



Lucas School House



CITY OF LUCAS, TEXAS



**Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2019**

**Prepared by
Finance Director Liz Exum**





City of Lucas, Texas

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September 30, 2019

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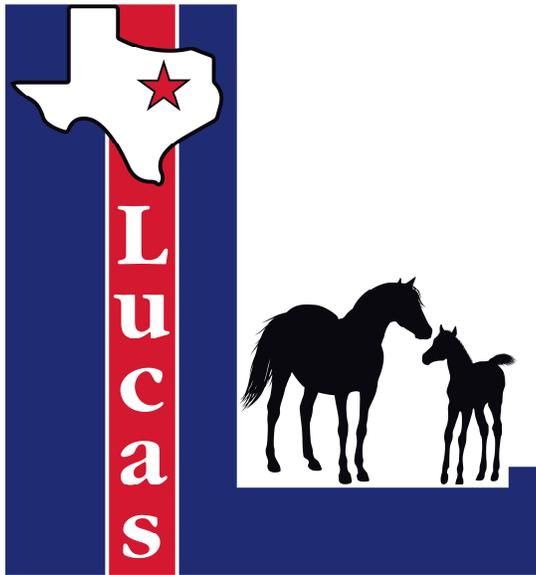
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INTRODUCTORY SECTION





February 28, 2020

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, 2019. 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 Brooks Watson & Co., is to provide reasonable assurance that the financial statements of the City for fiscal year ended September 30, 2019 were free of material misstatement. The independent auditor's report is located in the beginning of the financial section of the CAFR and we are pleased to report the issuance of an unqualified ("clean") opinion on the City of Lucas' financial statements for the year ended September 30, 2019.

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 policymakers. 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 of 8,080, 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:

- 60 new homes were permitted annually with an average taxable market value of \$624,357.
- Commercial development included completion of Lucas Plaza Phase Two (8,050 square foot retail center) located at the northeast corner of Angel Parkway and Lake Travis Drive.
- Village Center (south of Jessica) - Seven acres with potential for a planned development estimated to be completed mid to late 2020.
- Village Center Phase 2 on Country Club and Tabernacle Church (3,000 square foot church) at the intersection of Orr Road and Horseman have been completed.
- Park improvements included construction of a new pavilion at Lewis Park, two new brick grills at City Hall Community Park and new fencing at the City Hall Community Park.
- Trail improvements included tree trimming, brush removal, and cleanup of Brockdale and Highland Park Trail heads.
- Roadway improvements included completion of Stinson Road/West Lucas Intersection, and road paving for Forest Grove, Brockdale Park, Orr, Snider, Shady, and West Lucas Road.
- Major culvert repair and cleanup included Winningkoff, Shady, and Snider roadways.
- Neptune meter replacement program was one hundred percent complete with the installation of 2,624 meters.
- Debt capacity analysis and the issuance of nine million dollars in certificates of obligation to fund future infrastructure projects was completed in August of 2019.



Our Operational Efficiencies

The City of Lucas made improvements to operational efficiencies, public safety, parks, community events, and emergency management planning. Improvements made included the following:

- City Secretary implemented Just FOIA request software solution designed to help manage and track public records requests.
- Public lands cleanup event was held with Trinity Trails Preservation Association to cleanup brush and trash along the park trailheads.
- Fire-Rescue made improvements to the fire station by painting and installing new doors in the bays, added a new monument sign, and ordered a new ambulance for delivery late summer of 2020.
- Trial Farmers markets held October 12th and November 2nd were well received and 13 markets have been planned for the 2020 season.
- The City celebrated its 60th anniversary on February 19, 2019.
- A memorandum of understanding with the Army Corps of Engineers and Collin County was established for the maintenance portion of Trinity Trails and the Highland and Brockdale Park trailheads.
- Five radios were purchased and programmed for emergency management planning and NIMS training requirements were completed by several staff members.

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 2019, the City of Lucas is working on the following:

- Contract was approved on September 5, 2019 for the construction of the North Pump Station estimated to be completed September 2020.
- Blondy Jhune Road is currently under construction with an estimated completion date of March 2020.
- Stinson paving and drainage is currently under construction with an estimated completion date of March 2020.
- Winningkoff paving and drainage is currently under pre-construction with an estimated construction start of June 2020 and completion date of November 2020.
- October 2019 city council directed the Technology committee to work on developing a request for proposal to acquire services of a consultant to prepare a broadband feasibility study for deploying a fiber-to-the-home network as a City utility.

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 12.7 months with funds equaling 106% 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 122% of this year's expenditures.



Our Awards

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lucas for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal years ended September 30, 2010 through 2018.

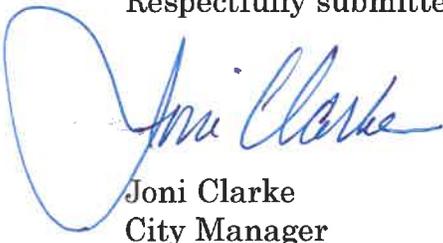
The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. This was the ninth 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, 2018

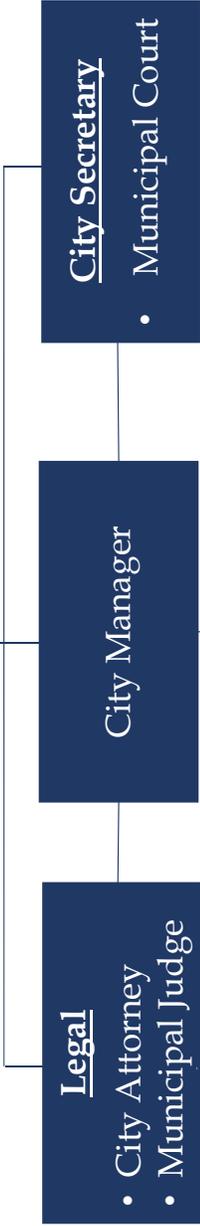
Christopher P. Morill

Executive Director/CEO

City of Lucas Organizational Chart

Citizens of Lucas

City Council



Legal

- City Attorney
- Municipal Judge

City Secretary

- Municipal Court

City Manager

Finance

- Purchasing
- Accounting
- Budget
- Auditing
- Financial Reporting
- Utility Billing

Administration

- Human Resource
- Payroll/Benefits
- Employment Law
- Executive Admin
- Support
- Special Projects/Events

Development Services & Public Works

- Building Services
- Code Enforcement
- Facility Maintenance
- Permitting
- Public Works Operations

Fire-Rescue

- Fire Suppression
- EMS
- Prevention / Outreach
- Emergency Management

Engineering

- Water
- Streets
- Drainage
- CIP
- GIS

**CITY OF LUCAS, TEXAS
ELECTED OFFICIALS AND
ADMINISTRATIVE OFFICERS
SEPTEMBER 30, 2019**

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, 2019, 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.

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019 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.

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, professional style.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
February 28, 2020



*MANAGEMENT'S DISCUSSION
AND ANALYSIS*



City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

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, 2019. 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, 2019 by \$55,619,730. Of this amount, \$15,059,264 (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 \$2,959,324. 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 \$21,259,891 at September 30, 2019, an increase of \$4,174,430 from the prior fiscal year; this includes an increase of \$186,621 in the debt service fund, an increase of \$3,328,012 in the capital improvement fund, an increase of \$6,440 in the nonmajor Lucas Fire District fund, and an increase of \$653,357 in the general fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$7,442,323 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, 2019

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, 2019

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, 2019

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 \$55,619,730 as of September 30, 2019 in the primary government.

The largest portion of the City's net position, \$35,762,008, 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, 2019

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 23,726,583	\$ 11,811,029	\$ 35,537,612	\$ 17,795,165	\$ 9,668,419	\$ 27,463,584
Capital assets, net	31,483,315	18,687,491	50,170,806	26,581,779	18,728,824	45,310,603
Total Assets	55,209,898	30,498,520	85,708,418	44,376,944	28,397,243	72,774,187
Total Deferred						
Outflows	355,715	99,092	454,807	180,105	78,926	259,031
Other liabilities	3,527,791	1,035,961	4,563,752	1,645,895	773,871	2,419,766
Long-term liabilities	18,976,028	6,913,184	25,889,212	11,936,159	5,898,859	17,835,018
Total Liabilities	22,503,819	7,949,145	30,452,964	13,582,054	6,672,730	20,254,784
Total Deferred						
Inflows	86,095	4,436	90,531	95,748	22,280	118,028
Net Position:						
Net investment						
in capital assets	20,427,592	15,334,416	35,762,008	19,557,740	15,023,072	34,580,812
Restricted	4,129,734	668,724	4,798,458	3,194,287	555,979	3,750,266
Unrestricted	8,418,373	6,640,891	15,059,264	8,127,220	6,202,108	14,329,328
Total Net Position	\$ 32,975,699	\$ 22,644,031	\$ 55,619,730	\$ 30,879,247	\$ 21,781,159	\$ 52,660,406

During the current year, the City's current assets for the primary government increased. This change was a direct result of the new proceeds received from the issuance of the Certificates of Obligation bonds in the current year. Long-term liabilities for the primary government increased as a result of the aforementioned bond issuance occurring in the current year. The City's capital assets in governmental activities increased \$4,901,536. This increase is primarily attributed to the City's investments in infrastructure assets in the current year. Other liabilities for the primary government increased and is primarily attributed unpaid payables for capital improvements as of the end of the year.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2019

Statement of Activities:

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

	For the Year Ended September 30, 2019			For the Year Ended September 30, 2018		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 1,256,424	\$ 4,775,275	\$ 6,031,699	\$ 1,756,284	\$ 5,314,349	\$ 7,070,633
Capital grants and contributions	437,074	368,375	805,449	342,372	37,419	379,791
General revenues:						
Property taxes	3,920,086	-	3,920,086	3,534,633	-	3,534,633
Sales taxes	1,576,882	-	1,576,882	1,454,670	-	1,454,670
Franchise and local taxes	413,713	-	413,713	410,594	-	410,594
Investment income	334,467	205,199	539,666	195,398	104,144	299,542
Other revenues	217,025	-	217,025	309,452	-	309,452
Total Revenues	8,155,671	5,348,849	13,504,520	8,003,403	5,455,912	13,459,315
Expenses						
General government	1,096,507	-	1,096,507	935,150	-	935,150
Public safety	2,621,361	-	2,621,361	2,223,061	-	2,223,061
Public works	1,423,456	-	1,423,456	2,189,754	-	2,189,754
Parks and recreation	194,196	-	194,196	126,327	-	126,327
Development services	426,705	-	426,705	408,654	-	408,654
Interest and fiscal charges	535,381	233,112	768,493	392,146	216,753	608,899
Utility	-	4,014,478	4,014,478	-	4,026,614	4,026,614
Total Expenses	6,297,606	4,247,590	10,545,196	6,275,092	4,243,367	10,518,459
Change in Net Position						
Before Transfers	1,858,065	1,101,259	2,959,324	1,728,311	1,212,545	2,940,856
Transfers	238,387	(238,387)	-	274,498	(274,498)	-
Total	238,387	(238,387)	-	274,498	(274,498)	-
Change in Net Position	2,096,452	862,872	2,959,324	2,002,809	938,047	2,940,856
Beginning Net Position	30,879,247	21,781,159	52,660,406	28,876,438	20,843,112	49,719,550
Ending Net Position	\$ 32,975,699	\$ 22,644,031	\$ 55,619,730	\$ 30,879,247	\$ 21,781,159	\$ 52,660,406

