



City of Lucas

Comprehensive Annual Financial Report

Fiscal Year Ended September 2020

Prepared by Liz Exum, Finance Director





City of Lucas, Texas

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For the Year Ended September 30, 2020

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City of Lucas, Texas

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INTRODUCTORY SECTION





March 18, 2021

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 of the City of Lucas, Texas for the fiscal year ended September 30, 2020. 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 LaFollett and Company PLLC, is to provide reasonable assurance that the financial statements of the City for fiscal year ended September 30, 2020 were free of material misstatement. The independent auditor's report is located in the beginning of the financial section of the Comprehensive Annual Financial Report, 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, 2020.

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, exceptional educational systems, and natural beauty which is preserved through zoning that requires homes to be built on large lots. The community is primarily comprised of low-density housing and estate style living. The City of Lucas' location in Collin County can be described as a bedroom community that is conveniently located near local and regional economic areas, making the City a stable and attractive community. The City of Lucas provides excellent essential services to residents, promotes beautification of the environment, and creates special events to bring together the community.



Our Economy

With an estimated population of 8,338, 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' convenient location, proximity to higher population density areas, and the high quality of home sites available, the City continues to prosper economically.

Highlights for fiscal year 2019/2020 include:

- 64 new homes permitted with an average taxable market value of \$646,446.
- Commercial development included construction of 10,000 square foot retail building to Walmart addition, 11,000 square foot office building to Lucas Ranch, 30,000 square foot office building to Wolf Creek Villages, and 15,000 square foot outdoor sports field at Homerun Alley.
- Award of Excellence from Keep Texas Beautiful and placed 2nd Place in the Governor's Community Achievement Awards.
- First full season of the Lucas Farmers Market.
- Broadband feasibility study including broadband network design and financial model.
- Partnership with In-N-Out Burger for Country Christmas drive-through event.
- Partnership with Lovejoy Independent School District for graduation parade honoring graduating seniors from Lovejoy High School.
- Second year of Art in Public Places showcasing local student artwork at City Hall.
- Roadway improvement projects included completion of road pavement reconstruction and drainage improvements for Stinson Road and Blondy June Road.
- Road paving and crack seal improvements made at various locations throughout the City.
- Major culvert repairs and cleanup included Mandarin Cove, Brockdale Park Road, Orange Street, Lemon Street, Harvest Way, and Bentwater Drive.
- Park improvements included sign replacements at Kenneth R. Lewis Park and Forest Creek Park, pavilion roof replacements at Kenneth R. Lewis Park and Community Park, and additional electrical outlets at Community Park.
- Parking lot was added behind the Community Center for community events.
- Trail maintenance improvements along the Trinity Trail at Lavon Lake included tree trimming, brush removal, and trail cleanup.
- New ambulance for Lucas Fire-Rescue to provide essential emergency services.
- Fire Station improvements included additional apparatus bay doors, landscaping, and covered parking spaces.



Our Operational Efficiencies

The City of Lucas made improvements to operational efficiencies at both City Hall and the Fire Station. In response to the coronavirus pandemic, the City developed safety protocols to maintain a safe and healthy work environment for employees and to help protect the public's health. The City received \$579,245 in CARES funding from Collin County. These funds were used to make safety improvements to help protect the public and staff from COVID-19 exposure. Improvements to operations included the following:

- Creation of the City of Lucas Business Disruption Plan and updates to the Emergency Operations Plan in response to COVID-19.
- Procedures for employees to return to work following COVID-19 exposure guidelines and testing.
- Modification of special events to ensure social distancing, requirement of face coverings/masks, reduce mass gatherings, and encourage hand sanitizing.
- Implementation of virtual meetings and live video streaming to allow public participation through remote access to public meetings.
- Technology purchases and upgrades for City Hall and the Fire Station to hold virtual meetings.
- Safety installations at City Hall included Plexi-glass barriers at the front desks and security doors were added to the hallways.
- Hand sanitizing stations and air purification systems were installed at City Hall and the Fire Station.
- Personal Protective Equipment (PPE) and safety materials were purchased to allow for sanitation, social distancing, and safety of staff and patient care.
- Sign installations at City Hall and the Fire Station to direct the public to follow one-way entrances/exits for safety and traffic flow.
- Cyber security awareness training was completed for compliance of Section 2054.5191 of the Local Government Code.

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 2020, 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 Spring of 2021.
- Supervisory Control and Data Acquisition (SCADA) is under construction estimated to be completed Spring of 2021.
- Winningkoff Road pavement reconstruction and drainage is currently under pre-construction with an estimated construction start of Spring 2021 and completion date of October 2021.
- Contract was approved on December 20, 2019 for the design of Stinson Road and Snider Lane bridges.
- Engineering Department is developing an interactive GIS map throughout the City.
- Development Services Department is working on implementing a new building permitting software program, Energov to automate operations in planning, permitting, code enforcement, and inspections estimated to be completed fall of 2021.
- Lucas Fire-Rescue is developing a Water Rescue Plan to expand emergency response capabilities by proposing swift water rescue and improving flood and lake response.
- Securing funding from Collin County to reconstruct West Lucas Road to a four-lane divided roadway estimated to be a two-year project beginning in 2021.

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 17.8 months with funds equaling 148% 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 19 months with current funds equaling 159% 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 for the fiscal years ended September 30, 2010 through 2019.

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 Comprehensive Annual Financial Report whose contents conform to program standards. Such report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. This was the tenth 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, 2019

Christopher P. Morill

Executive Director/CEO

City of Lucas Organizational Chart

Citizens of Lucas

City Council

Legal

- City Attorney
- Municipal Judge

City Manager

City Secretary

- Municipal Court

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, 2020**

City Council:

Jim Olk	Mayor
Kathleen Peele	Mayor Pro Tem, Seat 6
Tim Johnson	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 & 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas, as of September 30, 2020, and the respective changes in financial position, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15-25, the General Fund budgetary comparison information on pages 86-87, the schedules of changes in pension and OPEB liabilities and related ratios, the schedules of employer contributions to pension plans, on pages 88-95, 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 on pages 1-9, the individual fund budgetary comparison schedules on pages 97-99, and the statistical section on pages 101-130 are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 individual fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

A handwritten signature in black ink that reads "LaFollett & Company PLLC". The signature is written in a cursive, flowing style.

LaFollett & Company PLLC
Certified Public Accountants
Tom Bean, Texas
March 18, 2021

*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2020

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, 2020. 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 1-5 of this report.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources (net position) at September 30, 2020 by \$62,972,145. Of this amount, \$14,755,899 (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 \$7,352,415. 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 \$20,701,330 at September 30, 2020, a decrease of \$(558,559) from the prior fiscal year; this includes an increase of \$168,587 in the Debt Service Fund, a decrease of \$1,336,072 in the Capital Improvement Fund, an increase of \$5,219 in the non-major Lucas Fire District Fund, and an increase of \$603,707 in the General Fund.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$8,524,465 or 149% 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.

The statement of net position presents information on all of the City's assets, liabilities, and deferred outflows and inflows. The difference between the amounts 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.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2020

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 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 Improvements Fund, which are considered to be major funds. The Lucas Fire District Fund is considered non-major for reporting purposes.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2020

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, Capital Improvements 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.

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 and deferred outflows exceed liabilities and deferred inflows by \$62,972,145 as of September 30, 2020 in the primary government.

