governmental Activities		15,645,000	11,640,000
Business-type Activities:			
2007 General obligation refunding bonds	3.76%	\$ 1,455,000	\$ 425,000
2007 Certificates of obligation	4.25%	2,500,000	1,115,000
2011 Certificates of obligation	3.60%	2,250,000	1,685,000
2017 Certificates of obligation	3.00%	2,920,000	2,810,000
Total Business-Type Activities		\$ 9,125,000	\$ 6,035,000
Total Long-Term Debt			
2007 General obligation refunding bonds	3.76%	\$ 3,245,000	\$ 1,345,000
2007 Certificates of obligation	4.25%	5,000,000	1,975,000
2011 Certificates of obligation	3.60%	5,750,000	4,290,000
2015 Certificates of obligation	3.00%	2,000,000	1,625,000
2017 Certificates of obligation	3.00%	8,775,000	8,440,000
Total		\$ 24,770,000	\$ 17,675,000

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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

Governmental Activities				
Year ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
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
Total	\$ 920,000	\$ 71,064	\$ 10,720,000	\$ 2,955,300

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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

Business-Type Activities				
Year ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
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
Total	\$ 425,000	\$ 31,866	\$ 5,610,000	\$ 1,556,594

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

Capital Leases

Year ending September 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 60,930	\$ 1,758	\$ 62,688
	\$ 60,930	\$ 1,758	\$ 62,688

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 \$131,043 as of year end.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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 \$22,196 for governmental activities and \$15,926 for business-type activities. Current year amortization expense for governmental activities totaled \$7,400. For business-type activities amortization expense was \$5,309.

G. Interfund Transactions

Transfers between the primary government funds during the 2018 year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Capital Improvement	General	\$ 101,190
Lucas Fire District	General	342,912
Utility Fund	General	274,498
	Total	<u><u>\$ 718,600</u></u>

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, 2018

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 fund balance/net position of the City:

	Governmental Funds	Business-type Activities
Restricted for:		
Impact fees	\$ 1,572,405	\$ -
Pensions	233,592	-
Debt service	969,611	435,000
* Municipal court	62,899	-
* Fire protection	67,868	-
* Cable fees	25,318	-
Capital improvements	6,277,086	120,979
Street Maintenance (Brockdale)	245,054	-
Capital outlay (Other)	150,000	-
Capital outlay (Ambulance)	100,000	-
Capital outlay (Playground E&P)	1,132	-
Total	\$ 9,704,965	\$ 555,979

* 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 883 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.tmr.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, 2018

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 2017</u>	<u>Plan Year 2016</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, 2017 and 2016 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2017</u>	<u>2016</u>
Inactive employees or beneficiaries currently receiving benefits	13	12
Inactive employees entitled to but not yet receiving benefits	23	23
Active employees	37	30
Total	<u>73</u>	<u>65</u>

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 13.75% and 13.43% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

the year ended September 30, 2018, were \$306,720, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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 (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 2018 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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
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.

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:

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,214,258	\$ 585,300	\$ 80,151

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/16	\$ 3,297,962	\$ 2,546,341	\$ 751,621
Changes for the year:			
Service Cost	372,249	-	372,249
Interest	231,198	-	231,198
Difference between expected and actual experience	9,721	-	9,721
Changes of assumptions	-	-	-
Contributions – employer	-	283,883	(283,883)
Contributions – employee	-	144,523	(144,523)
Net investment income	-	353,005	(353,005)
Benefit payments, including refunds of emp. contributions	(117,869)	(117,869)	-
Administrative expense	-	(1,829)	1,829
Other changes	-	(93)	93
Net changes	495,299	661,620	(166,321)
Balance at 12/31/17	\$ 3,793,261	\$ 3,207,961	\$ 585,300

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.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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

For the year ended September 30, 2018, the City recognized pension expense of \$305,669.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 22,401	\$ -
Changes in actuarial assumptions	13,183	-
Difference between projected and investment earnings	-	92,771
Contributions subsequent to the measurement date	222,492	-
Total	\$ 258,076	\$ 92,771

The City reported \$222,492 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 12,409
2019	(3,689)
2020	(31,465)
2021	(34,442)
2022	-
Thereafter	-
Total	\$ (57,187)

Other Postemployment Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may

City of Lucas, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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 2017	Plan Year 2016
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.

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	4
Active employees	37
Total	46

The City's contributions to the TMRS SDBF for the years ended 2018, 2017 and 2016 were \$166, \$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
2016	0.00%	0.00%	100.0%
2017	0.00%	0.00%	100.0%
2018	0.01%	0.01%	100.0%

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2017, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.31%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

1% Decrease (2.31%)	Current Single Rate Assumption 3.31%	1% Increase (4.31%)
\$ 62,546	\$ 50,665	\$ 41,593

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/16	\$ 40,716
Changes for the year:	
Service Cost	3,716
Interest	1,609
Changes of assumptions	4,624
Benefit payments	-
Net changes	9,949
Balance at 12/31/17	\$ 50,665

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$5,872.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources
Changes in actuarial assumptions	\$ 4,077
Contributions subsequent to measurement date	166
Total	\$ 4,243

City of Lucas, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

The City reported \$166 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, 2019.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2018	\$	547
2019		547
2020		547
2021		547
2022		547
Thereafter		1,342
	\$	<u>4,077</u>

Texas Emergency Services Retirement System

1. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at www.tesrs.org.

Of the nine-member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2018, there were 238 fire and/or emergency services member departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

At August 31, 2018, TESRS membership consisted of:

Retirees and Beneficiaries Currently	
Receiving Benefits	3,533
Terminated Participants Entitled to Benefits	
But Not Yet Receiving Them	1,927
Active Participants (Vested and Nonvested)	<u>3,927</u>
Total	<u>9,387</u>

City of Lucas, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified 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 the System, 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 the System contribution that directly impacts future retiree annuities. According to the state law governing the System, the state is required to contribute an amount necessary to make the System "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.

The board rule defining contributions was amended in 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. Based on the August 31, 2018 actuarial

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

valuation, the Part Two contributions are not required for an adequate contribution arrangement.

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

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 the System. 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 the System.

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, 2018, total contributions (dues and prior service) of \$4,098,835 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,329,224 for the fiscal year ending August 31, 2018.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in Section I(B)(1). The most recently completed biennial actuarial valuation as of August 31, 2018 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state.