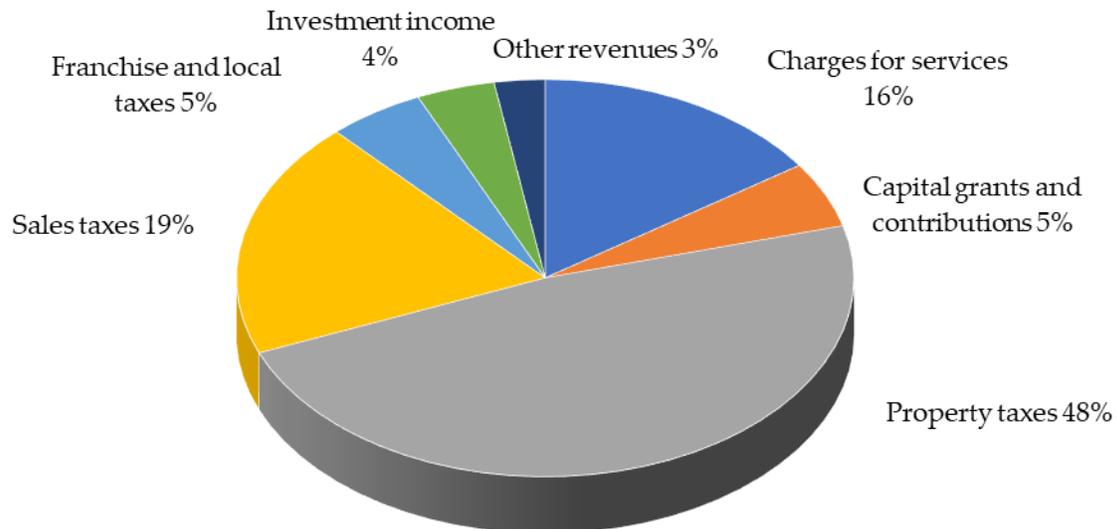
City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

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

Governmental Activities - Revenues

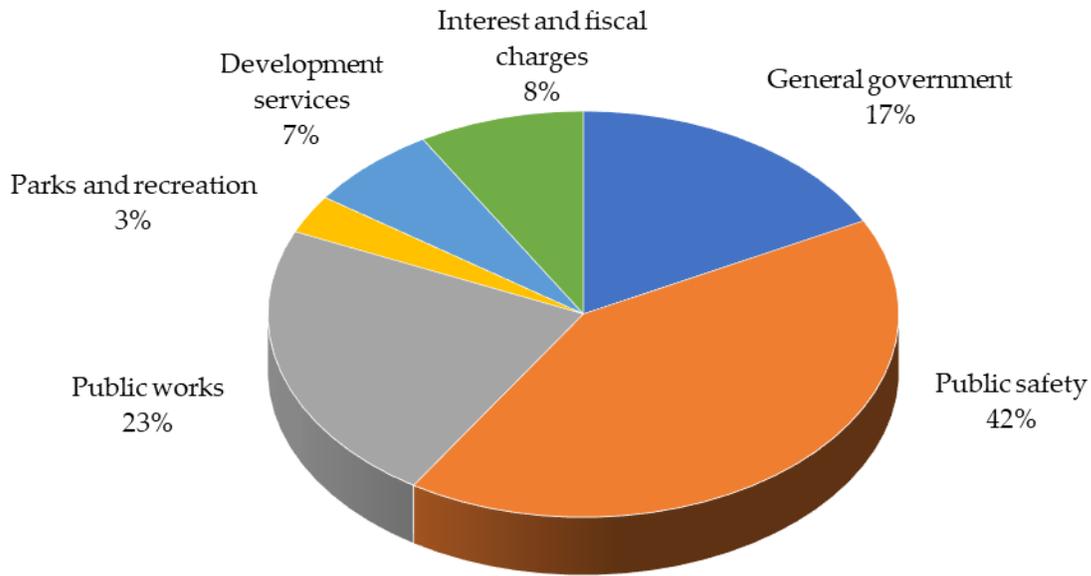


For the year ended September 30, 2019, revenues from governmental activities totaled \$8,155,671. Property tax, sales tax and charges for services are the City's largest general revenue sources. Overall revenue increased \$152,268 or 2%. Charges for services decreased by \$499,860 primarily due to a change in state law no longer allowing cities to collect permit fees in the extraterritorial jurisdiction ("ETJ"). Capital grants and contributions increased by \$94,702 which is attributed to nonrecurring intergovernmental funding from Brookdale Community, LLC for improvements to Brookdale Road in the current year. Property taxes increased by \$385,453, which is primarily attributed to the increase in appraised property values. Sales taxes increased by \$122,212 due to economic growth within the City. Investment income increased by \$139,069 as a result of the increase in interest-bearing cash accounts. Other revenues decreased by \$92,427 primarily as a result of a nonrecurring private donation the City received for the purchase of a new ambulance in the prior year. All other revenues remained relatively stable when compared to the previous year.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2019

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2019, expenses for governmental activities totaled \$6,297,606. This represents an increase of \$22,514 or less than 1% from the prior year. The City's largest functional expense is public safety of \$2,621,361. Public safety expenses increased by \$398,300 or 18% primarily due to increased personnel costs. General government increased by \$161,357 or 17% primarily due to increased personnel, legal, and facility maintenance related expenses. Public works decreased by \$766,298 or 35%, which is mainly attributable to nonrecurring road repair projects in the prior year. Parks and recreation increased \$67,869 or 54% mainly due to increased contract expenses, such as mowing services. Interest and fiscal charges increased \$143,235 or 37% due to nonrecurring bond issuance costs incurred in the current year. All other expenditures remained relatively stable when compared to the previous year.

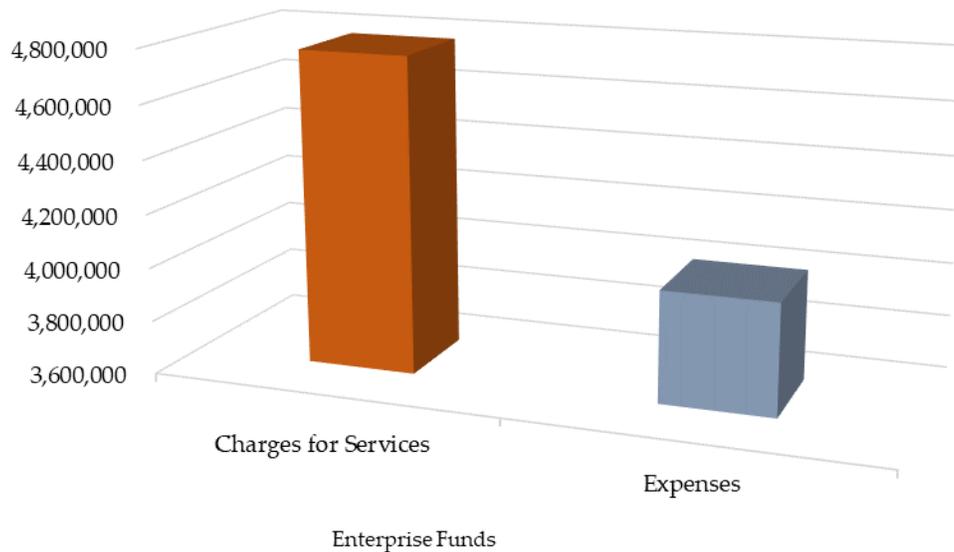
City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

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, 2019, charges for services by business-type activities totaled \$4,775,275. This is a decrease of \$539,074 or 10%, from the previous year. This variance is due to a decline in water consumption in the current year.

Total expenses increased slightly by \$4,223 to a total of \$4,247,590, which is considered minimal.

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, 2019, the City's governmental funds reported combined fund balances of \$21,259,891, an increase of \$4,174,430 in comparison with the prior year. Approximately 35% of this amount \$7,442,323 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *restricted*.

As of the end of the year the general fund reflected a total fund balance of \$11,809,253. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

The total fund balance of General Fund is 196% of total general fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$7,442,323 is 123% of total general fund expenditures. The general fund increased by \$653,357 compared to the prior year. This increase is mainly attributed to fund transfers received from other funds.

The debt service fund had an ending fund balance of \$1,156,232 at September 30, 2019 compared to the previous year's balance of \$969,611. Principal payments amounted to \$800,000 and interest payments totaled \$372,388 in the current year. Total property tax and investment revenues amounted to \$1,359,009.

The capital improvement fund ending fund balance is \$8,220,098. During the year, the City expended \$4,344,700 on various projects during the year from this fund. The fund balance increased by \$3,328,012 primarily due to bond proceeds received in the current year.

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 \$22,644,031. Unrestricted net position of the enterprise fund at the close of the fiscal year amounted to \$6,640,891. Total net position increased \$862,872. The fund had an investment in capital assets, net of related debt of \$15,334,416. 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 \$368,375 consisting of water infrastructure.
- Operational expenses excluding depreciation and amortization were \$3,366,134.
- Cash and cash equivalents in the utility fund were \$6,215,622 at fiscal year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were several budget amendments approved during the fiscal year, and increased budgeted expenditures by \$919,401. The amendments also increased budgeted revenues by \$460,028. Amendments were made to account for unplanned revenues and revised estimates for several expenditure categories. The following are additional comments regarding appropriations:

- There was a total positive variance of \$340,873 in final budgeted revenue compared to actual.
- \$828,882 is the surplus of revenues over expenditures before transfers.
- There was a net positive overall variance in fund balance of \$848,339.
- Significant amendments include an increase of \$637,255 in capital outlay expenditures for the purchase of an ambulance and improvements to roadways.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$31,483,315 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$18,687,491 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 net investment in capital assets increased by \$1,181,196, net of depreciation.

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

- Investment in water utility infrastructure of \$368,374.
- Purchase of new water meters totaling \$211,806.
- Investment in new road infrastructure totaling \$5,327,219.
- Purchase of new ambulance amounting to \$390,440.

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 \$26,077,258, including premiums. Of this amount, \$7,213,709 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 2019-2020:

- This budget will raise more total property taxes than last year's budget by \$297,413 or 8.42%, and of that amount, \$246,138 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2019-2020 reflects total anticipated revenues of \$12,704,124 and total anticipated expenditures of \$12,417,592.
- The City tax rate is set each fall and is enacted via ordinance. The rate for fiscal year 2019-2020 was enacted by Ordinance #2019-08-00899 and is set to \$0.303216 cents per \$100 of valuation.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

September 30, 2019

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, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 8,175,729	\$ 6,215,622	\$ 14,391,351
Restricted cash	14,866,192	4,522,310	19,388,502
Restricted investments	252,407	-	252,407
Receivables, net	432,255	1,073,097	1,505,352
Total Current Assets	23,726,583	11,811,029	35,537,612
Capital assets:			
Non-depreciable	6,264,849	490,377	6,755,226
Net depreciable capital assets	25,218,466	18,197,114	43,415,580
	31,483,315	18,687,491	50,170,806
Total Assets	55,209,898	30,498,520	85,708,418
<u>Deferred Outflows of Resources</u>			
Pension contributions	194,723	51,467	246,190
OPEB contributions	142	40	182
Pension investment earnings	134,889	36,397	171,286
Pension assumption changes	11,062	542	11,604
OPEB assumption changes	103	29	132
Deferred charge on refunding	14,796	10,617	25,413
Total Deferred Outflows of Resources	355,715	99,092	454,807