The largest portion of the City's net position, \$42,294,459, reflects its investments in capital assets (e.g., land, city hall, streets, and drainage systems, and public works facilities), less any debt used to acquire those assets that are still outstanding, as well as, unspent bond proceeds and other amounts. 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, 2020

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2020			2019		
	Government Activities	Business-type Activities	Total	Government Activities	Business-type Activities	Total
Assets						
Current and other assets	\$ 21,462,062	\$ 12,140,951	\$ 33,603,013	\$ 23,726,583	\$ 11,811,029	\$ 35,537,612
Capital assets	36,240,575	19,963,509	56,204,084	31,483,315	18,687,491	50,170,806
Total Assets	57,702,637	32,104,460	89,807,097	55,209,898	30,498,520	85,708,418
Deferred Outflows of Resources	293,135	73,366	366,501	355,715	99,092	454,807
Liabilities						
Other Liabilities	926,014	364,468	1,290,482	3,527,791	1,035,961	4,563,752
Long-term Liabilities	17,815,162	6,346,874	24,162,036	18,976,028	6,913,184	25,889,212
Total Liabilities	18,741,176	6,711,342	25,452,518	22,503,819	7,949,145	30,452,964
Deferred Inflows of Resources	186,797	27,139	213,936	86,095	4,436	90,531
Net Position						
Net investment in capital assets	25,517,174	16,777,285	42,294,459	20,427,592	15,334,416	35,762,008
Restricted	4,982,422	939,365	5,921,787	4,129,734	668,724	4,798,458
Unrestricted	7,548,204	7,207,695	14,755,899	8,418,373	6,640,891	15,059,264
Total net position	\$ 38,047,800	\$ 24,924,345	\$ 62,972,145	\$ 32,975,699	\$ 22,644,031	\$ 55,619,730

During the current year, the City's current assets for the primary government decreased. This change is primarily due to the proceeds from the prior year issuance of certificates of obligations being spent in the current year. Long-term liabilities for the primary government decreased as a result of the aforementioned bond issuance occurring in the prior year now being reduced by payments in the current year. The City's capital assets increased overall by \$6,033,278. The increase is primarily due to capital contributions by developers to the City in the amount of \$3,559,712. Other liabilities for the primary government decreased by \$3,273,271 and the decrease is primarily attributed to unpaid payables for capital projects in the prior year being paid by the end of the current year.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

Statement of Activities:

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

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenue						
Program revenue						
Charges for services	\$ 1,579,135	\$ 5,602,448	\$ 7,181,583	\$ 1,256,424	\$ 4,775,275	\$ 6,031,699
Capital grants and contributions	2,276,836	1,386,276	3,663,112	437,074	368,375	805,449
Operating grants and contributions	608,945	-	608,945	-	-	-
General Revenue						
Property taxes	4,241,420	-	4,241,420	3,920,086	-	3,920,086
Sales taxes	1,827,798	-	1,827,798	1,576,882	-	1,576,882
Franchise and local taxes	391,893	-	391,893	413,713	-	413,713
Investment income	202,167	114,429	316,596	334,467	205,199	539,666
Other revenues	145,417	-	145,417	217,025	-	217,025
Total revenue	<u>11,273,611</u>	<u>7,103,153</u>	<u>18,376,764</u>	<u>8,155,671</u>	<u>5,348,849</u>	<u>13,504,520</u>
Expenses						
General government	1,276,560	-	1,276,560	1,096,507	-	1,096,507
Public safety	2,611,453	-	2,611,453	2,621,361	-	2,621,361
Public works	1,481,315	-	1,481,315	1,423,456	-	1,423,456
Parks and Recreation	163,110	-	163,110	194,196	-	194,196
Development services	354,169	-	354,169	426,705	-	426,705
Interest and fiscal charges	552,910	222,605	775,515	535,381	233,112	768,493
Utility	-	4,306,681	4,306,681	-	4,014,478	4,014,478
Total expenses	<u>6,439,517</u>	<u>4,529,286</u>	<u>10,968,803</u>	<u>6,297,606</u>	<u>4,247,590</u>	<u>10,545,196</u>
Change in Net Position Before Transfers	4,834,094	2,573,867	7,407,961	1,858,065	1,101,259	2,959,324
Transfers	294,753	(294,753)	-	238,387	(238,387)	-
Gain (loss) on disposal of asset	(56,746)	1,200	(55,546)	-	-	-
Total	<u>238,007</u>	<u>(293,553)</u>	<u>(55,546)</u>	<u>238,387</u>	<u>(238,387)</u>	<u>-</u>
Change in Net Position	5,072,101	2,280,314	7,352,415	2,096,452	862,872	2,959,324
Net position October 1	32,975,699	22,644,031	55,619,730	30,879,247	21,781,159	52,660,406
Net position September 30	<u>\$ 38,047,800</u>	<u>\$ 24,924,345</u>	<u>\$ 62,972,145</u>	<u>\$ 32,975,699</u>	<u>\$ 22,644,031</u>	<u>\$ 55,619,730</u>

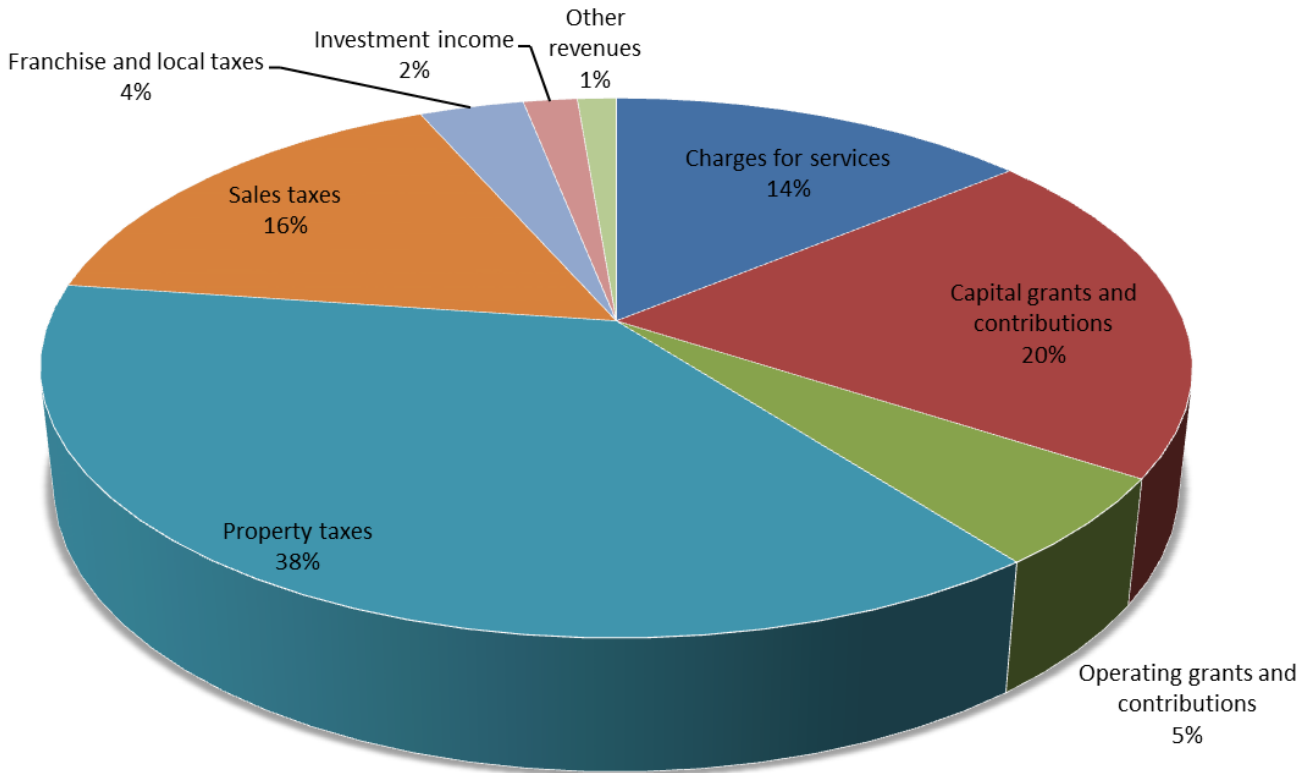
City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2020