The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System's administrative expenses.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

Valuation Date	<u>August 31, 2014</u>	<u>August 31, 2016</u>	<u>August 31, 2018</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar, open	Level dollar, open	Level dollar, open
Amortization	30 years	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%	3.00%
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%	5.81%
Small cap domestic	15%	5.92%
Developed international	15%	6.21%
Emerging markets	5%	7.18%
Master limited partnership	5%	7.61%
Real Estate	5%	4.46%
Fixed income	23%	1.61%
Cash	0%	0%
Total	100.0%	5.01%

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. 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.

1. Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 8/31/17	\$ 251,457	\$ 204,715	\$ 46,742
Changes for the year:			
Service Cost	3,103	-	3,103
Interest (on the Total Pension Liab.)	19,288	-	19,288
Change in benefit terms	5,502	-	5,502
Difference between expected and actual experience	(176)	-	(176)
Contributions – members	-	7,982	(7,982)
Contributions – state	-	2,589	(2,589)
Net investment income	-	22,033	(22,033)
Benefit payments, including refunds of emp. contributions	(11,372)	(11,372)	-
Administrative expense	-	(308)	308
Net changes	16,345	20,924	(4,579)
Balance at 8/31/18	\$ 267,802	\$ 225,639	\$ 42,163

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:

1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
\$ 83,791	\$ 42,163	\$ 14,086

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.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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

For the year ended September 30, 2018, the City recognized pension expense \$13,366.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Outflows of Resources	Deferred Inflows of Resources
Investment earnings	\$ -	\$ 2,331
Changes in actuarial assumptions	158	-
Proportion changes	-	30,505
Projected vs. actual experience	-	110
Total	\$ 158	\$ 32,946

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

Year ended August 31:	
2019	\$ 672
2020	(3,557)
2021	(4,270)
2022	(3,308)
2023	(2,045)
Thereafter	(20,280)
	<u>\$ (32,788)</u>

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 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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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.

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

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).

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:

Year(s) of Service	Vested Percentage
0-2	0%

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

3	60%
4	80%
5 or more	100%

Employees Covered by Benefit Terms

At the July 1, 2017 valuation date, the following employees were covered by the benefit terms:

	<u>2017</u>
Active members	24
Vested-Terminated Members	6
Retired Beneficiaries	<u>1</u>
Total	<u><u>31</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, 2018, were \$19,369, and were more than the required contributions.

As of September 30, 2018, the City has an investment balance of \$233,592, designated for LOSAP benefit payments. This asset is not within an irrevocable trust and there 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, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as July 1, 2017.

Actuarial assumptions:

The Total Pension Liability measured as of June 30, 2018 was determined using the following actuarial assumptions:

City of Lucas, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

Inflation	0% per year
Overall payroll growth	not applicable
Investment Rate of Return	3.61%, net of pension plan investment expense, including inflation
Mortality	No pre-retirement mortality; post retirement RP2000MF 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 3.61% which is based on the 20-year AA general obligation bond rate as of June 30, 2018.

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).

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 3.61%, 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 (2.61%) or 1-percentage-point higher (4.61%) than the current rate:

1% Decrease 2.61%	Current Rate 3.61%	1% Increase 4.61%
\$ 237,137	\$ 221,634	\$ 205,787

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 7/1/17	\$ 234,097	\$ -	\$ 234,097
Changes for the year:			
Service Cost	30,982	-	30,982
Interest	8,432	-	8,432
Difference between expected and actual experience	(41,351)	-	(41,351)
Changes of assumptions	(2,005)	-	(2,005)
Benefit payments, including refunds of emp. contributions	(8,521)	-	(8,521)
Net changes	(12,463)	-	(12,463)
Balance at 6/30/18	\$ 221,634	\$ -	\$ 221,634

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

For the year ended September 30, 2018, the City recognized pension expense of \$33,704. At September 30, 2018, 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	\$ -	\$ 37,217
Differences between actuarial assumption changes	-	12,795
Contributions subsequent to the measurement date	16,133	-
Total	\$ 16,133	\$ 50,012

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

The City reported \$16,311 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended		
June 30:		
2019	\$	(5,710)
2020		(5,710)
2021		(5,710)
2022		(5,710)
2023		(5,710)
Thereafter		(21,462)
Total	\$	<u>(50,012)</u>

D. Restatement

Due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. This adjustment was recorded at the fund level for proprietary funds only, and recorded at the government-wide level for both governmental and business-type activities.

The restatement of beginning net position/fund balance is as follows:

	Governmental Activities	Business-Type Activities
Prior year ending net position/ fund balance as reported	\$ 28,907,375	\$ 20,852,891
Impact of implementation of GASB 75	(30,937)	(9,779)
Restated beginning net position/fund balance	<u>\$ 28,876,438</u>	<u>\$ 20,843,112</u>

E. Subsequent Events

There were no material subsequent events through February 15, 2019, 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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 2,216,687	\$ 2,201,987	\$ 2,201,507	\$ (480)
Sales tax	1,050,000	1,090,000	1,100,167	10,167
Franchise and local taxes	317,000	371,425	410,594	39,169
Licenses and permits	604,480	837,459	871,480	34,021
Impact fees	160,000	160,000	341,597	181,597
Fire department agreements	481,353	501,914	508,170	6,256
Contributions	-	-	54,799	54,799
Fines and forfeitures	84,434	97,452	35,037	(62,415)
Investment income	29,000	60,000	75,020	15,020
Other revenue	118,093	311,751	306,219	(5,532)
Total Revenues	5,061,047	5,631,988	5,904,590	272,602
<u>Expenditures</u>				
Current:				
General government				
City council	18,870	18,870	13,244	5,626
City secretary	170,229	168,937	152,160	16,777
Administrative	788,148	801,824	753,077	48,747
Total general government	977,247	989,631	918,481	71,150
Public safety				
Fire department	1,998,613	2,060,509	1,831,916	228,593
Police	300,000	300,000	281,565	18,435
Total public safety	2,298,613	2,360,509	2,113,481	247,028
Public works				
Public works	527,637	497,190	421,740	75,450
Parks and recreation	100,790	100,790	86,102	14,688
Animal control	35,000	35,000	34,000	1,000
Total public works	663,427	632,980	541,842	91,138
Development services	416,291	421,898	405,016	16,882
Capital outlay	1,002,200	2,207,398	1,967,938	239,460
Debt service:				
Principal	59,218	59,218	59,218	-
Interest	3,471	3,471	3,471	-
Total debt service	62,689	62,689	62,689	-
Total Expenditures	5,420,467	6,675,105	6,009,447	665,658
Revenues Over (Under)	(359,420)	(1,043,117)	(104,857)	938,260

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Other Financing Sources (Uses)</u>				
Transfers in	526,134	534,134	718,600	184,466
Sale of capital assets	-	13,744	14,291	547
Total Other Financing Sources (Uses)	<u>526,134</u>	<u>547,878</u>	<u>732,891</u>	<u>185,013</u>
Net Change in Fund Balance	<u>\$ 166,714</u>	<u>\$ (495,239)</u>	628,034	<u>\$ 1,123,273</u>
Beginning fund balance			10,527,862	
Ending Fund Balance			<u>\$ 11,155,896</u>	

Notes to Required Supplementary Information

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

See Notes to Financial Statements.