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	2,013,114	218,910	2,232,024
Unearned revenue	406,144	-	406,144
Accrued interest payable	86,289	40,399	126,688
Customer deposits	27,600	256,220	283,820
Compensated absences, current	79,644	20,432	100,076
Long term debt due within one year	915,000	500,000	1,415,000
	3,527,791	1,035,961	4,563,752
Noncurrent liabilities:			
Long-term debt due in more than one year	17,948,549	6,713,709	24,662,258
Compensated absences, noncurrent	8,849	2,270	11,119
Net pension liabilities	982,187	186,943	1,169,130
OPEB liability	36,443	10,262	46,705
Total Liabilities	22,503,819	7,949,145	30,452,964
<u>Deferred Inflows of Resources</u>			
OPEB investment earnings	4,347	1,224	5,571
Pension experience vs actual	44,538	3,212	47,750
Pension proportion changes	37,210	-	37,210
Total Deferred Inflows of Resources	86,095	4,436	90,531
<u>Net Position</u>			
Net investment in capital assets	20,427,592	15,334,416	35,762,008
Restricted for:			
Impact fees	1,785,286	-	1,785,286
Debt service	1,156,232	477,800	1,634,032
Capital projects	169,671	120,979	290,650
Municipal court	70,355	-	70,355
Fire protection	74,308	-	74,308
Cable fees	28,582	-	28,582
Street maintenance (Brockdale)	285,878	-	285,878
Project management	358,290	69,945	428,235
Capital outlay (Playground E&P)	1,132	-	1,132
Capital outlay (Other)	200,000	-	200,000
Unrestricted	8,418,373	6,640,891	15,059,264
Total Net Position	\$ 32,975,699	\$ 22,644,031	\$ 55,619,730

See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 1,096,507	\$ -	\$ -
Public safety	2,621,361	528,717	-
Public works	1,423,456	232,881	437,074
Parks and recreation	194,196	-	-
Development services	426,705	494,826	-
Interest and fiscal charges	535,381	-	-
Total Governmental Activities	<u>6,297,606</u>	<u>1,256,424</u>	<u>437,074</u>
Business-Type Activities			
Utility fund	4,247,590	4,775,275	368,375
Total Business-Type Activities	<u>4,247,590</u>	<u>4,775,275</u>	<u>368,375</u>
Total Primary Government	<u>\$ 10,545,196</u>	<u>\$ 6,031,699</u>	<u>805,449</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
\$ (1,096,507)	\$ -	\$ (1,096,507)
(2,092,644)	-	(2,092,644)
(753,501)	-	(753,501)
(194,196)	-	(194,196)
68,121	-	68,121
(535,381)	-	(535,381)
<u>(4,604,108)</u>	<u>-</u>	<u>(4,604,108)</u>
-	896,060	896,060
-	896,060	896,060
<u>(4,604,108)</u>	<u>896,060</u>	<u>(3,708,048)</u>
3,920,086	-	3,920,086
1,576,882	-	1,576,882
413,713	-	413,713
334,467	205,199	539,666
217,025	-	217,025
238,387	(238,387)	-
<u>6,700,560</u>	<u>(33,188)</u>	<u>6,667,372</u>
2,096,452	862,872	2,959,324
30,879,247	21,781,159	52,660,406
<u>\$ 32,975,699</u>	<u>\$ 22,644,031</u>	<u>\$ 55,619,730</u>

City of Lucas, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Nonmajor Lucas Fire District</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 8,170,910	\$ -	\$ -	\$ 4,819
Receivables, net	356,202	6,564	-	69,489
Cash and cash equivalents - restricted	4,120,302	1,156,232	9,589,658	-
Restricted investments	252,407	-	-	-
Total Assets	\$ 12,899,821	\$ 1,162,796	\$ 9,589,658	\$ 74,308
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 643,554	\$ -	\$ 1,369,560	\$ -
Unearned revenue	406,144	-	-	-
Customer deposits	27,600	-	-	-
Total Liabilities	1,077,298	-	1,369,560	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - Property taxes	13,270	6,564	-	-
Total Deferred Inflows	13,270	6,564	-	-
<u>Fund Balances</u>				
Restricted for:				
Impact fees	1,785,286	-	-	-
Pensions	252,407	-	-	-
Debt service	-	1,156,232	-	-
Capital improvements	1,385,000	-	8,220,098	-
Municipal court	70,355	-	-	-
Fire protection	-	-	-	74,308
Cable fees	28,582	-	-	-
Street maintenance (Brockdale)	285,878	-	-	-
Project management	358,290	-	-	-
Capital outlay (Playground E&P)	1,132	-	-	-
Capital outlay (Other)	200,000	-	-	-
Unassigned	7,442,323	-	-	-
Total Fund Balances	11,809,253	1,156,232	8,220,098	74,308
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,899,821	\$ 1,162,796	\$ 9,589,658	\$ 74,308

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 8,175,729
432,255

14,866,192
252,407
\$ 23,726,583

\$ 2,013,114
406,144
27,600
2,446,858

19,834
19,834

1,785,286
252,407
1,156,232
9,605,098
70,355
74,308
28,582
285,878
358,290
1,132
200,000
7,442,323
21,259,891

\$ 23,726,583



City of Lucas, Texas

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

September 30, 2019

Fund Balances - Total Governmental Funds	\$ 21,259,891
 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	6,264,849
Capital assets - net depreciable	25,218,466
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	19,834
 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	194,723
OPEB contributions	142
Pension investment earnings	134,889
Pension experience vs actual	(44,538)
Pension assumption changes	11,062
OPEB assumption changes	103
Pension proportion changes	(37,210)
OPEB investment earnings	(4,347)
Deferred charge on refunding	14,796
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(86,289)
Bond premium	(808,549)
Non-current liabilities due in one year	(915,000)
Non-current liabilities due in more than one year	(17,140,000)
Compensated absences	(88,493)
Net pension liability - TMRS	(663,911)
OPEB liability - TMRS	(36,443)
Net pension liability - LOSAP	(274,573)
Net pension liability - TESRS	(43,703)
Net Position of Governmental Activities	\$ 32,975,699

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, 2019

	General	Debt Service	Capital Improvement	Nonmajor Lucas Fire District
Revenues				
Property tax	\$ 2,639,576	\$ 1,314,661	\$ -	\$ -
Sales tax	1,187,653	-	-	389,229
Franchise and local taxes	413,713	-	-	-
Licenses and permits	463,900	-	-	-
Impact fees	232,881	-	-	-
Fire department agreements	527,303	-	-	-
Grants and contributions	181,400	-	-	-
Fines and forfeitures	32,340	-	-	-
Investment income	167,407	44,348	122,712	-
Other revenue	210,307	-	-	-
Total Revenues	6,056,480	1,359,009	122,712	389,229
Expenditures				
Current:				
General government	1,074,382	-	-	-
Public safety	2,341,313	-	-	-
Public works	515,752	-	-	-
Development services	417,978	-	-	-
Parks and recreation	152,485	-	-	-
Debt Service:				
Principal	60,930	800,000	-	-
Interest and fiscal charges	1,712	372,388	-	-
Bond issuance costs	-	-	153,693	-
Capital outlay	1,466,465	-	4,344,700	-
Total Expenditures	6,031,017	1,172,388	4,498,393	-
Revenues				
Over (Under) Expenditures	25,463	186,621	(4,375,681)	389,229
Other Financing Sources (Uses)				
Transfers in	621,176	-	-	-
Transfers (out)	-	-	-	(382,789)
Sale of capital assets	6,718	-	-	-
Bond issuance	-	-	7,215,000	-
Bond premium	-	-	488,693	-
Total Other				
Financing Sources (Uses)	627,894	-	7,703,693	(382,789)
Net Change in Fund Balances	653,357	186,621	3,328,012	6,440
Beginning fund balances	11,155,896	969,611	4,892,086	67,868
Ending Fund Balances	\$ 11,809,253	\$ 1,156,232	\$ 8,220,098	\$ 74,308

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 3,954,237
 1,576,882
 413,713
 463,900
 232,881
 527,303
 181,400
 32,340
 334,467
 210,307

7,927,430

1,074,382
 2,341,313
 515,752
 417,978
 152,485

860,930
 374,100
 153,693
 5,811,165

11,701,798

(3,774,368)

621,176
 (382,789)
 6,718
 7,215,000
 488,693

7,948,798

4,174,430

17,085,461

\$ 21,259,891



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, 2019

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

Net changes in fund balances - total governmental funds	\$ 4,174,430
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	5,889,556
Depreciation expense	(988,020)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(34,151)
--	----------

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	(16,071)
Accrued interest	(22,224)
Pension expense	(73,669)
OPEB expense	(5,272)

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

Proceeds from bond issuance	(7,215,000)
Bond premium	(488,693)
Amortization of deferred charges on refunding	(7,400)
Amortization of debt premium	22,036
Debt payments	860,930

Change in Net Position of Governmental Activities	\$ 2,096,452
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See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUND
September 30, 2019

	Utility
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 6,215,622
Restricted cash	4,522,310
Receivables, net	1,073,097
Total Current Assets	11,811,029
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	490,377
Net depreciable capital assets	18,197,114
Total Noncurrent Assets	18,687,491
Total Assets	30,498,520
<u>Deferred Outflows of Resources</u>	
Pension contributions	51,467
OPEB contributions	40
Pension investment earnings	36,397
Pension assumption changes	542
OPEB assumption changes	29
Deferred charge on refunding	10,617
Total Deferred Outflows of Resources	99,092

Total Deferred Outflows of Resources

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUND

September 30, 2019

	<u>Utility</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	\$ 218,910
Accrued interest	40,399
Customer deposits	256,220
Compensated absences, current	20,432
Current portion of long term debt	500,000
Total Current Liabilities	1,035,961
<u>Noncurrent Liabilities</u>	
Noncurrent portion of long term debt	6,713,709
Compensated absences, noncurrent	2,270
Net pension liability	186,943
OPEB liability	10,262
Total Liabilities	7,949,145
<u>Deferred Inflows of Resources</u>	
Pension experience vs actual	3,212
OPEB investment earnings	1,224
Total Deferred Inflows of Resources	4,436
<u>Net Position</u>	
Net investment in capital assets	15,334,416
Restricted for:	
Debt service	477,800
Capital projects	120,979
Project management	69,945
Unrestricted	6,640,891
Total Net Position	\$ 22,644,031

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, 2019

	Utility
<u>Operating Revenues</u>	
Charges for services	\$ 4,586,193
Impact fees	188,869
Other revenue	213
Total Operating Revenues	4,775,275
 <u>Operating Expenses</u>	
Personnel	745,225
Contractual services	2,002,438
Trash services	517,911
Supplies and materials	27,990
Maintenance and repair	72,570
Depreciation	648,344
Total Operating Expenses	4,014,478
Operating Income	760,797
 <u>Non-Operating Revenues (Expenses)</u>	
Investment income	205,199
Interest expense	(233,112)
Total Non-Operating Revenues (Expenses)	(27,913)
Income Before Capital Contributions and Transfers	732,884
Contributed capital	368,375
Transfers (out)	(238,387)
Change in Net Position	862,872
Beginning net position	21,781,159
Ending Net Position	\$ 22,644,031

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, 2019

	Utility
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 4,369,139
Payments to suppliers	(2,440,836)
Payments to employees	(740,708)
Net Cash Provided by (Used for) Operating Activities	1,187,595
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfer (out)	(238,387)
Net Cash (Used for) Noncapital Financing Activities	(238,387)
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital purchases	(238,636)
Proceeds from capital debt	1,478,337
Principal paid on debt	(435,000)
Interest paid on debt	(231,254)
Net Cash Provided by Capital and Related Financing Activities	573,447
<u>Cash Flows from Investing Activities</u>	
Interest on investments	205,199
Net Cash Provided by Investing Activities	205,199
Net Increase in Cash and Cash Equivalents	1,727,854
Beginning cash and cash equivalents	9,010,078
Ending Cash and Cash Equivalents	\$ 10,737,932

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, 2019

	Utility
<u>Reconciliation of Operating Income</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 760,797
Adjustments to reconcile operating income to net cash provided:	
Depreciation	648,344
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(414,756)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	180,073
Compensated absences	3,367
Customer deposits	8,620
Deferred outflows - pension contributions	1,968
Deferred outflows - OPEB contributions	-
Deferred outflows - investment earnings	(58,677)
Deferred inflows - pension experience vs. actual	8,592
Deferred outflows - pension assumption changes	437
Deferred outflows - OPEB assumption changes	3,137
Deferred inflows - OPEB investment earnings	1,224
Net pension liability	46,375
OPEB liability	(1,906)
Net Cash Provided by Operating Activities	\$ 1,187,595
 <u>Schedule of Non-cash Capital and Related Financing Activities:</u>	
Capital contributions	\$ 368,375

See Notes to Financial Statements.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Blended Component Unit

Lucas Fire District

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

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

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

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

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

The government reports the following governmental funds:

General Fund

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

Debt Service Fund

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Capital Improvements Fund

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

Lucas Fire District Fund

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

The government reports the following major enterprise fund:

Utility Fund

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

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

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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, 2019

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 balances

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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, works of art and similar items and capital assets received in a service concession arrangement are recorded at acquisition value rather than fair value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

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

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

8. Fund Balance Policies

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

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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
September 30, 2019

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, 2019

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
September 30, 2019

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, 2019

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	\$ 252,407	0.00	AA+
External investment pools			
TexPool	1,118,631	32	AAAm
LOGIC	23,272,528	42	AAAm
Lone Star	2,796,837	32	AAAm
Total value	<u>\$ 27,440,403</u>		
Total portfolio		35	

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, 2019, the City's investment in TexPool, LOGIC, and the Lone Star Investment Pool were rated AAm 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 and

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2019, 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. To ensure an

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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, 2019.