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

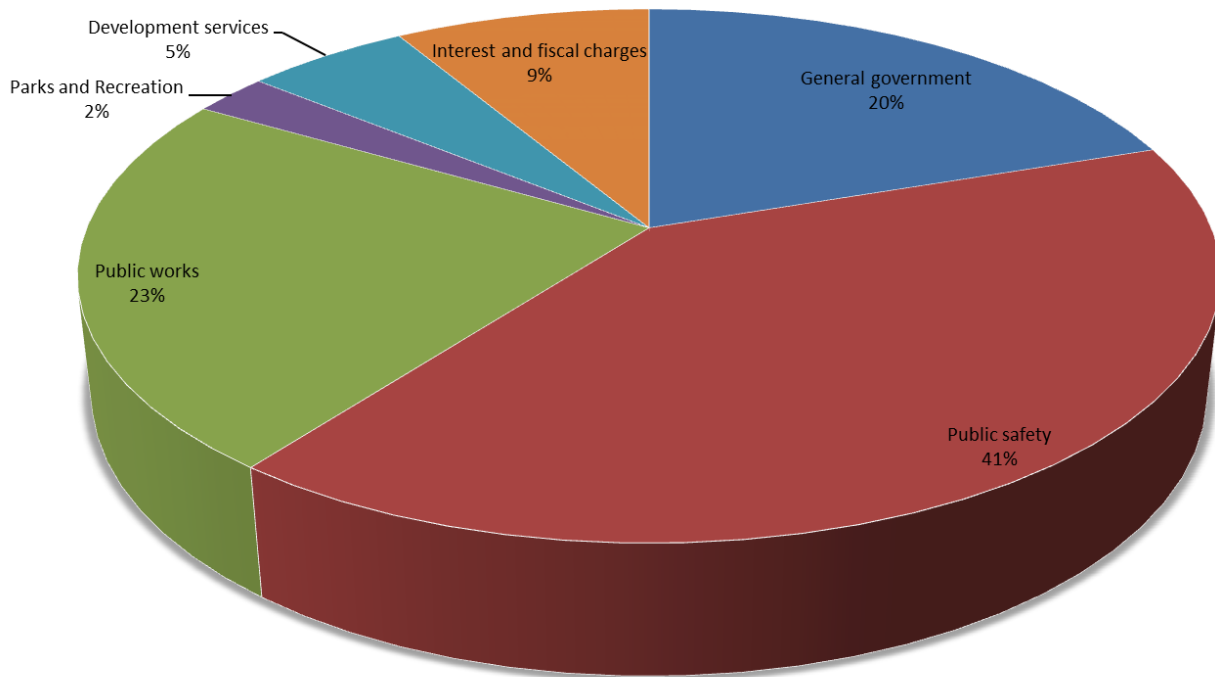


For the year ended September 30, 2020, revenues from governmental activities totaled \$11,273,611. Property tax, sales tax and charges for services are the City's largest general revenue sources. Overall governmental activity revenue increased \$3,117,940 or 38%. This increase is attributable to the increase in capital grants and contributions by \$1,736,362 which is due to nonrecurring capital contributions from developers. Operating grants and contributions increased by \$608,945 which is primarily attributed to \$579,245 in CARES funding received from Collin County used to respond to the Coronavirus pandemic. Property taxes increased by \$321,334, which is primarily attributed to the increase in appraised property values. Sales taxes increased by \$250,916 due to economic growth within the City. Investment income decreased by \$132,300 as a result of the decrease in interest-bearing cash accounts. Other revenues decreased by \$71,608 primarily as a result of a nonrecurring contribution the City received for Brockdale road maintenance 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, 2020

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



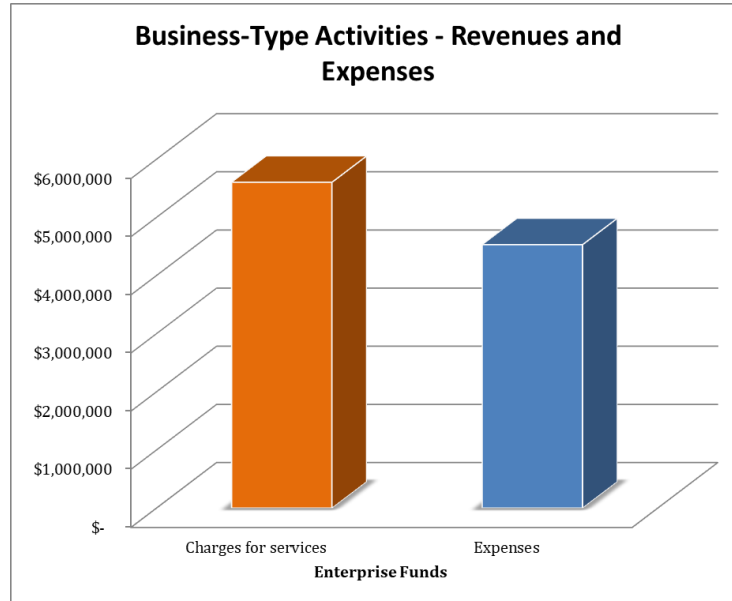
For the year ended September 30, 2020, expenses for governmental activities totaled \$6,439,517. This represents an increase of \$141,911 or 2% from the prior year. The City's largest functional expense is public safety of \$2,611,453. Public safety expenses decreased by \$9,908 or less than 1% primarily due to consistent personnel costs. General government increased by \$180,053 or 16% primarily due to purchases and safety improvements made to help protect the public and staff from Covid-19 exposure. Public works increased by \$57,859 or 4%, which is mainly attributable to road repair projects. Parks and recreation decreased \$31,086 or 16% mainly due the cancellation of the Founder's Day celebration. Interest and fiscal charges decreased \$17,529 or 3% due to nonrecurring bond issuance costs incurred in the prior 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, 2020

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



For the year ended September 30, 2020, charges for services by business-type activities totaled \$5,602,448. This is an increase of \$827,173 or 17%, from the previous year. This variance is due to an increase in water consumption in the current year and increased water rates from prior year that are now in effect for a full year.

Total expenses for business-type activities increased by \$292,203 to a total of \$4,306,681 or 7%. The increase is due to increased costs for contractual services and maintenance and repair.

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, 2020, the City's governmental funds reported combined fund balances of \$20,701,330, a decrease of \$(558,559) in comparison with the prior year. Approximately 41% of this amount, \$8,524,465 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 \$12,412,960. 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, 2020

The total fund balance of General Fund is 216% of total General Fund expenditures. The unassigned (the amount available for spending) fund balance of the General Fund of \$8,524,465 is 149% of total General Fund expenditures. The fund balance of the General Fund increased by \$603,707 compared to the prior year. This increase is mainly attributed to a combination of an increase in revenues and a decrease in expenditures compared to the prior year.

The Debt Service Fund had an ending fund balance of \$1,324,819 at September 30, 2020 compared to the previous year's balance of \$1,156,232. Principal payments amounted to \$915,000 and interest payments totaled \$585,398 in the current year. Total property tax and investment revenues amounted to \$1,668,985.

The Capital Improvement Fund ending fund balance is \$6,884,024. During the year, the City expended \$2,579,228 on various projects during the year from this fund. The fund balance decreased by \$(1,336,072) primarily due to the spending of bond proceeds received in previous years.

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 \$24,924,345. Unrestricted net position of the enterprise fund at the close of the fiscal year amounted to \$7,207,695. Total net position increased \$2,280,314. The fund had a net investment in capital assets of \$16,777,285. 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 \$1,386,276 consisting of water infrastructure.
- Operational expenses excluding depreciation and amortization were \$3,625,407.
- Cash and cash equivalents in the Utility Fund were \$6,945,017 at fiscal year-end.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were several budget amendments approved during the fiscal year, and increased budgeted expenditures by \$434,941. The amendments also increased budgeted revenues by \$541,300. 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 \$438,353 in final budgeted revenue compared to actual.
- \$1,302,732 is the surplus of revenues over expenditures before transfers.
- There was a net positive overall variance in fund balance of \$3,333,421.
- Significant amendments include an increase of \$361,359 for safety improvements and supplies for City Hall and the Fire Department to help protect the public and staff from Covid-19 exposure.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2020

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$36,240,575 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$19,963,509 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 \$6,532,451 net of depreciation.