City of Lucas, Texas

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

Years Ended:

	12/31/2017	12/31/2016	12/31/2015
Total pension liability			
Service cost	\$ 372,249	\$ 348,892	\$ 293,557
Interest	231,198	198,270	171,059
Changes in benefit terms	-	-	-
Differences between expected and actual experience	9,721	17,647	3,953
Changes of assumptions	-	-	45,337
Benefit payments, including refunds of participant contributions	(117,869)	(59,465)	(36,429)
Net change in total pension liability	495,299	505,344	477,477
Total pension liability - beginning	\$ 3,297,962	\$ 2,792,618	\$ 2,315,141
Total pension liability - ending (a)	\$ 3,793,261	\$ 3,297,962	\$ 2,792,618
Plan fiduciary net position			
Contributions - employer	\$ 283,883	\$ 256,187	\$ 229,058
Contributions - members	144,523	134,633	116,030
Net investment income	353,005	140,372	2,608
Benefit payments, including refunds of participant contributions	(117,869)	(59,465)	(36,429)
Administrative expenses	(1,829)	(1,585)	(1,588)
Other	(93)	(86)	(78)
Net change in plan fiduciary net position	661,620	470,056	309,601
Plan fiduciary net position - beginning	2,546,341	2,076,285	1,766,684
Plan fiduciary net position - ending (b)	\$ 3,207,961	\$ 2,546,341	\$ 2,076,285
Fund's net pension liability - ending (a) - (b)	\$ 585,300	\$ 751,621	\$ 716,333
Plan fiduciary net position as a percentage of the total pension liability	84.57%	77.21%	74.35%
Covered payroll	\$ 2,064,609	\$ 1,923,330	\$ 1,657,575
Fund's net position as a percentage of covered employee payroll	28.35%	39.08%	43.22%

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.

<u>12/31/2014</u> ¹	
\$	182,681
	144,591
	305,541
	33,580
	-
	(39,926)
	<u>626,467</u>
\$	<u>1,688,674</u>
\$	<u>2,315,141</u>
\$	113,742
	103,947
	86,065
	(39,926)
	(898)
	(74)
	<u>262,856</u>
	1,503,828
\$	<u>1,766,684</u>
\$	<u>548,457</u>
	76.31%
\$	1,484,954
	36.93%

City of Lucas, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
Actuarially determined employer contributions \$	306,720	\$ 276,739	\$ 249,286	\$ 192,781
Contributions in relation to the actuarially determined contribution	\$ 306,720	\$ 276,739	\$ 249,286	\$ 192,781
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 2,269,149	\$ 2,030,750	\$ 1,845,924	\$ 1,484,954
Employer contributions as a percentage of covered payroll	13.52%	13.63%	13.50%	12.98%

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.

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	26 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

There were no benefit changes during the year.

City of Lucas, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	<u>12/31/2017</u> ¹
Total OPEB liability	
Service cost	\$ 3,716
Interest	1,609
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	4,624
Benefit payments, including refunds of participant contributions	-
Net change in total OPEB liability	<u>9,949</u>
Total OPEB liability - beginning	<u>\$ 40,716</u>
Total OPEB liability - ending (a)	<u><u>\$ 50,665</u></u> ²
 Covered payroll	 \$ 2,064,609
City's total OPEB liability as a percentage of covered payroll	2.45%

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 No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

City of Lucas, Texas

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

Years Ended:

	8/31/2018	8/31/2017	8/31/2016	8/31/2015 ¹
Total pension liability				
Service cost	\$ 3,103	\$ 5,217	\$ 576	\$ 6,499
Interest	19,288	30,996	3,027	32,495
Changes in benefit terms	5,502	-	246	-
Differences between expected and actual experience	(176)	-	22	-
Changes of assumptions	-	-	303	-
Benefit payments, including refunds of participant contributions	(11,372)	(16,474)	(1,599)	(17,258)
Net change in total pension liability	16,345	19,739	2,575	21,736
Total pension liability - beginning	\$ 251,457	\$ 402,971	\$ 39,286	\$ 421,417 ²
Total pension liability - ending (a)	\$ 267,802	\$ 422,710 ³	\$ 41,861	\$ 443,153
Plan fiduciary net position				
Contributions - employer	\$ 7,982	\$ 16,408	\$ 1,178	\$ 13,486
Contributions - state	2,589	5,185	539	6,281
Net investment income	22,033	32,005	1,686	(12,632)
Benefit payments, including refunds of participant contributions	(11,372)	(16,474)	(1,599)	(17,258)
Administrative expenses	(308)	(602)	(57)	(828)
Other	-	-	-	-
Net change in plan fiduciary net position	20,924	36,522	1,747	(10,951)
Plan fiduciary net position - beginning	204,715	307,613	30,208	351,709
Plan fiduciary net position - ending (b)	\$ 225,639	\$ 344,135	\$ 31,955	\$ 340,758
Fund's net pension liability - ending (a) - (b)	\$ 42,163	\$ 78,575	\$ 9,906	\$ 102,395
Plan fiduciary net position as a percentage of the total pension	84.26%	81.41%	76.34%	76.89%
Number of active members	3,927	4,046	3,634	4,036 ²
Net pension liability per active member	\$ 11	\$ 19	\$ 12	\$ 110
City's proportion of the net pension	0.3274%	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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018.

City of Lucas, Texas

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

Years Ended:

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	¹
Board determined employer contributions	\$ 9,327	\$ 15,834	\$ 1,558	\$ 18,120	
Contributions in relation to the board determined contribution	\$ 9,327	\$ 15,834	\$ 1,558	\$ 18,120	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	

¹This 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.