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Group Annuity	\$ 252,407	\$ 252,407	\$ -	\$ -
Total Assets at fair value	<u>\$ 252,407</u>	<u>\$ 252,407</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%.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

B. Receivables

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

	Lucas				Total
	General	Debt Service	Fire District	Utility	
Property taxes	\$ 13,270	\$ 6,564	\$ -	\$ -	\$ 19,834
Sales tax	210,795	-	69,489	-	280,284
Franchise tax	132,137	-	-	-	132,137
Accounts	-	-	-	1,007,261	1,007,261
Other	-	-	-	66,210	66,210
Allowance	-	-	-	(374)	(374)
	<u>\$ 356,202</u>	<u>\$ 6,564</u>	<u>\$ 69,489</u>	<u>\$ 1,073,097</u>	<u>\$ 1,505,352</u>

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

C. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,216,447	\$ -	\$ -	\$ 1,216,447
Construction in progress	2,379,667	4,637,207	(1,968,472)	5,048,402
Total capital assets not being depreciated	<u>3,596,114</u>	<u>4,637,207</u>	<u>(1,968,472)</u>	<u>6,264,849</u>
Capital assets, being depreciated:				
Buildings and improvements	4,905,462	112,771	38,570	5,056,803
Furniture and equipment	1,848,141	39,612	(11,037)	1,876,716
Vehicles	1,855,302	-	493,561	2,348,863
Infrastructure	21,712,049	1,099,966	1,198,726	24,010,741
Total capital assets being depreciated	<u>30,320,954</u>	<u>1,252,349</u>	<u>1,719,820</u>	<u>33,293,123</u>
Less accumulated depreciation				
Buildings and improvements	(792,251)	(131,342)	-	(923,593)
Furniture and equipment	(1,331,183)	(109,423)	11,037	(1,429,569)
Vehicles	(1,260,849)	(112,246)	237,615	(1,135,480)
Infrastructure	(3,951,006)	(635,009)	-	(4,586,015)
Total accumulated depreciation	<u>(7,335,289)</u>	<u>(988,020)</u>	<u>248,652</u>	<u>(8,074,657)</u>
Net capital assets being depreciated	<u>22,985,665</u>	<u>264,329</u>	<u>1,968,472</u>	<u>25,218,466</u>
Total Capital Assets	<u><u>\$ 26,581,779</u></u>	<u><u>\$ 4,901,536</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,483,315</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 39,245
Public safety	222,699
Public works	684,365
Parks and recreation	41,711
Total Governmental Activities Depreciation Expense	<u><u>\$ 988,020</u></u>

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 378,257	\$ -	\$ -	\$ 378,257
Construction in progress	895,468	26,831	(810,179)	112,120
Total capital assets not being depreciated	<u>1,273,725</u>	<u>26,831</u>	<u>(810,179)</u>	<u>490,377</u>
Capital assets, being depreciated:				
Buildings and improvements	713,389	-	-	713,389
Infrastructure	21,456,841	368,375	810,179	22,635,395
Furniture and equipment	1,736,729	211,805	-	1,948,534
Vehicles	61,488	-	-	61,488
Total capital assets being depreciated	<u>23,968,447</u>	<u>580,180</u>	<u>810,179</u>	<u>25,358,806</u>
Less accumulated depreciation				
Buildings and improvements	(295,983)	(28,906)	-	(324,889)
Infrastructure	(5,176,827)	(522,085)	-	(5,698,912)
Furniture and equipment	(980,173)	(96,230)	-	(1,076,403)
Vehicles	(60,365)	(1,123)	-	(61,488)
Total accumulated depreciation	<u>(6,513,348)</u>	<u>(648,344)</u>	<u>-</u>	<u>(7,161,692)</u>
Net capital assets being depreciated	17,455,099	(68,164)	810,179	18,197,114
Total Capital Assets	<u>\$ 18,728,824</u>	<u>\$ (41,333)</u>	<u>\$ -</u>	<u>\$ 18,687,491</u>

Depreciation was charged to business-type activities as follows:

Utility	<u>\$ 648,344</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 648,344</u>

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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	\$ 920,000	\$ -	\$ (215,000)	\$ 705,000	\$ 225,000
Certificates of Obligation	10,720,000	7,215,000	(585,000)	17,350,000	690,000
Premium	341,892	488,693	(22,036)	808,549	-
Other liabilities:					
Capital lease	60,930	-	(60,930)	-	-
Total Governmental Activities	<u>\$ 12,042,822</u>	<u>\$ 7,703,693</u>	<u>\$ (882,966)</u>	<u>\$ 18,863,549</u>	<u>\$ 915,000</u>
Long-term liabilities due in more than one year				<u>\$ 17,948,549</u>	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 425,000	\$ -	\$ (105,000)	\$ 320,000	\$ 110,000
Certificates of Obligation	5,610,000	1,390,000	(330,000)	6,670,000	390,000
Premium	144,189	88,337	(8,817)	223,709	-
Total Business-Type Activities	<u>\$ 6,179,189</u>	<u>\$ 1,478,337</u>	<u>\$ (443,817)</u>	<u>\$ 7,213,709</u>	<u>\$ 500,000</u>
Long-term liabilities due in more than one year				<u>\$ 6,713,709</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.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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	\$ 705,000
2007 Certificates of obligation	4.25%	2,500,000	770,000
2011 Certificates of obligation	3.60%	3,500,000	2,450,000
2015 Certificates of obligation	3.00%	2,000,000	1,510,000
2017 Certificates of obligation	3.00%	5,855,000	5,405,000
2019 Certificates of obligation	2.65% - 5.0%	7,215,000	7,215,000
Total Governmental Activities		<u>22,860,000</u>	<u>18,055,000</u>
Business-type Activities:			
2007 General obligation refunding bonds	3.76%	\$ 1,455,000	\$ 320,000
2007 Certificates of obligation	4.25%	2,500,000	995,000
2011 Certificates of obligation	3.60%	2,250,000	1,585,000
2017 Certificates of obligation	3.00%	2,920,000	2,700,000
2019 Certificates of obligation	2.65% - 5.0%	1,390,000	1,390,000
Total Business-Type Activities		<u>\$ 10,515,000</u>	<u>\$ 6,990,000</u>
Total Long-Term Debt			
2007 General obligation refunding bonds	3.76%	\$ 3,245,000	\$ 1,025,000
2007 Certificates of obligation	4.25%	5,000,000	1,765,000
2011 Certificates of obligation	3.60%	5,750,000	4,035,000
2015 Certificates of obligation	3.00%	2,000,000	1,510,000
2017 Certificates of obligation	3.00%	8,775,000	8,105,000
2019 Certificates of obligation	2.65% - 5.0%	8,605,000	8,605,000
Total		<u>\$ 33,375,000</u>	<u>\$ 25,045,000</u>

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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
2020	\$ 225,000	\$ 22,278	\$ 690,000	\$ 562,120
2021	235,000	13,630	785,000	536,220
2022	245,000	4,606	895,000	505,545
2023	-	-	945,000	470,858
2024	-	-	980,000	433,483
2025	-	-	1,015,000	394,208
2026	-	-	1,050,000	353,507
2027	-	-	1,095,000	311,182
2028	-	-	1,035,000	269,258
2029	-	-	1,070,000	233,632
2030	-	-	1,105,000	201,482
2031 & After	-	-	6,685,000	746,155
Total	\$ 705,000	\$ 40,514	\$ 17,350,000	\$ 5,017,650

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
2020	\$ 110,000	\$ 9,964	\$ 390,000	\$ 223,255
2021	105,000	5,922	410,000	208,724
2022	105,000	1,974	405,000	193,936
2023	-	-	420,000	178,661
2024	-	-	430,000	162,361
2025	-	-	445,000	145,299
2026	-	-	460,000	127,661
2027	-	-	470,000	109,524
2028	-	-	360,000	93,518
2029	-	-	370,000	80,743
2030	-	-	385,000	68,393
2031	-	-	2,125,000	224,139
Total	\$ 320,000	\$ 17,860	\$ 6,670,000	\$ 1,816,214

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

E. Other Long-term Liabilities

The following summarizes the changes in other long-term liabilities of the primary government during the year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 72,422	\$ 16,071	\$ -	\$ 88,493	\$ 79,644
Total Governmental Activities	<u>\$ 72,422</u>	<u>\$ 16,071</u>	<u>\$ -</u>	<u>\$ 88,493</u>	<u>\$ 79,644</u>
Business-Type Activities:					
Compensated Absences	\$ 19,335	\$ 3,367	\$ -	\$ 22,702	\$ 20,432
Total Business-Type Activities	<u>\$ 19,335</u>	<u>\$ 3,367</u>	<u>\$ -</u>	<u>\$ 22,702</u>	<u>\$ 20,432</u>

The general fund has typically been used to liquidate the liability for compensated absences for governmental activities. The utility fund is used to liquidate the liability for compensated absences for business-type activities.

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 \$14,796 for governmental activities and \$10,617 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 2019 year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Lucas Fire District	General	\$ 382,789
Utility Fund	General	238,387
	Total	<u>\$ 621,176</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, 2019

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:

	<u>Governmental Funds</u>	<u>Business-Type Activities</u>
Restricted for:		
Impact fees	\$ 1,785,286	\$ -
Pensions	252,407	-
Debt service	1,156,232	477,800
* Municipal court	70,355	-
* Fire protection	74,308	-
* Cable fees	28,582	-
Capital improvements	9,605,098	120,979
Street maintenance (Brockdale)	285,878	-
Project management	358,290	69,945
Capital outlay (Playground E&P)	1,132	-
Capital outlay (Other)	200,000	-
Total	<u><u>\$ 13,817,568</u></u>	<u><u>\$ 668,724</u></u>

* 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 887 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, 2019

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 2018</u>	<u>Plan Year 2017</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, 2018 and 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2018</u>	<u>2017</u>
Inactive employees or beneficiaries currently receiving benefits	17	13
Inactive employees entitled to but not yet receiving benefits	21	23
Active employees	39	37
Total	<u>77</u>	<u>73</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 13.43% and 12.83% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

the year ended September 30, 2019, were \$327,126, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 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 and 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, 2019

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 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

In general, the City uses the debt service fund to liquidate governmental pension and OPEB liabilities.