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

- Investment in water utility infrastructure of \$1,948,160
- Investment in bridge and road infrastructure totaling \$5,328,963
- Purchase of two new trucks for Public Works totaling \$108,610
- Purchase of equipment for Fire Department and Public Works totaling \$337,203

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 \$24,600,465, including premiums. Of this amount, \$6,700,242 is self-supporting through revenues collected from the rates of the City's Utility Fund. All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following known factors were considered in preparing the City's operating budget for FY 2020-2021:

- This budget will raise more total property taxes than last year's budget by \$66,231 or 1.74 %, and of that amount, \$106,361 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2020-2021 reflects total anticipated revenues of \$12,804,128 and total anticipated expenditures of \$12,015,054.
- The City tax rate is set each fall and is enacted via ordinance. The rate for fiscal year 2020-2021 was enacted by Ordinance #2020-09-00922 and is set to \$0.299795 cents per \$100 of valuation.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2020

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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 8,847,148	\$ 6,945,017	\$ 15,792,165
Restricted cash	11,677,666	4,458,692	16,136,358
Restricted investments	265,669	-	265,669
Receivables, net	671,579	737,242	1,408,821
Total Current Assets	21,462,062	12,140,951	33,603,013
Capital assets:			
Non depreciable	2,088,442	1,049,640	3,138,082
Net depreciable capital assets	34,152,133	18,913,869	53,066,002
Total Noncurrent Assets	36,240,575	19,963,509	56,204,084
Total Assets	57,702,637	32,104,460	89,807,097
Deferred Outflows of Resources			
Pension contributions	188,875	51,032	239,907
OPEB contributions	145	41	186
Pension experience vs actual	10,160	2,522	12,682
Pension investment earnings	207	-	207
Pension assumption changes	88,014	12,130	100,144
OPEB assumption changes	8,767	2,332	11,099
Deferred charge on refunding	7,396	5,309	12,705
Total Deferred Outflows of Resources	303,564	73,366	376,930
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	260,843	46,054	306,897
Unearned revenue	442,705	-	442,705
Accrued interest payable	94,726	37,343	132,069
Customer deposits	33,000	258,400	291,400
Compensated absences	94,739	22,671	117,410
Long term debt due within one year	1,020,000	515,000	1,535,000
Total Current Liabilities	\$ 1,946,013	\$ 879,468	\$ 2,825,481

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities:			
Long term debt due in more than one year	\$ 16,880,223	\$ 6,185,242	\$ 23,065,465
Net pension liabilities	887,141	148,351	1,035,492
OPEB liability	47,798	13,281	61,079
Total Noncurrent Liabilities	17,815,162	6,346,874	24,162,036
Total Liabilities	19,761,175	7,226,342	26,987,517
Deferred Inflows of Resources			
Pension investment earnings	102,960	25,333	128,293
Pension experience vs actual	43,086	-	43,086
Pension assumption changes	62	-	62
Pension proportion change	44,582	-	44,582
OPEB investment earnings	6,536	1,806	8,342
Total Deferred Inflows of Resources	197,226	27,139	224,365
Net Position			
Net investment in capital assets	25,516,174	16,777,285	42,293,459
Restricted for:			
Capital projects	303,171	120,979	424,150
Impact fees	2,115,802	-	2,115,802
Impact fees (Lakeview Downs)	-	27,500	27,500
Debt service	1,324,819	515,000	1,839,819
Street maintenance (Brockdale)	385,528	-	385,528
Water deposits	-	258,400	258,400
Pensions	252,407	-	252,407
Capital outlay (Other)	250,000	-	250,000
CARES funding	89,755	-	89,755
Fire protection	79,527	-	79,527
Municipal court	77,594	-	77,594
Project management	70,853	17,486	88,339
Cable fees	31,834	-	31,834
Capital outlay (Playground E&P)	1,132	-	1,132
Unrestricted	7,549,204	7,207,695	14,756,899
Total Net Position	\$ 38,047,800	\$ 24,924,345	\$ 62,972,145

See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
Public safety	\$ 2,611,453	\$ 630,944	\$ 608,945	\$ -
Public works	1,481,316	451,516	-	2,276,836
General government	1,276,560	-	-	-
Development services	354,169	496,675	-	-
Parks and recreation	163,110	-	-	-
Interest and fiscal charges	552,910	-	-	-
Total Governmental Activities	<u>6,439,518</u>	<u>1,579,135</u>	<u>608,945</u>	<u>2,276,836</u>
Business-Type Activities:				
Utility fund	4,529,286	5,602,448	-	1,386,276
Total Business-Type Activities	<u>4,529,286</u>	<u>5,602,448</u>	<u>-</u>	<u>1,386,276</u>
Total Primary Government	<u>\$ 10,968,804</u>	<u>\$ 7,181,583</u>	<u>\$ 608,945</u>	<u>\$ 3,663,112</u>

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

Gain (loss) on disposal of asset

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

See Notes to Financial Statements.

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,371,564)	\$ -	\$ (1,371,564)
1,247,036	-	1,247,036
(1,276,560)	-	(1,276,560)
142,506	-	142,506
(163,110)	-	(163,110)
(552,910)	-	(552,910)
<u>(1,974,602)</u>	<u>-</u>	<u>(1,974,602)</u>
-	2,459,438	2,459,438
-	2,459,438	2,459,438
<u>(1,974,602)</u>	<u>2,459,438</u>	<u>484,836</u>
4,241,420	-	4,241,420
1,827,798	-	1,827,798
391,893	-	391,893
202,167	114,429	316,596
145,417	-	145,417
(56,746)	1,200	(55,546)
294,753	(294,753)	-
<u>7,046,702</u>	<u>(179,124)</u>	<u>6,867,578</u>
5,072,100	2,280,314	7,352,414
<u>32,975,699</u>	<u>22,644,031</u>	<u>55,619,730</u>
<u>\$ 38,047,799</u>	<u>\$ 24,924,345</u>	<u>\$ 62,972,144</u>

See Notes to Financial Statements.

City of Lucas, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2020

	General	Debt Service	Capital Improvement	Nonmajor Lucas Fire District	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 8,842,330	\$ -	\$ -	\$ 4,819	\$ 8,847,148
Receivables, net	587,439	9,432	-	74,708	671,579
Cash and cash equivalents - restricted	3,410,118	1,324,819	6,942,729	-	11,677,666
Restricted investments	265,669	-	-	-	265,669
Total Assets	\$ 13,105,556	\$ 1,334,251	\$ 6,942,729	\$ 79,527	\$ 21,462,063
Liabilities					
Accounts payable and accrued liabilities	\$ 202,139	\$ -	\$ 58,705	\$ -	\$ 260,844
Unearned revenue	442,705	-	-	-	442,705
Customer deposits	33,000	-	-	-	33,000
Total Liabilities	677,844	-	58,705	-	736,549
Deferred Inflows of Resources					
Unavailable revenue - property taxes	14,752	9,432	-	-	24,184
Total Deferred Inflows of Resources	14,752	9,432	-	-	24,184
Fund Balances					
Restricted for:					
Capital projects	613,590	-	6,884,024	-	7,497,614
Impact fees	2,115,802	-	-	-	2,115,802
Debt service	-	1,324,819	-	-	1,324,819
Street maintenance (Brockdale)	385,528	-	-	-	385,528
Pensions	252,407	-	-	-	252,407
Capital outlay (Other)	250,000	-	-	-	250,000
CARES funding	89,755	-	-	-	89,755
Fire protection	-	-	-	79,527	79,527
Municipal court	77,594	-	-	-	77,594
Project management	70,853	-	-	-	70,853
Cable fees	31,834	-	-	-	31,834
Capital outlay (Playground E&P)	1,132	-	-	-	1,132
Unassigned	8,524,465	-	-	-	8,524,465
Total Fund Balances	12,412,960	1,324,819	6,884,024	79,527	20,701,330
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,105,556	\$ 1,334,251	\$ 6,942,729	\$ 79,527	\$ 21,462,063

See Notes to Financial Statements.