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.

Other Information:

Notes

There were no benefit changes during the year.

City of Lucas, Texas

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

Year Ended:

	6/30/2018	6/30/2017 ¹
Total pension liability		
Service cost	\$ 30,982	\$ 34,136
Interest	8,432	7,558
Changes in benefit terms	-	-
Differences between expected and actual experience	(41,351)	(1)
Changes of assumptions	(2,005)	(13,739)
Benefit payments, including refunds of participant contributions	(8,521)	(6,744)
Net change in total pension liability	(12,463)	21,210
Total pension liability - beginning	\$ 234,097	\$ 212,887
Total pension liability - ending (a)	\$ 221,634	\$ 234,097
Plan fiduciary net position		
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -
Fund's net pension liability - ending (a) - (b)	\$ 221,634	\$ 234,097
 Plan fiduciary net position as a percentage of the total pension liability	 0.00%	 0.00%

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 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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 1,219,292	\$ 1,315,900	\$ 1,316,678	\$ 778
Investment income	4,756	16,000	17,242	1,242
Total Revenues	<u>1,224,048</u>	<u>1,331,900</u>	<u>1,333,920</u>	<u>2,020</u>
<u>Expenditures</u>				
Debt service				
Principal	785,000	785,000	785,000	-
Interest	412,172	412,371	412,371	-
Total Expenditures	<u>1,197,172</u>	<u>1,197,371</u>	<u>1,197,371</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 26,876</u>	<u>\$ 134,529</u>	136,549	<u>\$ 2,020</u>
Beginning fund balance			<u>833,062</u>	
Ending Fund Balance			<u>\$ 969,611</u>	

Notes to Other Supplementary Information

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

See Notes to Financial Statements.

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Intergovernmental revenue	\$ 106,480	\$ 101,509	\$ 287,573	\$ 186,064
Interest income	12,000	94,000	103,136	9,136
Total Revenues	118,480	195,509	390,709	195,200
<u>Expenditures</u>				
Capital outlay	10,994,924	3,652,213	2,264,236	1,387,977
Total Expenditures	10,994,924	3,652,213	2,264,236	1,387,977
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(752,819)	(699,139)	(101,190)	597,949
Total Other Financing Sources (Uses)	(752,819)	(699,139)	(101,190)	597,949
Net Change in Fund Balance	\$ (11,629,263)	\$ (4,155,843)	(1,974,717)	\$ 2,181,126
Beginning fund balance			6,866,803	
Ending Fund Balance			\$ 4,892,086	

Notes to Other Supplementary Information

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

* Expenditures exceeded appropriations at the legal level of control.

See Notes to Financial Statements.

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Sales tax	\$ 317,000	\$ 325,000	\$ 354,503	\$ 29,503
Total Revenues	<u>317,000</u>	<u>325,000</u>	<u>354,503</u>	<u>29,503</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(315,000)	(323,000)	(342,912)	19,912
Total Other Financing Sources (Uses)	<u>(315,000)</u>	<u>(323,000)</u>	<u>(342,912)</u>	<u>19,912</u>
Net Change in Fund Balance	<u>\$ 2,000</u>	<u>\$ 2,000</u>	11,591	<u>\$ 9,591</u>
Beginning fund balance			<u>56,277</u>	
Ending Fund Balance			<u>\$ 67,868</u>	

Notes to Other Supplementary Information

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

See Notes to Financial Statements.

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.

Contents	Page
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Financial Trends	108
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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	119
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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	126
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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	131
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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	134
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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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities				
Net investment in				
capital assets	\$ 4,308,459	\$ 5,429,217	\$ 6,946,186	\$ 7,912,596
Restricted	495,249	500,694	427,803	1,034,404
Unrestricted	4,276,542	3,097,616	2,819,545	3,785,982
Total Governmental				
Activities Net Position	<u>\$ 9,080,250</u>	<u>\$ 9,027,527</u>	<u>\$ 10,193,534</u>	<u>\$ 12,732,982</u>
 Business-type Activities				
Net investment in				
capital assets	\$ 5,327,139	\$ 6,871,815	\$ 7,954,921	\$ 9,724,745
Restricted	526,921	370,000	300,000	320,000
Unrestricted	4,518,161	4,447,405	4,259,481	4,263,267
Total Business-type				
Activities Net Position	<u>\$ 10,372,221</u>	<u>\$ 11,689,220</u>	<u>\$ 12,514,402</u>	<u>\$ 14,308,012</u>
 Primary Government				
Net investment in				
capital assets	\$ 9,635,598	\$ 12,301,032	\$ 14,901,107	\$ 17,637,341
Restricted	1,022,170	870,694	727,803	1,354,404
Unrestricted	8,794,703	7,545,021	7,079,026	8,049,249
Total Primary Government				
Net Position	<u>\$ 19,452,471</u>	<u>\$ 20,716,747</u>	<u>\$ 22,707,936</u>	<u>\$ 27,040,994</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 9,735,155	\$ 11,217,229	\$ 15,687,778	\$ 17,817,626	\$ 18,969,607	\$ 19,557,740
1,441,795	2,535,158	5,101,359	5,021,277	2,425,677	3,194,287
5,097,482	5,024,220	2,022,200	4,034,670	7,481,154	8,127,220
<u>\$ 16,274,432</u>	<u>\$ 18,776,607</u>	<u>\$ 22,811,337</u>	<u>\$ 26,873,573</u>	<u>\$ 28,876,438</u>	<u>\$ 30,879,247</u>
\$ 11,450,187	\$ 13,112,606	\$ 13,793,927	\$ 14,112,099	\$ 14,790,563	\$ 15,023,072
350,000	382,027	365,000	375,000	436,201	555,979
4,265,404	3,752,393	4,824,325	5,501,285	5,616,348	6,202,108
<u>\$ 16,065,591</u>	<u>\$ 17,247,026</u>	<u>\$ 18,983,252</u>	<u>\$ 19,988,384</u>	<u>\$ 20,843,112</u>	<u>\$ 21,781,159</u>
\$ 21,185,342	\$ 24,329,835	\$ 29,481,705	\$ 31,929,725	\$ 33,760,170	\$ 34,580,812
1,791,795	2,917,185	5,466,359	5,396,277	2,861,878	3,750,266
9,362,886	8,776,613	6,846,525	9,535,955	13,097,502	14,329,328
<u>\$ 32,340,023</u>	<u>\$ 36,023,633</u>	<u>\$ 41,794,589</u>	<u>\$ 46,861,957</u>	<u>\$ 49,719,550</u>	<u>\$ 52,660,406</u>