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.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,571,817	\$ 850,854	\$ 272,557

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/17	\$ 3,793,261	\$ 3,207,961	\$ 585,300
Changes for the year:			
Service Cost	414,235	-	414,235
Interest	266,265	-	266,265
Difference between expected and actual experience	(33,376)	-	(33,376)
Changes of assumptions	-	-	-
Contributions – employer	-	315,372	(315,372)
Contributions – employee	-	164,379	(164,379)
Net investment income	-	(96,228)	96,228
Benefit payments, including refunds of emp. contributions	(111,419)	(111,419)	-
Administrative expense	-	(1,857)	1,857
Other changes	-	(96)	96
Net changes	535,705	270,151	265,554
Balance at 12/31/18	\$ 4,328,966	\$ 3,478,112	\$ 850,854

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, 2019

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

For the year ended September 30, 2019, the City recognized pension expense of \$370,238.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ (14,621)
Changes in actuarial assumptions	2,465	-
Difference between projected and investment earnings	165,659	-
Contributions subsequent to the measurement date	234,245	-
Total	\$ 402,369	\$ (14,621)

The City reported \$234,245 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, 2020. 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:	
2019	\$ 52,602
2020	24,826
2021	21,849
2022	56,292
2021	(2,066)
Thereafter	-
Total	\$ 153,503

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, 2019

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 2018	Plan Year 2017
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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

Employees covered by benefit terms

At the December 31, 2018 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	3
Active employees	39
Total	47

The City's contributions to the TMRS SDBF for the years ended 2019, 2018 and 2017 were \$252, \$166 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
2017	0.00%	0.00%	100.0%
2018	0.01%	0.01%	100.0%
2019	0.01%	0.01%	100.0%

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2018, 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, 2018 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	3.71%
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 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

1% Decrease (2.71%)	Current Single Rate Assumption 3.71%	1% Increase (4.71%)
\$ 56,999	\$ 46,705	\$ 38,850

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/17	\$ 50,665
Changes for the year:	
Service Cost	4,697
Interest	1,751
Difference between expected and actual experience	(6,318)
Changes of assumptions	(3,855)
Benefit payments	(235)
Net changes	(3,960)
Balance at 12/31/18	\$ 46,705

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$5,792.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

At September 30, 2019, 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	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 132	-
Difference between expected and actual experience	-	(5,571)
Contributions subsequent to measurement date	182	-
Total	\$ 314	\$ (5,571)

The City reported \$182 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, 2020.

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

Year ended December 31:	
2019	\$ (656)
2020	(656)
2021	(656)
2022	(656)
2023	(656)
Thereafter	(2,159)
	\$ (5,439)

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.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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, 2019, there were 237 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, 2019, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,649
Terminated Participants Entitled to Benefits But Not Yet Receiving Them	1,842
Active Participants (Vested and Nonvested)	<u>3,702</u>
Total	<u>9,193</u>

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.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 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, 2019, total contributions (dues and prior service) of \$3,480,509 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, 2019.

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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.

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 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.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

1. Changes in the Net Pension Liability:

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
Balance at 8/31/18	\$ 212,019	\$ 178,639	\$ 33,380
Changes for the year:			
Service Cost	2,877	-	2,877
Interest (on the Total Pension Liab.)	16,270	-	16,270
Change in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Contributions – members	-	5,366	(5,366)
Contributions – state	-	2,049	(2,049)
Net investment income	-	1,759	(1,759)
Benefit payments, including refunds of emp. contributions	(9,917)	(9,917)	-
Administrative expense	-	(350)	-
Net changes	9,230	(1,093)	10,323
Balance at 8/31/19	<u>\$ 221,249</u>	<u>\$ 177,546</u>	<u>\$ 43,703</u>

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%
\$ 77,676	\$ 43,703	\$ 20,963

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.

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

For the year ended September 30, 2019, the City recognized pension expense \$75,338.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred
	Outflows of Resources	Inflows of Resources
Investment earnings	\$ 5,627	\$ -
Changes in actuarial assumptions	-	-
Proportion changes	-	(37,210)
Projected vs. actual experience	-	(53)
Total	\$ 5,627	\$ (37,263)

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

Year ended August 31:	
2020	\$ (1,367)
2021	(1,932)
2022	(1,171)
2023	(171)
Thereafter	(26,995)
	<u>\$ (31,636)</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 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.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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%
3	60%
4	80%
5 or more	100%

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Employees Covered by Benefit Terms

At the July 1, 2018 valuation date, the following employees were covered by the benefit terms:

	2018
Active members	20
Vested-Terminated Members	9
Retired Beneficiaries	1
Total	30

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, 2019, were \$18,018, and were more than the required contributions.

As of September 30, 2019, the City has an investment balance of \$252,407, 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, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as July 1, 2018.

Actuarial assumptions:

The Total Pension Liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

City of Lucas, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

Inflation	0% per year
Overall payroll growth	not applicable
Investment Rate of Return	3.13%, 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 3.13% which is based on the 20-year AA general obligation bond rate as of June 30, 2019.

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 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 2.13%	Current Rate 3.13%	1% Increase 4.13%
\$ 293,840	\$ 274,573	\$ 254,876

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Changes in the Net Pension Liability:

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
Balance at 7/1/18	\$ 221,634	\$ -	\$ 221,634
Changes for the year:			
Service Cost	31,505	-	31,505
Interest	6,900	-	6,900
Difference between expected and actual experience	7	-	7
Changes of assumptions	23,268	-	23,268
Benefit payments, including refunds of emp. contributions	(8,741)	-	(8,741)
Net changes	52,939	-	52,939
Balance at 6/30/19	<u>\$ 274,573</u>	<u>\$ -</u>	<u>\$ 274,573</u>

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

For the year ended September 30, 2019, the City recognized pension expense of \$35,605.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to LOSAP pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ (33,076)
Differences between actuarial assumption changes	9,139	-
Contributions subsequent to the measurement date	11,945	-
Total	<u>\$ 21,084</u>	<u>\$ (33,076)</u>

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

The City reported \$11,945 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, 2020. 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:	
2020	\$ (2,800)
2021	(2,800)
2022	(2,800)
2023	(2,800)
2024	(2,800)
Thereafter	(9,937)
Total	\$ (23,937)

Consolidated Pension Balances

The following presents the combined net pension liabilities as well as deferred outflows and inflows of resources for the Texas Municipal Retirement System, LOSAP, & Texas Emergency Service Retirement System:

Def. Contributions

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ 182,778	\$ -	\$ 11,945	\$ 194,723
Business-type Activities	51,467	-	-	51,467
Total	\$ 234,245	\$ -	\$ 11,945	\$ 246,190

Investment Exp

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ 129,262	\$ 5,627	\$ -	\$ 134,889
Business-type Activities	36,397	-	-	36,397
Total	\$ 165,659	\$ 5,627	\$ -	\$ 171,286

Assumption Changes

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ 1,923	\$ -	\$ 9,139	\$ 11,062
Business-type Activities	542	-	-	542
Total	\$ 2,465	\$ -	\$ 9,139	\$ 11,604

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Pension Liabilities

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ (663,911)	\$ (43,703)	\$ (274,573)	\$ (982,187)
Business-type Activities	(186,943)	-	-	(186,943)
Total	<u>\$ (850,854)</u>	<u>\$ (43,703)</u>	<u>\$ (274,573)</u>	<u>\$ (1,169,130)</u>

Actual Experience vs. Assumption

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ (11,409)	\$ (53)	\$ (33,076)	\$ (44,538)
Business-type Activities	(3,212)	-	-	(3,212)
Total	<u>\$ (14,621)</u>	<u>\$ (53)</u>	<u>\$ (33,076)</u>	<u>\$ (47,750)</u>

Proportion Changes

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ -	\$ (37,210)	\$ -	\$ (37,210)
Business-type Activities	-	-	-	-
Total	<u>\$ -</u>	<u>\$ (37,210)</u>	<u>\$ -</u>	<u>\$ (37,210)</u>

D. Subsequent Events

There were no material subsequent events through February 28, 2020, 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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 2,559,106	\$ 2,620,197	\$ 2,639,576	\$ 19,379
Sales tax	1,090,000	1,090,000	1,187,653	97,653
Franchise and local taxes	331,200	411,200	413,713	2,513
Licenses and permits	453,220	431,220	463,900	32,680
Impact fees	90,000	135,000	232,881	97,881
Fire department agreements	484,806	516,828	527,303	10,475
Contributions	-	100,000	181,400	81,400
Fines and forfeitures	64,457	103,880	32,340	(71,540)
Investment income	66,090	130,000	167,407	37,407
Other revenue	116,700	177,282	210,307	33,025
Total Revenues	5,255,579	5,715,607	6,056,480	340,873
Expenditures				
Current:				
General government				
City council	56,350	35,130	31,954	3,176
City secretary	167,629	167,729	143,170	24,559
Administrative	816,407	957,080	899,258	57,822
Total general government	1,040,386	1,159,939	1,074,382	85,557
Public safety				
Fire department	2,115,233	2,200,237	2,056,240	143,997
Police	300,000	300,000	285,073	14,927
Total public safety	2,415,233	2,500,237	2,341,313	158,924
Public works				
Public works	468,759	533,019	481,752	51,267
Parks and recreation	237,840	237,840	152,485	85,355
Animal control	35,000	35,000	34,000	1,000
Total public works	741,599	805,859	668,237	137,622
Development services	414,669	427,998	417,978	10,020
Capital outlay	925,050	1,562,305	1,466,465	95,840
Debt service:				
Principal	60,930	60,930	60,930	-
Interest	1,758	1,758	1,712	46
Total debt service	62,688	62,688	62,642	46
Total Expenditures	5,599,625	6,519,026	6,031,017	488,009
Revenues Over (Under)	(344,046)	(803,419)	25,463	828,882

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Other Financing Sources (Uses)</u>				
Transfers in	576,437	608,437	621,176	12,739
Sale of capital assets	-	-	6,718	6,718
Total Other Financing Sources (Uses)	576,437	608,437	627,894	19,457
Net Change in Fund Balance	\$ 232,391	\$ (194,982)	653,357	\$ 848,339
Beginning fund balance			11,155,896	
Ending Fund Balance			\$ 11,809,253	

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:

	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Total pension liability				
Service cost	\$ 414,235	\$ 372,249	\$ 348,892	\$ 293,557
Interest	266,265	231,198	198,270	171,059
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(33,376)	9,721	17,647	3,953
Changes of assumptions	-	-	-	45,337
Benefit payments, including refunds of participant contributions	(111,419)	(117,869)	(59,465)	(36,429)
Net change in total pension liability	535,705	495,299	505,344	477,477
Total pension liability - beginning	\$ 3,793,261	\$ 3,297,962	\$ 2,792,618	\$ 2,315,141
Total pension liability - ending (a)	\$ 4,328,966	\$ 3,793,261	\$ 3,297,962	\$ 2,792,618
Plan fiduciary net position				
Contributions - employer	\$ 315,372	\$ 283,883	\$ 256,187	\$ 229,058
Contributions - members	164,379	144,523	134,633	116,030
Net investment income	(96,228)	353,005	140,372	2,608
Benefit payments, including refunds of participant contributions	(111,419)	(117,869)	(59,465)	(36,429)
Administrative expenses	(1,857)	(1,829)	(1,585)	(1,588)
Other	(96)	(93)	(86)	(78)
Net change in plan fiduciary net position	270,151	661,620	470,056	309,601
Plan fiduciary net position - beginning	3,207,961	2,546,341	2,076,285	1,766,684
Plan fiduciary net position - ending (b)	\$ 3,478,112	\$ 3,207,961	\$ 2,546,341	\$ 2,076,285
Fund's net pension liability - ending (a) - (b)	\$ 850,854	\$ 585,300	\$ 751,621	\$ 716,333
Plan fiduciary net position as a percentage of the total pension liability	80.35%	84.57%	77.21%	74.35%
Covered payroll	\$ 2,348,274	\$ 2,064,609	\$ 1,923,330	\$ 1,657,575
Fund's net position as a percentage of covered payroll	36.23%	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.