City of Lucas, Texas

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

September 30, 2020

Fund Balances - Total Governmental Funds \$ 20,701,330

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds.

Capital assets - non-depreciable	2,088,442
Capital assets - net depreciable	34,152,133

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds

Property taxes receivable	24,184
---------------------------	--------

Deferred outflows (inflows) of resources represent a consumption of net position that applies to a future period(s) and are not recognized as an outflow (inflow) of resources (expense/expenditure) until then.

Pension contributions	188,875
Pension assumption changes	88,014
OPEB assumption changes	8,767
Deferred charge on refunding	7,396
OPEB contributions	145
OPEB investment earnings	(6,536)
Pension experience vs actual	(43,086)
Pension proportion change	(44,582)
Pension investment earnings	(102,960)

Some liabilities, including interest, bonds payable, and net pension and total OPEB liabilities, are not reported as liabilities in the governmental funds.

Accrued interest	(94,726)
Non-current liabilities due in one year	(1,020,000)
Non-current liabilities due in more than one year	(16,880,223)
Compensated absences	(94,739)
OPEB liability - TMRS	(47,798)
Net pension liability - TMRS	(518,729)
Net pension liability - LOSAP	(330,262)
Net pension liability - TESRS	(38,150)

Net Position of Governmental Activities - Statement of Net Position \$ 38,037,495

See Notes to Financial Statements.

City of Lucas, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	General	Debt Service	Capital Improvement	Nonmajor Lucas Fire District	Total Governmental Funds
Revenues					
Property tax	\$ 2,579,028	\$ 1,658,044	\$ -	\$ -	\$ 4,237,072
Sales tax	1,374,506	-	-	453,292	1,827,798
Federal grants	579,245	-	-	-	579,245
Fire department agreements	540,663	-	-	-	540,663
Licenses and permits	496,675	-	-	-	496,675
Impact fees	451,516	-	-	-	451,516
Franchise and local taxes	391,893	-	-	-	391,893
Investment income	94,593	10,941	96,633	-	202,167
Other revenue	145,416	-	-	-	145,416
Grants and contributions	133,100	-	-	-	133,100
Fines and forfeitures	90,281	-	-	-	90,281
Total Revenues	<u>6,876,916</u>	<u>1,668,985</u>	<u>96,633</u>	<u>453,292</u>	<u>9,095,826</u>
Expenditures					
Current:					
Public safety	2,310,128	-	-	-	2,310,128
General government	1,220,744	-	-	-	1,220,744
Public works	582,322	-	129,518	-	711,840
Development services	338,684	-	-	-	338,684
Parks and recreation	130,564	-	-	-	130,564
Debt service:					
Principal	-	915,000	-	-	915,000
Interest and fiscal charges	-	585,398	-	-	585,398
Capital outlay	1,157,553	-	2,579,227	-	3,736,780
Total Expenditures	<u>5,739,995</u>	<u>1,500,398</u>	<u>2,708,745</u>	<u>-</u>	<u>9,949,138</u>
Revenues Over (Under) Expenditures	1,136,921	168,587	(2,612,112)	453,292	(853,312)
Other Financing Sources (Uses)					
Transfers in	742,826	-	1,276,040	-	2,018,866
Transfers (out)	(1,276,040)	-	-	(448,073)	(1,724,113)
Total Other Financing Sources (Uses)	<u>(533,214)</u>	<u>-</u>	<u>1,276,040</u>	<u>(448,073)</u>	<u>294,753</u>
Net Change in Fund Balances	603,707	168,587	(1,336,072)	5,219	(558,559)
Fund Balances - October 1	<u>11,809,253</u>	<u>1,156,232</u>	<u>8,220,096</u>	<u>74,308</u>	<u>21,259,889</u>
Fund Balances - September 30	<u>\$ 12,412,960</u>	<u>\$ 1,324,819</u>	<u>\$ 6,884,024</u>	<u>\$ 79,527</u>	<u>\$ 20,701,330</u>

See Notes to Financial Statements.

City of Lucas, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN THE FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2020

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

Net changes in fund balances - total governmental funds: \$ (558,560)

Adjustments for the Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	3,736,780
Depreciation expense	(1,096,211)
Disposed assets	(56,746)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Contributed Capital	2,173,436
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(6,246)
Accrued interest	(8,436)
Pension expense	(67,314)
OPEB expense	(4,877)

The issuance of long-term debt (e.g., bonds, leases, certificate of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the

Amortization of deferred charges on refunding	(7,400)
Amortization of debt premium	48,326
Changes in deferred revenue	4,348
Debt payments	915,000

Change in Net Position of Governmental Activities \$ 5,072,100

See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUND
September 30, 2020

	Utility
Assets	
Current assets:	
Cash and cash equivalents	\$ 6,945,017
Restricted cash	4,458,692
Receivables, net	737,242
Total Current Assets	12,140,951
 Noncurrent Assets	
Capital assets:	
Non-depreciable	1,049,640
Net depreciable capital assets	18,913,869
Total Noncurrent Assets	19,963,509
Total Assets	32,104,460
 Deferred Outflows of Resources	
Pension contributions	51,032
OPEB contributions	41
Pension experience vs actual	2,522
Pension assumption changes	12,130
OPEB assumption changes	2,332
Deferred charge on refunding	5,309
Total Deferred Outflows of Resources	\$ 73,366

See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUND
September 30, 2020

	Utility
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 46,054
Accrued interest	37,343
Compensated absences	22,671
Customer deposits	258,400
Current portion of long term debt	515,000
Total Current Liabilities	879,468
 Noncurrent Liabilities	
Noncurrent portion of long term debt	6,185,242
Net pension liability	148,351
OPEB liability	13,281
Total Noncurrent Liabilities	6,346,874
Total Liabilities	7,226,342
 Deferred Inflows of Resources	
Pension investment earnings	25,333
OPEB investment earnings	1,806
Total Deferred Inflows of Resources	27,139
 Net Position	
Net investment in capital assets	16,777,285
Restricted for:	
Debt service	515,000
Water deposits	258,400
Capital projects	120,979
Impact fees (Lakeview Downs)	27,500
Project management	17,486
Unrestricted	7,207,695
Total Net Position	\$ 24,924,345

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, 2020

	<u>Utility</u>
Operating Revenues	
Charges for services	\$ 5,371,423
Impact fees	230,796
Other revenue	229
Total Operating Revenues	<u><u>5,602,448</u></u>
Operating Expenses	
Contractual services	2,182,009
Personnel	749,965
Depreciation	681,271
Trash services	557,445
Maintenance and repair	110,440
Supplies and materials	25,548
Total Operating Expenses	<u><u>4,306,678</u></u>
Operating Income	1,295,770
Non-Operating Revenues (Expenses)	
Investment income	114,429
Interest expense	(222,608)
Total Non-Operating Revenues (Expenses)	<u><u>(108,179)</u></u>
Income before Capital Contributions and Transfers	1,187,591
Capital contributions	1,386,276
Gain (loss) on sale of capital assets	1,200
Transfers (out)	(294,753)
Changes in Net Position	2,280,314
Net Position - Beginning	<u>22,644,031</u>
Net Position - Ending	<u><u>\$ 24,924,345</u></u>

See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 1 of 2)
For the Year Ended September 30, 2020

	Utility
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 5,940,503
Payments to suppliers	(3,038,498)
Payments to employees	(749,996)
Net Cash Provided (Used) by Operating Activities	2,152,009
 <u>Cash Flows from Non-capital Financing Activities</u>	
Transfer (out)	(294,753)
Net Cash Provided (Used) by Non-Capital Financing Activities	(294,753)
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Net capital purchases	(568,017)
Proceeds from sale of assets	1,200
Principal paid on debt	(513,467)
Interest paid on debt	(225,624)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,305,908)
 <u>Cash Flows from Investing Activities</u>	
Interest on investments	114,429
Net Cash Provided (Used) by Investing Activities	114,429
Net Increase (Decrease) in Cash and Cash Equivalents	665,777
Cash and Cash Equivalents at Beginning of Year	10,737,932
Cash and Cash Equivalents at End of Year	\$ 11,403,709