City of Lucas, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$ 503,433	\$ 583,494	\$ 684,352	\$ 626,484
Public safety	518,869	615,541	653,625	775,050
Public works	587,841	581,006	605,274	609,532
Development services	144,485	225,401	289,492	293,418
Parks and recreation	67,630	79,458	87,811	111,766
Community development	290,328	302,779	-	-
Interest and fiscal charges	217,022	175,627	184,707	256,685
Total governmental activities	2,329,608	2,563,306	2,505,261	2,672,935
Business-type activities:				
Utility fund	1,704,106	1,734,592	2,352,455	2,530,479
Total business-type activities	1,704,106	1,734,592	2,352,455	2,530,479
Total primary government	\$ 4,033,714	\$ 4,297,898	\$ 4,857,716	\$ 5,203,414
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ -	\$ -	\$ 1,804	\$ 9,015
Public safety	27,762	72,689	137,312	176,777
Public works	262,503	333,596	103,551	652,830
Development services	-	-	377,558	539,593
Parks and recreation	-	-	9,000	10,000
Trash service	336,374	335,846	-	-
Capital grants and contributions	-	19,860	218,510	946,567
Operating grants and contributions	-	-	-	-
Total governmental activities	626,639	761,991	847,735	2,334,782
Business-type activities:				
Charges for services:				
Water and sewer	2,205,460	2,085,458	3,427,231	3,025,171
Capital grants and contributions	-	-	-	1,350,014
Total business-type activities	2,205,460	2,085,458	3,427,231	4,375,185
Total primary government	\$ 2,832,099	\$ 2,847,449	\$ 4,274,966	\$ 6,709,967
Net (Expense)/Revenue				
Governmental activities	\$ (1,702,969)	\$ (1,801,315)	\$ (1,657,526)	\$ (338,153)
Business-type activities	501,354	350,866	1,074,776	1,844,706
Total primary government	\$ (1,201,615)	\$ (1,450,449)	\$ (582,750)	\$ 1,506,553

2013	2014	2015	2016	2017	2018
\$ 715,216	\$ 840,998	\$ 934,322	\$ 955,548	\$ 961,459	\$ 935,150
889,680	1,469,546	1,693,535	1,866,920	2,082,243	2,223,061
1,029,582	867,243	1,091,137	883,514	971,612	2,189,754
273,707	257,331	352,718	279,699	345,336	408,654
137,616	132,379	78,233	159,565	113,916	126,327
-	-	-	-	-	-
244,060	232,858	331,834	263,690	373,570	392,146
3,289,861	3,800,355	4,481,779	4,408,936	4,848,136	6,275,092
2,969,977	2,891,141	3,237,288	3,593,006	3,840,280	4,243,367
2,969,977	2,891,141	3,237,288	3,593,006	3,840,280	4,243,367
\$ 6,259,838	\$ 6,691,496	\$ 7,719,067	\$ 8,001,942	\$ 8,688,416	10,518,459
\$ 10,351	\$ 2,501	\$ -	\$ -	\$ -	\$ -
184,020	252,949	327,745	413,588	448,607	509,862
319,402	74,050	335,163	402,068	356,940	341,597
545,526	553,264	707,807	658,708	713,554	904,825
67,000	15,000	-	-	-	-
-	-	-	-	-	-
2,297,740	1,804,078	196,000	37,600	-	342,372
-	-	2,470,277	1,824,487	126,168	-
3,424,039	2,701,842	4,036,992	3,336,451	1,645,269	2,098,656
3,608,367	3,832,078	3,879,602	4,332,497	4,403,061	5,314,349
1,300,659	512,011	1,299,604	418,089	417,020	37,419
4,909,026	4,344,089	5,179,206	4,750,586	4,820,081	5,351,768
\$ 8,333,065	\$ 7,045,931	\$ 9,216,198	\$ 8,087,037	\$ 6,465,350	7,450,424
\$ 134,178	\$ (1,098,513)	\$ (444,787)	\$ (1,072,485)	\$ (3,202,867)	\$ (4,176,436)
1,939,049	1,452,948	1,941,918	1,157,580	979,801	1,108,401
\$ 2,073,227	\$ 354,435	\$ 1,497,131	\$ 85,095	\$ (2,223,066)	\$ (3,068,035)

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Revenues				
Governmental activities:				
Taxes:				
Property taxes	\$ 1,939,859	\$ 2,004,665	\$ 2,053,573	\$ 2,095,821
Sales tax	160,314	157,918	186,642	178,331
Franchise tax	220,729	258,522	244,161	258,112
Investment earnings	100,960	50,305	30,079	19,009
Other income	53,842	57,418	53,362	44,897
Intergovernmental	203,682	164,739	-	-
Transfers, net	(424,647)	(970,175)	255,716	166,229
Total governmental activities	<u>2,254,739</u>	<u>1,723,392</u>	<u>2,823,533</u>	<u>2,762,399</u>
Business-type activities:				
Investment earnings	29,359	4,555	6,122	9,175
Other income	150	-	-	565
Transfers, net	424,647	970,175	(255,716)	(166,229)
Total business-type activities	<u>454,156</u>	<u>974,730</u>	<u>(249,594)</u>	<u>(156,489)</u>
Total primary government	<u>\$ 2,708,895</u>	<u>\$ 2,698,122</u>	<u>\$ 2,573,939</u>	<u>\$ 2,605,910</u>
 Change in Net Position				
Governmental activities	\$ 551,770	\$ (77,923)	\$ 1,166,007	\$ 2,424,246
Business-type activities	955,510	1,325,596	825,182	1,688,217
Total primary government	<u>\$ 1,507,280</u>	<u>\$ 1,247,673</u>	<u>\$ 1,991,189</u>	<u>\$ 4,112,463</u>