12/31/2014 ¹

\$ 182,681
144,591
305,541

33,580

-

(39,926)

626,467

\$ 1,688,674

\$ 2,315,141

\$ 113,742

103,947

86,065

(39,926)

(898)

(74)

262,856

1,503,828

\$ 1,766,684

\$ 548,457

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>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Actuarially determined employer contributions	\$ 327,126	\$ 306,720	\$ 276,739	\$ 249,286	\$ 192,781
Contributions in relation to the actuarially determined contribution	\$ 327,126	\$ 306,720	\$ 276,739	\$ 249,286	\$ 192,781
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 2,517,351	\$ 2,269,249	\$ 2,030,750	\$ 1,845,924	\$ 1,484,954
Employer contributions as a percentage of covered payroll	12.99%	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	25 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:

	12/31/2018	12/31/2017 ¹
Total OPEB liability		
Service cost	\$ 4,697	\$ 3,716
Interest	1,751	1,609
Changes in benefit terms	-	-
Differences between expected and actual experience	(6,318)	-
Changes of assumptions	(3,855)	4,624
Benefit payments, including refunds of participant contributions	(235)	-
Net change in total OPEB liability	(3,960)	9,949
Total OPEB liability - beginning	\$ 50,665	\$ 40,716
Total OPEB liability - ending (a)	\$ 46,705	\$ 50,665 ²
Covered payroll	\$ 2,348,274	\$ 2,064,609
City's total OPEB liability as a percentage of covered payroll	1.99%	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:

	8/31/2019	8/31/2018	8/31/2017	8/31/2016	8/31/2015 ¹
Total pension liability					
Service cost	\$ 2,877	\$ 3,103	\$ 5,217	\$ 576	\$ 6,499
Interest	16,270	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	(9,917)	(11,372)	(16,474)	(1,599)	(17,258)
Net change in total pension liability	9,230	16,345	19,739	2,575	21,736
Total pension liability - beginning	\$ 212,019	\$ 251,457	\$ 402,971	\$ 39,286	\$ 421,417 ²
Total pension liability - ending (a)	\$ 221,249	\$ 267,802	\$ 422,710 ³	\$ 41,861	\$ 443,153
Plan fiduciary net position					
Contributions - employer	\$ 5,366	\$ 7,982	\$ 16,408	\$ 1,178	\$ 13,486
Contributions - state	2,049	2,589	5,185	539	6,281
Net investment income	1,759	22,033	32,005	1,686	(12,632)
Benefit payments, including refunds of participant contributions	(9,917)	(11,372)	(16,474)	(1,599)	(17,258)
Administrative expenses	(350)	(308)	(602)	(57)	(828)
Other	-	-	-	-	-
Net change in plan fiduciary net position	(1,093)	20,924	36,522	1,747	(10,951)
Plan fiduciary net position - beginning	178,639	204,715	307,613	30,208	351,709
Plan fiduciary net position - ending (b)	\$ 177,546	\$ 225,639	\$ 344,135	\$ 31,955	\$ 340,758
Fund's net pension liability - ending (a) - (b)	\$ 43,703	\$ 42,163	\$ 78,575	\$ 9,906	\$ 102,395
Plan fiduciary net position as a percentage of the total pension	80.25%	84.26%	81.41%	76.34%	76.89%
Number of active members	3,702	3,927	4,046	3,634	4,036 ²
Net pension liability per active	12	\$ 11	\$ 19	\$ 12	\$ 110
City's proportion of the net pension	0.1542%	0.1947%	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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2019.

City of Lucas, Texas

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

Years Ended:

	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Board determined employer contributions	\$ 6,909	\$ 9,327	\$ 15,834	\$ 1,558	\$ 18,120
Contributions in relation to the board determined contribution	\$ 6,909	\$ 9,327	\$ 15,834	\$ 1,558	\$ 18,120
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -

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 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:

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	¹
Total pension liability				
Service cost	\$ 31,505	\$ 30,982	\$ 34,136	
Interest	6,900	8,432	7,558	
Changes in benefit terms	-	-	-	
Differences between expected and actual experience	7	(41,351)	(1)	
Changes of assumptions	23,268	(2,005)	(13,739)	
Benefit payments, including refunds of participant contributions	(8,741)	(8,521)	(6,744)	
Net change in total pension liability	<u>52,939</u>	<u>(12,463)</u>	<u>21,210</u>	
Total pension liability - beginning	<u>\$ 221,634</u>	<u>\$ 234,097</u>	<u>\$ 212,887</u>	
Total pension liability - ending (a)	<u>\$ 274,573</u>	<u>\$ 221,634</u>	<u>\$ 234,097</u>	
Plan fiduciary net position				
Plan fiduciary net position - beginning	-	-	-	
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Fund's net pension liability - ending (a) - (b)	<u>\$ 274,573</u>	<u>\$ 221,634</u>	<u>\$ 234,097</u>	²
 Plan fiduciary net position as a percentage of the total pension liability	 0.00%	 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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 1,182,893	\$ 1,310,856	\$ 1,314,661	\$ 3,805
Investment income	15,000	42,124	44,348	2,224
Total Revenues	1,197,893	1,352,980	1,359,009	6,029
Expenditures				
Debt service				
Principal	800,000	800,000	800,000	-
Interest	372,388	412,371	372,388	39,983
Total Expenditures	1,172,388	1,212,371	1,172,388	39,983
Net Change in Fund Balance	\$ 25,505	\$ 140,609	186,621	\$ 46,012
Beginning fund balance			969,611	
Ending Fund Balance			\$ 1,156,232	

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Interest income	\$ 96,000	\$ 120,000	\$ 122,712	\$ 2,712
Total Revenues	96,000	120,000	122,712	2,712
<u>Expenditures</u>				
Capital outlay	8,945,465	11,436,127	4,344,700	7,091,427
Bond issuance costs	-	153,693	153,693	-
Total Expenditures	8,945,465	11,589,820	4,498,393	7,091,427
<u>Other Financing Sources (Uses)</u>				
Bond issuance proceeds	-	7,215,000	7,215,000	-
Bond premium	-	488,693	488,693	-
Total Other Financing Sources (Uses)	-	7,703,693	7,703,693	-
Net Change in Fund Balance	\$ (8,849,465)	\$ (3,766,127)	3,328,012	\$ 7,094,139
Beginning fund balance			4,892,086	
Ending Fund Balance			\$ 8,220,098	

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

LUCAS FIRE DISTRICT

For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Sales tax	\$ 330,000	\$ 360,000	\$ 389,229	\$ 29,229
Total Revenues	330,000	360,000	389,229	29,229
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(328,000)	(360,000)	(382,789)	22,789
Total Other Financing Sources (Uses)	(328,000)	(360,000)	(382,789)	22,789
Net Change in Fund Balance	\$ 2,000	\$ -	6,440	\$ 6,440
Beginning fund balance			67,868	
Ending Fund Balance			\$ 74,308	

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)

	2010	2011	2012	2013
Governmental Activities				
Net investment in capital assets	\$ 5,429,217	\$ 6,946,186	\$ 7,912,596	\$ 9,735,155
Restricted	500,694	427,803	1,034,404	1,441,795
Unrestricted	3,097,616	2,819,545	3,785,982	5,097,482
Total Governmental Activities Net Position	\$ 9,027,527	\$ 10,193,534	\$ 12,732,982	\$ 16,274,432
Business-type Activities				
Net investment in capital assets	\$ 6,871,815	\$ 7,954,921	\$ 9,724,745	\$ 11,450,187
Restricted	370,000	300,000	320,000	350,000
Unrestricted	4,447,405	4,259,481	4,263,267	4,265,404
Total Business-type Activities Net Position	\$ 11,689,220	\$ 12,514,402	\$ 14,308,012	\$ 16,065,591
Primary Government				
Net investment in capital assets	\$ 12,301,032	\$ 14,901,107	\$ 17,637,341	\$ 21,185,342
Restricted	870,694	727,803	1,354,404	1,791,795
Unrestricted	7,545,021	7,079,026	8,049,249	9,362,886
Total Primary Government Net Position	\$ 20,716,747	\$ 22,707,936	\$ 27,040,994	\$ 32,340,023

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 11,217,229	\$ 15,687,778	\$ 17,817,626	\$ 18,969,607	\$ 19,557,740	\$ 20,427,592
2,535,158	5,101,359	5,021,277	2,425,677	3,194,287	4,129,734
5,024,220	2,022,200	4,034,670	7,481,154	8,127,220	8,418,373
<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>	<u>\$ 32,975,699</u>
\$ 13,112,606	\$ 13,793,927	\$ 14,112,099	\$ 14,790,563	\$ 15,023,072	\$ 15,334,416
382,027	365,000	375,000	436,201	555,979	668,724
3,752,393	4,824,325	5,501,285	5,616,348	6,202,108	6,640,891
<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>	<u>\$ 22,644,031</u>
\$ 24,329,835	\$ 29,481,705	\$ 31,929,725	\$ 33,760,170	\$ 34,580,812	\$ 35,762,008
2,917,185	5,466,359	5,396,277	2,861,878	3,750,266	4,798,458
8,776,613	6,846,525	9,535,955	13,097,502	14,329,328	15,059,264
<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>	<u>\$ 55,619,730</u>

City of Lucas, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013
Expenses				
Governmental activities:				
General government	\$ 583,494	\$ 684,352	\$ 626,484	\$ 715,216
Public safety	615,541	653,625	775,050	889,680
Public works	581,006	605,274	609,532	1,029,582
Development services	225,401	289,492	293,418	273,707
Parks and recreation	79,458	87,811	111,766	137,616
Community development	302,779	-	-	-
Interest and fiscal charges	175,627	184,707	256,685	244,060
Total governmental activities	<u>2,563,306</u>	<u>2,505,261</u>	<u>2,672,935</u>	<u>3,289,861</u>
Business-type activities:				
Utility fund	1,734,592	2,352,455	2,530,479	2,969,977
Total business-type activities	<u>1,734,592</u>	<u>2,352,455</u>	<u>2,530,479</u>	<u>2,969,977</u>
Total primary government	<u>\$ 4,297,898</u>	<u>\$ 4,857,716</u>	<u>\$ 5,203,414</u>	<u>\$ 6,259,838</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ -	\$ 1,804	\$ 9,015	\$ 10,351
Public safety	72,689	137,312	176,777	184,020
Public works	333,596	103,551	652,830	319,402
Development services	-	377,558	539,593	545,526
Parks and recreation	-	9,000	10,000	67,000
Trash service	335,846	-	-	-
Capital grants and contributions	19,860	218,510	946,567	2,297,740
Operating grants and contributions	-	-	-	-
Total governmental activities	<u>761,991</u>	<u>847,735</u>	<u>2,334,782</u>	<u>3,424,039</u>
Business-type activities:				
Charges for services:				
Water and sewer	2,085,458	3,427,231	3,025,171	3,608,367
Capital grants and contributions	-	-	1,350,014	1,300,659
Total business-type activities	<u>2,085,458</u>	<u>3,427,231</u>	<u>4,375,185</u>	<u>4,909,026</u>
Total primary government	<u>\$ 2,847,449</u>	<u>\$ 4,274,966</u>	<u>\$ 6,709,967</u>	<u>\$ 8,333,065</u>
Net (Expense)/Revenue				
Governmental activities	\$ (1,801,315)	\$ (1,657,526)	\$ (338,153)	\$ 134,178
Business-type activities	350,866	1,074,776	1,844,706	1,939,049
Total primary government	<u>\$ (1,450,449)</u>	<u>\$ (582,750)</u>	<u>\$ 1,506,553</u>	<u>\$ 2,073,227</u>