City of Lucas, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 2 of 2)
For the Year Ended September 30, 2020

	Utility
<u>Reconciliation of Operating Income</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating income (loss)	\$ 1,295,770
Adjustment to reconcile operating income to net cash provided:	
Depreciation	681,271
Change in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	335,855
Pension contributions	435
OPEB contributions	(1)
Pension experience vs actual	(5,734)
Pension assumption changes	(11,588)
OPEB assumption changes	(2,303)
Deferred charge on refunding	5,308
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(172,856)
Compensated absences	(31)
Customer deposits	2,200
Accrued interest payable	(3,056)
Pension investment earnings	61,730
OPEB investment earnings	582
Net pension liability	(38,592)
OPEB liability	3,019
Net Cash Provided (Used) by Operating Activities	\$ 2,152,009
 Schedule of non-Cash investing and financing activities	
Capital contributions	\$ 1,386,276

City of Lucas, Texas
NOTES TO THE FINANCIAL STATEMENTS
For Fiscal Year Ended September 30, 2020

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

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

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 non-departmental. 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.

Capital Improvements Fund

The Capital Improvements 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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

B. Basis of Presentation – Government-Wide and Fund Financial Statements (continued)

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.

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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

C. Measurement Focus and Basis of Accounting (continued)

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*.

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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

1. Deposits and Investments (continued)

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 noncurrent 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 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 non-spendable 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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

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.

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

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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

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.

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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

9. Long-Term Obligation

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.

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 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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

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 non-employer 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.

E. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

3. Compensated Absences

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

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

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

B. Explanation or 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.

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	\$ 265,669	0	AA+
External investment pools			
TexPool	1,288,165	32	AAAm
LOGIC	20,611,848	42	AAAm
Lone Star	<u>2,822,373</u>	32	AAAm
<u>Total value</u>	<u>\$ 24,988,055</u>		
Total portfolio		35	

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

A. Deposits and Investments (continued)

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, 2020, the City’s investment in TexPool, LOGIC, and the Lone Star Investment Pool were rated AAAM by Standard & Poor’s.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2020, 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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

A. Deposits and Investments (continued)

LOGIC

Deposits and Investments

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 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.

B. 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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

B. Fair Value Measurement (continued)

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, 2020.

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Group Annuity	\$ 265,669	\$ 265,669	\$ -	\$ -
Total Assets at fair value	<u>\$ 265,669</u>	<u>\$ 265,669</u>	<u>\$ -</u>	<u>\$ -</u>

The City 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%.

C. Receivables

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

	<u>General</u>	<u>Debt Service</u>	<u>Lucas Fire District</u>	<u>Utility</u>	<u>Total</u>
Property taxes	\$ 14,752	\$ 9,432	\$ -	\$ -	\$ 24,184
Sales tax	227,178	-	74,708	-	301,886
Franchise tax	127,620	-	-	-	127,620
Accounts	-	-	-	740,447	740,447
Grants	217,889	-	-	-	217,889
Allowance	-	-	-	(3,205)	(3,205)
	<u>\$ 587,439</u>	<u>\$ 9,432</u>	<u>\$ 74,708</u>	<u>\$ 737,242</u>	<u>\$ 1,408,821</u>

City of Lucas, Texas
NOTES TO THE FINANCIAL STATEMENTS, (continued)
For Fiscal Year Ended September 30, 2020

D. Capital Assets

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,216,447	\$ -	\$ -	\$ 1,216,447
Construction in progress	5,048,402	728,469	(4,904,876)	871,995
Total capital assets not being depreciated	<u>6,264,849</u>	<u>728,469</u>	<u>(4,904,876)</u>	<u>2,088,442</u>
Capital assets, being depreciated:				
Buildings and improvements	5,056,806	124,993	-	5,181,799
Furniture and equipment	1,876,716	337,203	(18,660)	2,195,259
Vehicles	2,348,862	108,610	389,090	2,846,562
Infrastructure	24,010,742	4,610,941	4,457,690	33,079,373
Total capital assets being depreciated	<u>33,293,126</u>	<u>5,181,747</u>	<u>4,828,120</u>	<u>43,302,993</u>
Less accumulated depreciation				
Buildings and improvements	(923,593)	(140,501)	(22)	(1,064,116)
Furniture and equipment	(1,429,569)	(94,504)	18,660	(1,505,413)
Vehicles	(1,135,481)	(147,913)	1,372	(1,282,022)
Infrastructure	(4,586,016)	(713,293)	-	(5,299,309)
Total accumulated depreciation	<u>(8,074,659)</u>	<u>(1,096,211)</u>	<u>20,010</u>	<u>(9,150,860)</u>
Net capital assets being depreciated	25,218,467	4,085,536	4,848,130	34,152,133
Total Capital Assets	<u><u>\$ 31,483,316</u></u>	<u><u>\$ 4,814,005</u></u>	<u><u>\$ (56,746)</u></u>	<u><u>\$ 36,240,575</u></u>

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

General government	\$ 38,641
Public safety	257,443
Public works	761,677
Parks and recreation	38,450
Total Governmental Activities Depreciation Expense	<u><u>\$ 1,096,211</u></u>

City of Lucas, Texas
NOTES TO THE FINANCIAL STATEMENTS, (continued)
For Fiscal Year Ended September 30, 2020

D. Capital Assets (continued)

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>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 378,256	\$ -	\$ -	\$ 378,256
Construction in progress	112,120	561,884	(2,620)	671,384
Total capital assets not being depreciated	<u>490,376</u>	<u>561,884</u>	<u>(2,620)</u>	<u>1,049,640</u>
<u>Capital assets, being depreciated:</u>				
Buildings and improvements	713,389	-	-	713,389
Infrastructure	22,635,397	1,386,276	-	24,021,673
Furniture and equipment	1,948,533	11,748	(2,995)	1,957,286
Vehicles	61,488	-	-	61,488
Total capital assets being depreciated	<u>25,358,807</u>	<u>1,398,024</u>	<u>(2,995)</u>	<u>26,753,836</u>
<u>Less accumulated depreciation</u>				
Buildings and improvements	(324,889)	(13,089)	-	(337,978)
Infrastructure	(5,698,913)	(550,574)	144	(6,249,343)
Furniture and equipment	(1,076,403)	(117,606)	2,851	(1,191,158)
Vehicles	(61,488)	-	-	(61,488)
Total accumulated depreciation	<u>(7,161,693)</u>	<u>(681,269)</u>	<u>2,995</u>	<u>(7,839,967)</u>
Net capital assets being depreciated	<u>18,197,114</u>	<u>716,755</u>	<u>-</u>	<u>18,913,869</u>
Total Capital Assets	<u>\$ 18,687,490</u>	<u>\$ 1,278,639</u>	<u>\$ (2,620)</u>	<u>\$ 19,963,509</u>

Depreciation was charged to business-type activities as follows:

Utility	<u>\$ 681,269</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 681,269</u>

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

E. 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 Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 705,000	\$ -	\$ (225,000)	\$ 480,000	\$ 235,000
Certificates of Obligation	17,350,000	-	(690,000)	16,660,000	785,000
Premium	808,549	-	(48,326)	760,223	-
Total Government Activities	<u>\$ 18,863,549</u>	<u>\$ -</u>	<u>\$ (963,326)</u>	<u>\$ 17,900,223</u>	<u>\$ 1,020,000</u>
Long-term liabilities due in more than one year				<u>\$ 16,880,223</u>	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 320,000	\$ -	\$ (110,000)	\$ 210,000	\$ 105,000
Certificates of Obligation	6,670,000	-	(390,000)	6,280,000	410,000
Premium	223,709	-	(13,467)	210,242	-
Total Business-Type Activities	<u>\$ 7,213,709</u>	<u>\$ -</u>	<u>\$ (513,467)</u>	<u>\$ 6,700,242</u>	<u>\$ 515,000</u>
Long-term liabilities due in more than one year				<u>\$ 6,185,242</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 THE FINANCIAL STATEMENTS, (continued)
For Fiscal Year Ended September 30, 2020