2013	2014	2015	2016	2017	2018
\$ 2,292,931	\$ 2,430,447	\$ 2,500,042	\$ 2,988,174	\$ 3,176,863	\$ 3,534,633
587,259	814,033	1,180,171	1,349,475	1,407,216	1,454,670
258,356	319,026	333,591	420,003	318,056	410,594
15,682	18,681	25,026	31,531	80,081	195,398
64,773	122,164	120,443	183,261	64,651	309,452
-	-	-	-	-	-
188,271	275,834	320,244	160,926	158,865	274,498
<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>	<u>6,179,245</u>
6,300	4,321	3,342	8,478	33,792	104,144
500	-	111,210	-	-	-
(188,271)	(275,834)	(320,244)	(160,926)	(158,865)	(274,498)
<u>(181,471)</u>	<u>(271,513)</u>	<u>(205,692)</u>	<u>(152,448)</u>	<u>(125,073)</u>	<u>(170,354)</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>	<u>\$ 6,008,891</u>
\$ 3,541,450	\$ 2,881,672	\$ 4,034,730	\$ 4,060,885	\$ 2,002,865	\$ 2,002,809
1,757,578	1,181,435	1,736,226	1,005,132	854,728	938,047
<u>\$ 5,299,028</u>	<u>\$ 4,063,107</u>	<u>\$ 5,770,956</u>	<u>\$ 5,066,017</u>	<u>\$ 2,857,593</u>	<u>\$ 2,940,856</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund:				
Restricted				
Impact fees	\$ 75,309	\$ 1,500	\$ 99,050	\$ 649,220
Pensions	-	-	-	-
Municipal court	5,010	10,287	3,753	23,291
Capital improvements	-	-	-	-
Cable fees	-	-	-	1,893
Street maintenance	-	-	-	-
Capital outlay (Other)	-	-	-	-
Capital outlay (Ambulance)	-	-	-	-
Capital outlay (Playground E&P)	-	-	-	-
Unassigned	2,199,402	2,429,724	3,179,629	3,822,755
Total general fund	<u>\$ 2,279,721</u>	<u>\$ 2,441,511</u>	<u>\$ 3,282,432</u>	<u>\$ 4,497,159</u>
All other governmental funds:				
Restricted for:				
Debt service	\$ 412,749	\$ 488,907	\$ 326,368	\$ 359,900
Fire protection	-	-	-	-
Capital improvement	2,206,278	832,435	4,048,401	3,279,282
Total all other governmental funds	<u>\$ 2,619,027</u>	<u>\$ 1,321,342</u>	<u>\$ 4,374,769</u>	<u>\$ 3,639,182</u>

2013	2014	2015	2016	2017	2018
\$ 828,316	\$ 770,508	\$ 867,279	\$ 1,116,079	\$ 1,254,213	\$ 1,572,405
-	-	-	-	216,615	233,592
28,624	35,473	45,612	51,623	55,688	62,899
-	-	-	-	-	1,385,000
4,608	8,256	12,773	17,670	21,843	25,318
-	-	-	-	204,594	245,054
-	-	-	2,382	-	150,000
-	-	-	-	-	100,000
-	-	-	-	-	1,132
5,140,955	5,867,875	6,203,973	7,834,423	8,774,909	7,380,496
<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>	<u>\$ 11,155,896</u>
\$ 379,905	\$ 391,905	\$ 560,000	\$ 704,397	\$ 833,062	\$ 969,611
-	-	50,075	53,135	56,277	67,868
2,983,071	3,480,905	3,575,719	2,901,186	6,866,803	4,892,086
<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>	<u>\$ 5,929,565</u>

City of Lucas, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2009	2010	2011	2012
Revenues				
Property taxes	\$ 1,933,243	\$ 2,004,665	\$ 2,020,469	\$ 2,096,519
Sales tax	160,314	157,918	186,642	178,331
Franchise taxes	220,729	256,522	244,161	258,112
Fines and forfeitures	10,026	18,608	53,010	108,610
Licenses and permits	181,306	262,463	369,573	482,755
Fire service agreements	23,624	68,143	101,493	135,021
Trash service	336,374	335,846	-	-
Grants	-	19,860	218,510	9,667
Donations	3,250	-	-	-
Impact fees	75,309	57,070	103,550	652,830
Intergovernmental	203,682	164,739	1,599	135,000
Interest income	100,960	50,305	39,497	19,009
Other revenue	50,592	57,418	53,362	44,897
Total Revenues	3,299,409	3,453,557	3,391,866	4,120,751
Expenditures				
General government	456,189	507,566	595,706	586,357
Public works	362,622	339,221	311,002	270,836
Parks and recreation	62,083	71,479	110,394	123,301
Public safety	432,947	527,795	540,536	655,648
Development services	144,485	221,931	285,706	570,860
Trash services	290,327	302,779	-	279,787
Debt service				
Principal	475,240	425,000	485,000	325,000
Interest	198,384	178,791	158,778	278,158
Bond issuance costs	-	-	81,746	-
Capital outlay	1,540,886	1,046,718	754,566	1,297,754
Total Expenditures	3,963,163	3,621,280	3,323,434	4,387,701
Revenues Over (Under) Expenditures	(663,754)	(167,723)	68,432	(266,950)
Other Financing Sources (Uses)				
Transfers in (out)	(424,647)	(970,174)	255,716	166,229
Debt issued	-	-	3,500,000	-
Premium on bonds issued	-	-	70,200	-
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	-	9,000
Total Other Financing Sources	(424,647)	(970,174)	3,825,916	175,229
Net Change in Fund Balances	\$ (1,088,401)	\$ (1,137,897)	\$ 3,894,348	\$ (91,721)
Ratio of total debt service expenditures to noncapital	28%	23%	25%	20%