2014	2015	2016	2017	2018	2019
\$ 840,998	\$ 934,322	\$ 955,548	\$ 961,459	\$ 935,150	\$ 1,096,507
1,469,546	1,693,535	1,866,920	2,082,243	2,223,061	2,621,361
867,243	1,091,137	883,514	971,612	2,189,754	1,423,456
257,331	352,718	279,699	345,336	408,654	426,705
132,379	78,233	159,565	113,916	126,327	194,196
-	-	-	-	-	-
232,858	331,834	263,690	373,570	392,146	535,381
3,800,355	4,481,779	4,408,936	4,848,136	6,275,092	6,297,606
2,891,141	3,237,288	3,593,006	3,840,280	4,243,367	4,247,590
2,891,141	3,237,288	3,593,006	3,840,280	4,243,367	4,247,590
\$ 6,691,496	\$ 7,719,067	\$ 8,001,942	\$ 8,688,416	\$ 10,518,459	\$ 10,545,196
\$ 2,501	\$ -	\$ -	\$ -	\$ -	\$ -
252,949	327,745	413,588	448,607	509,862	528,717
74,050	335,163	402,068	356,940	341,597	232,881
553,264	707,807	658,708	713,554	904,825	494,826
15,000	-	-	-	-	-
-	-	-	-	-	-
1,804,078	196,000	37,600	-	342,372	437,074
-	2,470,277	1,824,487	126,168	-	-
2,701,842	4,036,992	3,336,451	1,645,269	2,098,656	1,693,498
3,832,078	3,879,602	4,332,497	4,403,061	5,314,349	4,775,275
512,011	1,299,604	418,089	417,020	37,419	368,375
4,344,089	5,179,206	4,750,586	4,820,081	5,351,768	5,143,650
\$ 7,045,931	\$ 9,216,198	\$ 8,087,037	\$ 6,465,350	\$ 7,450,424	\$ 6,837,148
\$ (1,098,513)	\$ (444,787)	\$ (1,072,485)	\$ (3,202,867)	\$ (4,176,436)	\$ (4,604,108)
1,452,948	1,941,918	1,157,580	979,801	1,108,401	896,060
\$ 354,435	\$ 1,497,131	\$ 85,095	\$ (2,223,066)	\$ (3,068,035)	\$ (3,708,048)

City of Lucas, Texas

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013
General Revenues				
Governmental activities:				
Taxes:				
Property taxes	\$ 2,004,665	\$ 2,053,573	\$ 2,095,821	\$ 2,292,931
Sales tax	157,918	186,642	178,331	587,259
Franchise tax	258,522	244,161	258,112	258,356
Investment earnings	50,305	30,079	19,009	15,682
Other income	57,418	53,362	44,897	64,773
Intergovernmental	164,739	-	-	-
Transfers, net	(970,175)	255,716	166,229	188,271
Total governmental activities	<u>1,723,392</u>	<u>2,823,533</u>	<u>2,762,399</u>	<u>3,407,272</u>
Business-type activities:				
Investment earnings	4,555	6,122	9,175	6,300
Other income	-	-	565	500
Transfers, net	970,175	(255,716)	(166,229)	(188,271)
Total business-type activities	<u>974,730</u>	<u>(249,594)</u>	<u>(156,489)</u>	<u>(181,471)</u>
Total primary government	<u>\$ 2,698,122</u>	<u>\$ 2,573,939</u>	<u>\$ 2,605,910</u>	<u>\$ 3,225,801</u>
Change in Net Position				
Governmental activities	\$ (77,923)	\$ 1,166,007	\$ 2,424,246	\$ 3,541,450
Business-type activities	1,325,596	825,182	1,688,217	1,757,578
Total primary government	<u>\$ 1,247,673</u>	<u>\$ 1,991,189</u>	<u>\$ 4,112,463</u>	<u>\$ 5,299,028</u>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 2,430,447	\$ 2,500,042	\$ 2,988,174	\$ 3,176,863	\$ 3,534,633	\$ 3,920,086
814,033	1,180,171	1,349,475	1,407,216	1,454,670	1,576,882
319,026	333,591	420,003	318,056	410,594	413,713
18,681	25,026	31,531	80,081	195,398	334,467
122,164	120,443	183,261	64,651	309,452	217,025
-	-	-	-	-	-
275,834	320,244	160,926	158,865	274,498	238,387
<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>	<u>6,700,560</u>
4,321	3,342	8,478	33,792	104,144	205,199
-	111,210	-	-	-	-
(275,834)	(320,244)	(160,926)	(158,865)	(274,498)	(238,387)
<u>(271,513)</u>	<u>(205,692)</u>	<u>(152,448)</u>	<u>(125,073)</u>	<u>(170,354)</u>	<u>(33,188)</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>	<u>\$ 6,667,372</u>
\$ 2,881,672	\$ 4,034,730	\$ 4,060,885	\$ 2,002,865	\$ 2,002,809	\$ 2,096,452
1,181,435	1,736,226	1,005,132	854,728	938,047	862,872
<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>	<u>\$ 2,959,324</u>

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General fund:				
Restricted				
Impact fees	\$ 1,500	\$ 99,050	\$ 649,220	\$ 828,316
Pensions	-	-	-	-
Municipal court	10,287	3,753	23,291	28,624
Capital improvements	-	-	-	-
Cable fees	-	-	1,893	4,608
Street maintenance	-	-	-	-
Project management	-	-	-	-
Capital outlay (Other)	-	-	-	-
Capital outlay (Ambulance)	-	-	-	-
Capital outlay (Playground E&P)	-	-	-	-
Unassigned	2,429,724	3,179,629	3,822,755	5,140,955
Total general fund	<u>\$ 2,441,511</u>	<u>\$ 3,282,432</u>	<u>\$ 4,497,159</u>	<u>\$ 6,002,503</u>
All other governmental funds:				
Restricted for:				
Debt service	\$ 488,907	\$ 326,368	\$ 359,900	\$ 379,905
Fire protection	-	-	-	-
Capital improvement	832,435	4,048,401	3,279,282	2,983,071
Total all other governmental funds	<u>\$ 1,321,342</u>	<u>\$ 4,374,769</u>	<u>\$ 3,639,182</u>	<u>\$ 3,362,976</u>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 770,508	\$ 867,279	\$ 1,116,079	\$ 1,254,213	\$ 1,572,405	\$ 1,785,286
-	-	-	216,615	233,592	252,407
35,473	45,612	51,623	55,688	62,899	70,355
-	-	-	-	1,385,000	1,385,000
8,256	12,773	17,670	21,843	25,318	28,582
-	-	-	204,594	245,054	285,878
-	-	-	-	-	358,290
-	-	2,382	-	150,000	200,000
-	-	-	-	100,000	-
-	-	-	-	1,132	1,132
5,867,875	6,203,973	7,834,423	8,774,909	7,380,496	7,442,323
<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>	<u>\$ 11,809,253</u>
\$ 391,905	\$ 560,000	\$ 704,397	\$ 833,062	\$ 969,611	\$ 1,156,232
-	50,075	53,135	56,277	67,868	74,308
3,480,905	3,575,719	2,901,186	6,866,803	4,892,086	8,220,098
<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>	<u>\$ 9,450,638</u>

City of Lucas, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2010	2011	2012	2013
Revenues				
Property taxes	\$ 2,004,665	\$ 2,020,469	\$ 2,096,519	\$ 2,303,432
Sales tax	157,918	186,642	178,331	587,259
Franchise taxes	256,522	244,161	258,112	258,356
Fines and forfeitures	18,608	53,010	108,610	104,539
Licenses and permits	262,463	369,573	482,755	467,719
Fire service agreements	68,143	101,493	135,021	157,389
Trash service	335,846	-	-	-
Grants	19,860	218,510	9,667	1,000
Donations	-	-	-	-
Impact fees	57,070	103,550	652,830	386,402
Intergovernmental	164,739	1,599	135,000	640,000
Investment income	50,305	39,497	19,009	15,682
Other revenue	57,418	53,362	44,897	64,773
Total Revenues	3,453,557	3,391,866	4,120,751	4,986,551
Expenditures				
General government	507,566	595,706	586,357	671,248
Public works	339,221	311,002	270,836	614,999
Parks and recreation	71,479	110,394	123,301	134,866
Public safety	527,795	540,536	655,648	748,936
Development services	221,931	285,706	570,860	264,989
Trash services	302,779	-	279,787	-
Debt service				
Principal	425,000	485,000	325,000	360,000
Interest	178,791	158,778	278,158	246,242
Bond issuance costs	-	81,746	-	-
Capital outlay	1,046,718	754,566	1,297,754	914,655
Total Expenditures	3,621,280	3,323,434	4,387,701	3,955,935
Revenues Over (Under) Expenditures	(167,723)	68,432	(266,950)	1,030,616
Other Financing Sources (Uses)				
Transfers in (out)	(970,174)	255,716	166,229	188,271
Debt issued	-	3,500,000	-	-
Premium on bonds issued	-	70,200	-	-
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	9,000	10,250
Total Other Financing Sources	(970,174)	3,825,916	175,229	198,521
Net Change in Fund Balances	\$ (1,137,897)	\$ 3,894,348	\$ (91,721)	\$ 1,229,137
Ratio of total debt service expenditures to noncapital expenditures	23%	25%	20%	20%

	2014	2015	2016	2017	2018	2019
\$	2,430,447	\$ 2,492,526	\$ 2,964,421	\$ 3,199,118	\$ 3,518,185	\$ 3,954,237
	814,033	1,180,171	1,349,475	1,407,216	1,454,670	1,576,882
	319,026	333,591	420,003	318,056	410,594	413,713
	91,059	137,842	90,522	88,342	35,037	32,340
	483,163	571,932	568,630	627,675	871,480	463,900
	231,991	325,778	413,144	446,144	508,170	527,303
	-	-	-	-	-	-
	-	-	-	126,168	342,372	181,400
	101,400	55,000	37,600	-	-	-
	89,050	335,163	402,068	356,940	341,597	232,881
	1,000,000	141,000	-	-	-	-
	18,681	25,026	31,531	80,081	195,398	334,467
	122,164	120,443	140,006	136,307	306,219	210,307
	<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>	<u>7,927,430</u>
	770,722	817,532	882,248	886,212	947,731	995,991
	416,843	548,519	479,430	446,562	1,071,172	515,752
	129,207	78,233	106,408	69,247	134,568	152,485
	1,282,562	1,412,056	1,640,309	1,713,980	2,294,878	2,341,313
	248,613	328,126	279,243	340,270	405,016	417,978
	-	-	-	-	-	-
	439,703	444,367	615,940	597,555	844,218	860,930
	235,196	227,132	273,287	248,082	415,842	374,100
	-	85,771	-	111,007	-	153,693
	1,612,063	3,422,242	1,172,535	3,101,568	3,357,629	5,889,556
	<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>	<u>11,701,798</u>
	566,105	(1,645,506)	968,000	(728,436)	(1,487,332)	(3,774,368)
	275,833	320,244	160,926	158,865	274,498	238,387
	345,000	2,000,000	43,255	5,855,000	-	7,215,000
	-	85,771	-	256,007	-	488,693
	-	-	-	60,401	-	-
	2,501	-	-	1,272	14,291	6,718
	<u>623,334</u>	<u>2,406,015</u>	<u>204,181</u>	<u>6,331,545</u>	<u>288,789</u>	<u>7,948,798</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>	<u>\$ 4,174,430</u>
	19%	17%	21%	19%	21%	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
2010	\$ 646,621,342	\$ 33,135,759	\$ 141,718,774	\$ 538,038,327	0.37418
2011	672,582,013	31,426,610	151,689,649	552,318,974	0.37418
2012	691,413,029	26,934,184	151,303,804	567,043,409	0.37418
2013	716,326,368	37,240,949	163,960,310	589,607,007	0.37418
2014	790,398,481	49,743,972	176,470,025	663,672,428	0.35562
2015	901,321,744	69,309,682	201,710,713	768,920,713	0.32066
2016	1,023,259,148	158,170,201	302,812,807	878,616,542	0.32066
2017	1,147,772,070	179,725,707	326,310,300	1,001,187,477	0.31795
2018	1,317,197,182	183,873,468	377,122,296	1,123,948,354	0.31795
2019	1,515,503,761	173,183,222	379,972,859	1,308,714,124	0.30322