E. Long-term Debt (continued)

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	\$ 480,000
2007 Certificates of obligation	4.25%	2,500,000	680,000
2011 Certificates of obligation	3.60%	3,500,000	2,290,000
2015 Certificates of obligation	3.00%	2,000,000	1,390,000
2017 Certificates of obligation	3.00%	5,855,000	5,175,000
2019 Certificates of obligation	2.65% - 5.0%	7,215,000	7,125,000
Total Governmental Activities		22,860,000	17,140,000
Business-type Activities			
2007 General obligation refunding bonds	3.76%	1,455,000	210,000
2007 Certificates of obligation	4.25%	2,500,000	875,000
2011 Certificates of obligation	3.60%	2,250,000	1,480,000
2017 Certificates of obligation	3.00%	2,920,000	2,585,000
2019 Certificates of obligation	2.65% - 5.0%	1,390,000	1,340,000
Total Business-type Activities		10,515,000	6,490,000
Total Long-Term Debt			
2007 General obligation refunding bonds	3.76%	3,245,000	690,000
2007 Certificates of obligation	4.25%	5,000,000	1,555,000
2011 Certificates of obligation	3.60%	5,750,000	3,770,000
2015 Certificates of obligation	3.00%	2,000,000	1,390,000
2017 Certificates of obligation	3.00%	8,775,000	7,760,000
2019 Certificates of obligation	2.65% - 5.0%	8,605,000	8,465,000
Total		\$33,375,000	\$23,630,000

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

Year ending September 30,	Governmental Activities			
	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
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
2026-2030	-	-	5,355,000	1,369,061
2031 & After	-	-	6,685,000	746,155
Total	\$ 480,000	\$ 18,236	\$ 16,660,000	\$ 4,455,530

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

E. Long-term Debt (continued)

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

Year ending September 30,	Business-Type Activities			
	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
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
2026-2030	-	-	2,045,000	479,839
2031 & After	-	-	2,125,000	224,139
Total	\$ 210,000	\$ 7,896	\$ 6,280,000	\$ 1,592,959

F. Other Long-term liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 88,493	\$ 6,246	\$ -	\$ 94,739	\$ 94,739
Total Governmental Activities	88,493	6,246	-	94,739	94,739
Business-Type Activities:					
Compensated Absences	22,702	-	(31)	22,671	22,671
Total Business-Type Activities	\$ 22,702	\$ -	\$ (31)	\$ 22,671	\$ 22,671

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.

G. Deferred Charges on Refunding

Deferred charges result 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 \$7,396 for governmental activities and \$5,309 for business-type activities. Current year amortization expense for governmental activities totaled \$7,400. For business-type activities amortization expense was \$5,309.

City of Lucas, Texas
NOTES TO THE FINANCIAL STATEMENTS, (continued)
For Fiscal Year Ended September 30, 2020

H. Interfund Transactions

Transfers between the primary government funds during the 2020 year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Lucas Fire District	General	\$ 448,073
Utility Fund	General	294,753
General Fund	Capital Improvement	1,276,040
	Total	<u>\$ 2,018,866</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.

I. Restricted Net Position

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

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

	<u>Governmental Funds</u>	<u>Business-Type Activities</u>
Restricted for:		
Capital projects	\$ 303,171	\$ 120,979
Impact fees	2,115,802	-
Debt service	1,324,819	515,000
Street maintenance (Brockdale)	385,528	-
Water Deposits	-	258,400
Pensions	252,407	
Capital outlay (Other)	250,000	-
CARES funding	89,755	-
*Fire protection	79,527	
*Municipal court	77,594	-
Project management	70,853	17,486
*Cable fees	31,834	-
Impact fees (Lakeview Downs)	-	27,500
Capital outlay (Playground E&P)	1,132	-
Total	<u>\$ 4,982,422</u>	<u>\$ 939,365</u>

* Restricted by enabling legislation

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

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.

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.

City of Lucas, Texas
NOTES TO THE FINANCIAL STATEMENTS, (continued)
For Fiscal Year Ended September 30, 2020

C. Pension Plans

Texas Municipal Retirement Systems

1. Plan Description

The City of Lucas participates as one of 888 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 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 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 2019</u>	<u>Plan Year 2018</u>
Employee deposit rate	7%	7%
Matching ratio (city to employer)	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

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

2. Benefits Provided (continued)

Employees Covered by Benefit Terms:

At the December 31, 2019 and 2018 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2019</u>	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefits	20	17
Inactive employees entitled to but not yet receiving benefits	17	21
Active employees	<u>39</u>	<u>39</u>
Total	<u>76</u>	<u>77</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 12.83% and 12.5% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$324,500, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.5% to 11%, including inflation
Investment Rate of Return	6.75%, net pension plan investment expense, including inflation

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

4. Net Pension Liability (continued)

Salary increases were based on a service-related table. The retirement age is based on the experience-based table of rates that are specific to the City’s plan of benefits. It was last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018. Mortality rates for post-retirement are based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. The pre-retirement members is based on the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

Effective December 31, 2015, the long-term expected rate of return on TMRS pension plan investments is 6.75%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation and the production of income in order to satisfy the short-term and long-term funding needs of TMRS. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (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 of 2.5%. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	<u>100.0%</u>	

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

4. Net Pension Liability (continued)

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.

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:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Discount Rate Assumption 6.75%	1% Increase 7.75%
\$1,526,749	\$667,080	(\$21,102)

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/18	\$ 4,328,966	\$ 3,478,112	\$ 850,854
Changes for the year:			
Service Cost	450,025	-	450,025
Interest	303,275	-	303,275
Difference between expected and actual experience	33,015	-	33,015
Changes of assumptions	70,627	-	70,627
Contributions - employer	-	326,573	(326,573)
Contributions - employee	-	178,177	(178,177)
Net investment income	-	539,095	(539,095)
Benefit payments, including refunds or emp. contributions	(122,030)	(122,030)	-
Administrative expense	-	(3,038)	3,038
Other changes	-	(91)	91
Net changes	734,912	918,686	(183,774)
Balance at 12/31/19	\$ 5,063,878	\$ 4,396,798	\$ 667,080

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

4. Net Pension Liability (continued)

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.tMrs.com.

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

For the year ended September 30, 2020, the City recognized pension expense of \$354,268.