	2013	2014	2015	2016	2017	2018
\$	2,303,432	\$ 2,430,447	\$ 2,492,526	\$ 2,964,421	\$ 3,199,118	\$ 3,518,185
	587,259	814,033	1,180,171	1,349,475	1,407,216	1,454,670
	258,356	319,026	333,591	420,003	318,056	410,594
	104,539	91,059	137,842	90,522	88,342	35,037
	467,719	483,163	571,932	568,630	627,675	871,480
	157,389	231,991	325,778	413,144	446,144	508,170
	-	-	-	-	-	-
	1,000	-	-	-	126,168	342,372
	-	101,400	55,000	37,600	-	-
	386,402	89,050	335,163	402,068	356,940	341,597
	640,000	1,000,000	141,000	-	-	-
	15,682	18,681	25,026	31,531	80,081	195,398
	64,773	122,164	120,443	140,006	136,307	306,219
	<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>	<u>7,983,722</u>
	671,248	770,722	817,532	882,248	886,212	947,731
	614,999	416,843	548,519	479,430	446,562	1,071,172
	134,866	129,207	78,233	106,408	69,247	134,568
	748,936	1,282,562	1,412,056	1,640,309	1,713,980	2,294,878
	264,989	248,613	328,126	279,243	340,270	405,016
	-	-	-	-	-	-
	360,000	439,703	444,367	615,940	597,555	844,218
	246,242	235,196	227,132	273,287	248,082	415,842
	-	-	85,771	-	111,007	-
	914,655	1,612,063	3,422,242	1,172,535	3,101,568	3,357,629
	<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>	<u>9,471,054</u>
	1,030,616	566,105	(1,645,506)	968,000	(728,436)	(1,487,332)
	188,271	275,833	320,244	160,926	158,865	274,498
	-	345,000	2,000,000	43,255	5,855,000	-
	-	-	85,771	-	256,007	-
	-	-	-	-	60,401	-
	10,250	2,501	-	-	1,272	14,291
	<u>198,521</u>	<u>623,334</u>	<u>2,406,015</u>	<u>204,181</u>	<u>6,331,545</u>	<u>288,789</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>	<u>\$ (1,198,543)</u>
	20%	19%	17%	21%	19%	21%



City of Lucas, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Estimated Actual Taxable Value	Assessed Value as Percentage of Actual Value
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%
2018	1,317,197,182	183,873,468	377,122,296	1,123,948,354	0.31795	1,501,070,650	74.88%

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

	2009	2010	2011	2012
Direct Rates:				
City of Lucas - Operating	0.25051	0.25204	0.24723	0.25772
City of Lucas - Debt Service	0.12367	0.12214	0.12695	0.11645
Total Direct Rate	0.37418	0.37418	0.37418	0.37418
Overlapping Rates:				
Lovejoy Independent School District	1.51500	1.53500	1.53500	1.53500
Allen Independent School District	1.47030	1.54000	1.54000	1.67000
McKinney Independent School District	1.51700	1.54000	1.52800	1.54000
Plano Independent School District	1.30340	1.32840	1.35340	1.37340
Princeton Independent School District	1.49000	1.49000	1.49000	1.47360
Wylie Independent School District	1.51000	1.59000	1.64000	1.64000
Collin County	0.24250	0.24250	0.24000	0.24000
Collin County Community College	0.08649	0.08630	0.08630	0.08630

Tax rates per \$100 of assessed valuation.

Source: Collin County Central Appraisal Districts and City records.

Note 1: The City's basic property tax rate may be increased only by a majority vote of the City's residents.

Rates for debt service are set based on each year's requirements.

2013	2014	2015	2016	2017	2018
0.26122	0.25401	0.23307	0.21551	0.23037	0.19870
0.11296	0.10161	0.08759	0.10515	0.08758	0.11925
0.37418	0.35562	0.32066	0.32066	0.31795	0.31795
1.53500	1.53500	1.56000	1.56000	1.67000	1.67000
1.67000	1.67000	1.64000	1.61000	1.59000	1.57000
1.54000	1.67000	1.67000	1.67000	1.62000	1.62000
1.37340	1.45300	1.44800	1.43900	1.43900	1.43900
1.48000	1.51000	1.62000	1.62000	1.62000	1.62000
1.64000	1.64000	1.64000	1.64000	1.64000	1.64000
0.24000	0.23750	0.23500	0.22500	0.20800	0.19200
0.08630	0.08364	0.08196	0.08196	0.08122	0.07981



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

Property Tax Payer	2018			2009		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Wal-mart Real Estate	\$ 15,711,629	1	1.40%	\$ -	-	-
Wal-mart Stores	7,182,752	2	0.64%	-	-	-
Dahlia ARR, LLC	4,070,440	3	0.36%	-	-	-
Smithey David & Julie	3,984,741	4	0.35%	-	-	-
Texas Henderson, LLC	3,161,567	5	0.28%	-	-	-
Mentone Partners, LLC	3,109,399	6	0.28%	-	-	-
Larsen Brandon & Heather	2,961,064	7	0.26%	-	-	-
Cadg Lewis Park, LLC	2,680,000	8	0.24%	-	-	-
Bank of America National Association	2,569,968	9	0.23%	-	-	-
Our Country Homes, Inc	2,456,326	10	0.22%	-	-	-
Weekly Homes LP	-	-	-	3,430,348	1	0.67%
Paul Taylor Homes Limited	-	-	-	2,172,095	2	0.43%
FG Creek Properties LTD	-	-	-	1,887,050	3	0.37%
Wolf Creek Lucas Investors LP	-	-	-	1,815,550	4	0.36%
New Lineage Custom Homes	-	-	-	1,670,632	5	0.33%
Holmes Family Interests	-	-	-	1,495,505	6	0.29%
Rockland Farms Lot Venture	-	-	-	1,419,778	7	0.28%
Weekly Homes	-	-	-	1,408,421	8	0.28%
RH Texas LTD	-	-	-	1,106,843	9	0.22%
Plains Capital Bank	-	-	-	1,083,015	10	0.21%
Total	\$ 47,887,886		4.26%	\$ 17,489,237		3.44%
Total Assessed Valuation	\$ 1,123,948,354		100%	\$ 508,885,363		100%

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Tax levy	\$ 1,903,518	\$ 1,985,447	\$ 2,027,004	\$ 2,096,021
Current tax collected	\$ 1,880,257	\$ 1,968,139	\$ 2,011,207	\$ 2,076,932
Percent of current tax collections	98.78%	99.13%	99.22%	99.09%
Delinquent tax collections	\$ 21,320	\$ 14,681	\$ 13,372	\$ 15,670
Total tax collections	\$ 1,901,577	\$ 1,982,820	\$ 2,024,579	\$ 2,092,602
Total collections as a percentage of levy	99.90%	99.87%	99.88%	99.84%

Source: Dallas and Collin County reports.