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

Source: Collin County Appraisal District

Total Estimated Actual Taxable Value	Assessed Value as Percentage of Actual Value
\$ 679,757,101	79.15%
704,008,623	78.45%
718,347,213	78.94%
753,567,317	78.24%
840,142,453	79.00%
970,631,426	79.22%
1,181,429,349	74.37%
1,327,497,777	75.42%
1,501,070,650	74.88%
1,688,686,983	77.50%

City of Lucas, Texas

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

	2010	2011	2012	2013
Direct Rates:				
City of Lucas - Operating	0.25204	0.24723	0.25772	0.26122
City of Lucas - Debt Service	0.12214	0.12695	0.11645	0.11296
Total Direct Rate	0.37418	0.37418	0.37418	0.37418
 Overlapping Rates:				
Lovejoy Independent School District	1.53500	1.53500	1.53500	1.53500
Allen Independent School District	1.54000	1.54000	1.67000	1.67000
McKinney Independent School District	1.54000	1.52800	1.54000	1.54000
Plano Independent School District	1.32840	1.35340	1.37340	1.37340
Princeton Independent School District	1.49000	1.49000	1.47360	1.48000
Wylie Independent School District	1.59000	1.64000	1.64000	1.64000
Collin County	0.24250	0.24000	0.24000	0.24000
Collin County Community College	0.08630	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.

2014	2015	2016	2017	2018	2019
0.25401	0.23307	0.21551	0.23037	0.19870	0.20235
0.10161	0.08759	0.10515	0.08758	0.11925	0.10087
0.35562	0.32066	0.32066	0.31795	0.31795	0.30322
1.53500	1.56000	1.56000	1.67000	1.67000	1.67000
1.67000	1.64000	1.61000	1.59000	1.57000	1.55000
1.67000	1.67000	1.67000	1.62000	1.62000	1.59000
1.45300	1.44800	1.43900	1.43900	1.43900	1.43900
1.51000	1.62000	1.62000	1.62000	1.62000	1.62000
1.64000	1.64000	1.64000	1.64000	1.64000	1.64000
0.23750	0.23500	0.22500	0.20800	0.19200	0.18000
0.08364	0.08196	0.08196	0.08122	0.07981	0.08100



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

Property Tax Payer	2019			2010		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Wal-mart Real Estate	\$ 15,711,629	1	1.20%	\$ -	-	-
Wal-mart Stores	6,490,505	2	0.50%	-	-	-
Dahlia ARR, LLC	5,007,819	3	0.38%	-	-	-
Mentone Partners, LLC	3,493,954	4	0.27%	-	-	-
Larsen Brandon & Heather	3,307,707	5	0.25%	-	-	-
Larsen Brandon & Heather	3,235,950	6	0.25%	-	-	-
Texas Henderson, LLC	3,200,554	7	0.24%	-	-	-
Williams Karl	2,953,766	8	0.23%	-	-	-
Cadg Lewis Park, LLC	2,862,000	9	0.22%	-	-	-
Megatel Home, Inc	2,755,617	10	0.21%	-	-	-
Lucas Partners, LTD	-	-	-	2,008,478	1	0.37%
F G Creek Properties, LTD	-	-	-	1,994,289	2	0.37%
Weekly Homes LP	-	-	-	1,714,313	3	0.32%
Designer Homes by Tiffany, LLC	-	-	-	1,525,933	4	0.28%
Wolf Creek Lucas Investors LP	-	-	-	1,489,102	5	0.28%
Holmes Family Interests, Inc	-	-	-	1,456,380	6	0.27%
Paul Taylor Homes Limited	-	-	-	1,410,526	7	0.26%
New Lineage Custom Homes LLC	-	-	-	1,390,560	8	0.26%
Claremont Springs II LTD	-	-	-	1,326,403	9	0.25%
New Lineage Custom Homes LLC	-	-	-	1,224,955	10	0.23%
Total	\$ 49,019,501		3.75%	\$ 15,540,939		2.89%
Total Assessed Valuation	\$ 1,308,714,124		100%	\$ 538,038,327		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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Tax levy	\$ 1,985,447	\$ 2,027,004	\$ 2,096,021	\$ 2,217,506
Current tax collected	\$ 1,968,139	\$ 2,011,207	\$ 2,076,932	\$ 2,167,874
Percent of current tax collections	99.13%	99.22%	99.09%	97.76%
Delinquent tax collections	\$ 14,681	\$ 13,372	\$ 15,670	\$ 46,244
Total tax collections	\$ 1,982,820	\$ 2,024,579	\$ 2,092,602	\$ 2,214,118
Total collections as a percentage of levy	99.87%	99.88%	99.84%	99.85%

Source: Dallas and Collin County reports.

2014	2015	2016	2017	2018	2019
\$ 2,466,765	\$ 2,468,541	\$ 2,916,026	\$ 3,166,220	\$ 3,494,617	\$ 3,919,539
\$ 2,321,282	\$ 2,426,661	\$ 2,796,734	\$ 3,117,732	\$ 3,476,119	\$ 3,872,364
94.1%	98.3%	95.9%	98.5%	99.5%	98.8%
\$ 140,331	\$ 35,951	\$ 112,841	\$ 44,816	\$ -	\$ 47,175
\$ 2,461,613	\$ 2,462,612	\$ 2,909,575	\$ 3,162,548	\$ 3,476,119	\$ 3,919,539
99.79%	99.76%	99.78%	99.88%	99.47%	100.00%

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:				
General Obligation Bonds	\$ 1,653,605	\$ 1,651,005	\$ 1,648,404	\$ 1,645,804
Certificates of Obligation	2,375,000	5,433,250	5,116,500	4,764,750
Capital Leases	-	-	-	-
Business-type activities:				
General Obligation Bonds	1,241,605	1,186,913	1,127,222	1,067,531
Certificates of Obligation	2,430,000	4,391,375	4,155,250	3,899,125
Total primary government	<u>\$ 7,700,210</u>	<u>\$ 12,662,543</u>	<u>\$ 12,047,376</u>	<u>\$ 11,377,210</u>
Percentage of personal income (1)	3.07%	5.46%	4.35%	3.61%
Per capita (1)	\$ 1,426	\$ 2,380	\$ 2,138	\$ 1,854

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.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$	1,695,000	\$ 1,515,000	\$ 1,325,000	\$ 1,125,000	\$ 920,000	\$ 705,000
	4,336,840	6,293,421	5,914,957	11,663,928	11,061,892	18,158,549
	288,008	233,643	177,703	120,148	60,930	-
	1,002,839	865,000	695,000	525,000	425,000	320,000
	3,638,232	3,450,982	3,253,733	6,088,006	5,754,189	6,893,709
	<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>	<u>\$ 26,077,258</u>
	2.97%	3.23%	2.82%	4.32%	3.70%	4.90%
\$	1,652	\$ 1,817	\$ 1,610	\$ 2,640	\$ 2,293	3,227

City of Lucas, Texas
RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
NET TAXABLE ASSESSED VALUE				
All property	\$ 538,038,327	\$ 552,318,974	\$ 567,043,409	\$ 589,607,007
NET BONDED DEBT (1)				
Gross bonded debt	7,700,210	12,662,543	12,047,376	11,377,210
Less debt service funds	(488,907)	(326,369)	(359,900)	(380,000)
Net Bonded Debt	<u>\$ 7,211,303</u>	<u>\$ 12,336,174</u>	<u>\$ 11,687,476</u>	<u>\$ 10,997,210</u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	1.34%	2.23%	2.06%	1.87%
POPULATION	5,400	5,320	5,635	6,135
NET BONDED DEBT PER	\$ 1,335	\$ 2,319	\$ 2,074	\$ 1,793

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 663,672,428	\$ 768,920,713	\$ 878,616,542	\$ 1,001,187,477	\$ 1,123,948,354	\$ 1,308,714,124
10,672,911	12,124,403	11,188,690	19,401,934	18,161,081	26,077,258
(391,905)	(560,000)	(704,397)	(833,062)	(969,611)	(1,156,232)
<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>	<u>\$ 24,921,026</u>
1.55%	1.50%	1.19%	1.85%	1.53%	1.90%
6,636	6,800	7,061	7,395	7,947	8,080
\$ 1,549	\$ 1,701	\$ 1,485	\$ 2,511	\$ 2,163	\$ 3,084

City of Lucas, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2019

Governmental Unit	Gross Bonded Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Allen ISD	\$ 605,825,427	0.84%	\$ 5,088,934
Collin County	392,565,000	0.94%	3,690,111
Collin County Community College District	239,445,000	0.94%	2,250,783
Lovejoy ISD	166,105,234	34.33%	57,023,927
McKinney ISD	534,395,000	0.48%	2,565,096
Plano ISD	855,305,000	0.13%	1,111,897
Princeton ISD	189,588,384	0.16%	303,341
Wylie ISD	446,303,247	0.25%	1,115,758
Subtotal, overlapping debt			73,149,846
City direct debt			18,863,549
Total direct and overlapping debt			\$ 92,013,395

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
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%
2019	8080	532,358,880	62,011	41	2,094	3.4%

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



City of Lucas, Texas

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Government and Administration	3	3	3	3	4	3	3	4	4	4
Finance	4	4	4	4	4	4	4	4	4	4
Development Services	4	4	4	4	4	4	4	5	5	5
Fire/EMS	-	-	1	2	8	8	12	12	16	16
Public Works/Water Engineering	9	9	9	9	9	8	9	9	9	9
Total	<u>20</u>	<u>20</u>	<u>21</u>	<u>22</u>	<u>29</u>	<u>27</u>	<u>32</u>	<u>34</u>	<u>38</u>	<u>38</u>

Sources: Various City departments.

City of Lucas, Texas

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013
Public safety				
Municipal court				
Number of cases filed	72	400	333	260
Fire/EMS				
Number of calls answered	311	352	388	403
Public works				
Streets maintained (miles)	210	230	245	263
Development services				
Building permits	308	443	527	578
Water and sewer				
New connections	62	90	93	75
Annual gallons pumped (thousands)	420,805	587,816	517,953	567,325
Miles of water mains maintained	42	42	42	45

Sources: Various City departments.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
30	4	2	13	6	14
499	504	532	596	773	757
267	280	320	324	339	342
621	663	777	818	1,028	714
71	84	105	81	106	87
458,360	499,963	421,738	424,082	506,758	439,653
48	53	55	57	56	57

City of Lucas, Texas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Years

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public safety				
Fire stations	1	1	1	1
Public works				
Streets-paved	39	39	39	45
Parks	3	3	3	3
Parks (acres)	11	11	11	11
Water and sewer				
Water mains (miles)	42.0	42.0	42.0	45.0
Storm mains (miles)	n/a	n/a	2	3
Storm drainage (miles)	2.5	2.5	2.5	2.5

Sources: Various City departments.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1	1	1	1	1	1
48	53	56	58	59	62
3	3	3	3	3	3
11	11	11	11	11	11
48.5	50.9	55.0	57.0	56.0	57.0
3	3	3	3	3	3
2.5	2.5	2.5	2.5	2.5	2.5