At September 30, 2020, the City reported deferred outflows and inflows of resources related to TMRS pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ 12,682	\$ -
Changes in actuarial assumptions	57,644	-
Difference between projected and investment earnings	-	(128,293)
Contributions subsequent to the measurement date	232,173	-
Total	\$ 302,499	\$ (128,293)

The City reported \$232,173 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, 2021. 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:	Deferred Outflow (Inflow) of Resources
2020	\$ (16,987)
2021	(19,964)
2022	14,479
2023	(43,877)
2024	8,382
Thereafter	-
Total	\$ (57,967)

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

Other Postemployment Benefits (OPEB)

1. Plan Description

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

2. Benefits Provided

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 2019	Plan Year 2018
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, 2019 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

3. Contributions

The City’s contributions to the TMRS SDBF for the years ended 2020, 2019, and 2018 were \$185, \$252, and \$166, respectively, which equaled the required contributions each year.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

3. **Contributions (continued)**

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
2018	0.01%	0.01%	100.00%
2019	0.01%	0.01%	100.00%
2020	0.01%	0.01%	100.00%

4. **Total OPEB Liability**

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	2.75%
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 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis with scale UMP to account for future mortality improvements. For disabled annuitants, the 2019 Municipal Retirees of Texas mortality tables with a 4 year set-forward for males. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

4. Total OPEB Liability (continued)

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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
\$ 75,934	\$61,078	\$ 49,745

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at 12/31/18	\$ 46,705
Changes for the year:	
Service Cost	4,327
Interest	1,808
Difference between expected and actual experience	(3,962)
Changes in assumptions	12,455
Benefit payments	(255)
Net changes	14,373
Balance at 12/31/19	\$ 61,078

5. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of \$6,431. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes in actuarial assumptions	\$ 11,099	\$ -
Differences between expected and actual experience	-	(8,342)
Contributions subsequent to the measurement date	186	-
Total	\$ 11,285	\$ (8,342)

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

5. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB (continued)

The City reported \$186 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in expense as follows:

Year ended December 31:	<u>Deferred Outflow (Inflow) of Resources</u>
2020	\$ 296
2021	296
2022	296
2023	296
2024	296
Thereafter	1,277
Total	<u><u>\$ 2,757</u></u>

Texas Emergency Services Retirement System

1. Plan Description

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

Of the nine-member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2020, there were 238 fire and/or emergency services member departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

2. Benefits Provided

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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

2. Benefits Provided (continued)

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.

3. Covered Membership

At August 31, 2020, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,837
Terminated Participants Entitled to Benefits But Not Yet Receiving Them	1,787
Active Participants (Vested and Nonvested)	<u>3,634</u>
Total	<u>9,258</u>

4. Contribution 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.

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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

4. Contribution Policy (continued)

Based on the August 31, 2020 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 15 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.

5. Contributions Required and Contributions Made

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, 2020, total contributions of \$3,755,242 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, 2020.

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, 2020 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$675,000 each year to pay for part of the System's administrative expenses.

6. Net Pension Liability

The System's net pension liability was measured as of August 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020. The pension liability is \$150,440,543 and the plan fiduciary net position is \$125,229,661, which means the System's net pension liability is \$25,210,882 at August 31, 2020.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

6. Net Pension Liability (continued)

Actuarial Assumptions:

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	N/A
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 4.6%) and by adding expected inflation (3.0%). In addition, the final 7.5% assumption was selected by rounding down. The target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (arithmetic)
Equities:		
Large cap domestic	20%	5.83%
Small cap domestic	10%	5.94%
Developed international	15%	6.15%
Emerging markets	5%	7.25%
Global infrastructure	5%	6.41%
Real estate	10%	4.48%
Multi asset income	5%	3.84%
Fixed income	30%	1.99%
Cash	0%	0.00%
Total	100%	
Weighted average		4.60%

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

6. Net Pension Liability (continued)

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2020 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.

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 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

1% Decrease 6.5%	Current Single Rate Assumption 7.5%	1% Increase 8.5%
\$73,503	\$38,150	\$13,587

Pension Plan Fiduciary Net Position:

The plan fiduciary net position reported above is the same as reported by the System. Detailed information about the plan fiduciary net position is available in the System's separately issued audited financial statements at www.tesrs.texas.gov, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

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

For the year ended September 30, 2020, the City recognized pension expense \$84,404.

At September 30, 2020, the City reported deferred outflows and inflows of resources related to pensions for TESRS from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and actual earnings	\$ 207	\$ -
Changes in assumptions	-	(62)
Proportion changes	-	(44,582)
Difference between expected and actual experience	-	(1,817)
Total	\$ 207	\$ (46,461)

Amounts reported as deferred outflows and inflows related to the TESRS pension will be recognized in pension expense as follows:

	Deferred Outflow (Inflow) of Resources
Year ended August 31:	
2021	\$ (4,754)
2022	(3,464)
2023	(1,819)
2024	(4,158)
Thereafter	(32,059)
Total	\$ (46,254)

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

Length of Service Awards Program

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 are 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 LOSAP.

2. Benefits Provided

FORMULA FOR MONTHLY BENEFITS 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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

2. Benefits Provided (continued)

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:

Years of Service	Vested Percentage
0-2	0%
3	60%
4	80%
5 or more	100%

Employees Covered by Benefit Terms:

At the July 1, 2019 valuation date, the following employees were covered by the benefit terms:

	<u>2019</u>
Active members	13
Vested-terminated members	14
Retired Beneficiaries	<u>2</u>
Total count	29

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, 2020, were \$13,479, and were more than the required contributions.

As of September 30, 2020, the City has an investment balance of \$265,669, designated for LOSAP benefit payments. This asset is not within an irrevocable trust and 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, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as July 1, 2019.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

4. Net Pension Liability (continued)

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of July 1, 2019, rolled forward to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

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 RP200MF with improvement
Retirement	First eligible
Turnover	T5
Disability	None

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

Discount Rate:

The calculations of the pension liability assume that the plan remains unfunded and uses a discount rate of 2.45% which is based on the 20-year AA general obligation bond rate as of June 30, 2020.

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 2.45%, 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 (1.45%) or 1-percentage-point higher (3.45%) than the current rate:

1% Decrease 1.45%	Current Discount Rate 2.45%	1% Increase 3.45%
\$353,362	\$330,262	\$306,642

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

4. Net Pension Liability (continued)

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 7/1/19	\$ 274,573	\$ -	\$ 274,573
Changes for the year:			
Service Cost	29,557	-	29,557
Interest	6,701	-	6,701
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(14,382)	-	(14,382)
Changes of assumptions	40,477	-	40,477
Benefit payments and expenses	(6,664)	-	(6,664)
Net changes	55,689	-	55,689
Balance at 6/30/20	\$ 330,262	\$ -	\$ 330,262

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

For the year ended September 30, 2020, the City recognized pension expense of \$37,185.

At September 30, 2020, the City reported deferred outflows and inflows of resources related to LOSAP pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ -	\$ 41,269
Differences between actuarial assumption changes	42,500	
Contributions subsequent to the measurement date	7,734	-
Total	\$ 50,234	\$ 41,269

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

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

The City reported \$7,734 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, 2021. 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:	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$ 927
2022	927
2023	927
2024	927
2025	927
Thereafter	<u>(3,404)</u>
Total	\$ 1,231

Consolidated Pension Balances for all Plans

The following presents the combined net pension liabilities as well as deferred outflows and inflows of resources for the TMRS, TESRS, & LOSAP

Deferred Outflows of Resources

Deferred Contributions

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ 181,141	\$ -	\$ 7,734	\$ 188,875
Business-type Activities	51,032	-	-	51,032
Total	\$ 232,173	\$ -	\$ 7,734	\$ 239,907

Assumption Changes

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ 45,514	\$ -	\$ 42,500	\$ 88,014
Business-type Activities	12,130	-	-	12,130
Total	\$ 57,644	\$ -	\$ 42,500	\$ 100,144

Projected vs. Actual Experience

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ 10,160	\$ -	\$ -	\$ 10,160
Business-type Activities	2,522	-	-	2,522
Total	\$ 12,682	\$ -	\$ -	\$ 12,682

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (continued)

For Fiscal Year Ended September 30, 2020

Consolidated Pension Balances for all Plans (continued)

Deferred Outflows of Resources (continued)

Investment Earnings

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ -	\$ 207	\$ -	\$ 207
Business-type Activities	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 207</u>	<u>\$ -</u>	<u>\$ 207</u>

Pension Liabilities

Net Pension Liabilities

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ (518,729)	\$ (38,150)	\$ (330,262)	\$ (887,141)
Business-type Activities	(148,351)	-	-	(148,351)
Total	<u>\$ (667,080)</u>	<u>\$ (38,150)</u>	<u>\$ (330,262)</u>	<u>\$ (1,035,492)</u>

Deferred Infows of Resources

Investment Earnings

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ (102,960)	\$ -	\$ -	\$ (102,960)
Business-type Activities	(25,333)	-	-	(25,333)
Total	<u>\$ (128,293)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (128,293)</u>

Projected vs. Actual Experience

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