2013	2014	2015	2016	2017	2018
\$ 2,217,506	\$ 2,466,765	\$ 2,468,541	\$ 2,916,026	\$ 3,166,220	\$ 3,494,617
\$ 2,167,874	\$ 2,321,282	\$ 2,426,661	\$ 2,796,734	\$ 3,117,732	\$ 3,476,119
97.76%	94.1%	98.3%	95.9%	98.5%	99.5%
\$ 46,244	\$ 140,331	\$ 35,951	\$ 112,841	\$ 44,816	\$ -
\$ 2,214,118	\$ 2,461,613	\$ 2,462,612	\$ 2,909,575	\$ 3,162,548	\$ 3,476,119
99.85%	99.79%	99.76%	99.78%	99.88%	99.47%

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities:				
General Obligation Bonds	\$ 1,745,000	\$ 1,653,605	\$ 1,651,005	\$ 1,648,404
Certificates of Obligation	2,790,000	2,375,000	5,433,250	5,116,500
Capital Leases	-	-	-	-
Business-type activities:				
General Obligation Bonds	1,360,000	1,241,605	1,186,913	1,127,222
Certificates of Obligation	2,735,000	2,430,000	4,391,375	4,155,250
Total primary government	\$ 8,630,000	\$ 7,700,210	\$ 12,662,543	\$ 12,047,376
Percentage of personal income (1)	3.45%	3.07%	5.46%	4.35%
Per capita (1)	\$ 1,599	\$ 1,426	\$ 2,380	\$ 2,138

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 131.

2013	2014	2015	2016	2017	2018
\$ 1,645,804	\$ 1,695,000	\$ 1,515,000	\$ 1,325,000	\$ 1,125,000	\$ 920,000
4,764,750	4,336,840	6,293,421	5,914,957	11,663,928	11,061,892
-	288,008	233,643	177,703	120,148	60,930
1,067,531	1,002,839	865,000	695,000	525,000	425,000
3,899,125	3,638,232	3,450,982	3,253,733	6,088,006	5,754,189
<u>\$ 11,377,210</u>	<u>\$ 10,960,919</u>	<u>\$ 12,358,046</u>	<u>\$ 11,366,393</u>	<u>\$ 19,522,082</u>	<u>18,222,011</u>
3.61%	2.97%	3.23%	2.82%	4.32%	3.70%
\$ 1,854	\$ 1,652	\$ 1,817	\$ 1,610	\$ 2,640	\$ 2,293

City of Lucas, Texas

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	2009	2010	2011	2012
NET TAXABLE ASSESSED VALUE				
All property	\$ 508,885,363	\$ 538,038,327	\$ 552,318,974	\$ 567,043,409
NET BONDED DEBT (1)				
Gross bonded debt	10,714,189	7,700,210	12,662,543	12,047,376
Less debt service funds	(412,748)	(488,907)	(326,369)	(359,900)
Net Bonded Debt	<u>\$ 10,301,441</u>	<u>\$ 7,211,303</u>	<u>\$ 12,336,174</u>	<u>\$ 11,687,476</u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	2.02%	1.34%	2.23%	2.06%
POPULATION	5,397	5,400	5,320	5,635
NET BONDED DEBT PER CAPITA	\$ 1,909	\$ 1,335	\$ 2,319	\$ 2,074

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 589,607,007	\$ 663,672,428	\$ 768,920,713	\$ 878,616,542	\$ 1,001,187,477	\$ 1,123,948,354
11,377,210	10,672,911	12,124,403	11,188,690	19,401,934	18,161,081
(380,000)	(391,905)	(560,000)	(704,397)	(833,062)	(969,611)
<u>\$ 10,997,210</u>	<u>\$ 10,281,006</u>	<u>\$ 11,564,403</u>	<u>\$ 10,484,293</u>	<u>\$ 18,568,872</u>	<u>\$ 17,191,470</u>
1.87%	1.55%	1.50%	1.19%	1.85%	1.53%
6,135	6,636	6,800	7,061	7,395	7,947
\$ 1,793	\$ 1,549	\$ 1,701	\$ 1,485	\$ 2,511	\$ 2,163

City of Lucas, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2018

Governmental Unit	Gross Bonded Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Allen ISD	\$ 629,244,570	0.84%	\$ 5,285,654
Collin County	319,710,000	0.94%	3,005,274
Collin County Community College District	246,415,000	0.94%	2,316,301
Lovejoy ISD	162,875,234	34.33%	55,915,068
McKinney ISD	572,155,000	0.48%	2,746,344
Plano ISD	957,625,000	0.13%	1,244,913
Princeton ISD	166,837,329	0.16%	266,940
Wylie ISD	271,296,564	0.25%	678,241
Subtotal, overlapping debt			71,458,735
City direct debt			18,222,011
Total direct and overlapping debt			<u><u>\$ 89,680,746</u></u>

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

Year	Estimated Population	Personal Income	Per Capita Personal Income	Average Age	School Enrollment	Unemployment Rate
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%
2018	7,947	492,801,417	62,011	40	1,981	3.2%

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government and Adminstration	3	3	3	3	3	4	3	3	4	4
Finance	4	4	4	4	4	4	4	4	4	4
Development Services	3	4	4	4	4	4	4	4	5	5
Fire/EMS	-	-	-	1	2	8	8	12	12	16
Public Works/Water Engineering	9	9	9	9	9	9	8	9	9	9
Total	19	20	20	21	22	29	27	32	34	38

Sources: Various City departments.

City of Lucas, Texas

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012
Public safety				
Municipal court				
Number of cases filed	2	72	400	333
Fire/EMS				
Number of calls answered	402	311	352	388
Public works				
Streets maintained (miles)	190	210	230	245
Development services				
Building permits	303	308	443	527
Water and sewer				
New connections	64	62	90	93
Annual gallons pumped (thousands)	420,080	420,805	587,816	517,953
Miles of water mains maintained	42	42	42	42

Sources: Various City departments.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
260	30	4	2	13	6
403	499	504	532	596	773
263	267	280	320	324	339
578	621	663	777	818	1,028
75	71	84	105	81	106
567,325	458,360	499,963	421,738	424,082	506,758
45	48	53	55	57	56

City of Lucas, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

Function/Program	2009	2010	2011	2012
Public safety				
Fire stations	1	1	1	1
Public works				
Streets-paved	39	39	39	39
Parks	2	3	3	3
Parks (acres)	7	11	11	11
Water and sewer				
Water mains (miles)	42.0	42.0	42.0	42.0
Storm mains (miles)	n/a	n/a	n/a	2
Storm drainage (miles)	2.5	2.5	2.5	2.5

Sources: Various City departments.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1	1	1	1	1	1
45	48	53	56	58	59
3	3	3	3	3	3
11	11	11	11	11	11
45.0	48.5	50.9	55.0	57.0	56.0
3	3	3	3	3	3
2.5	2.5	2.5	2.5	2.5	2.5

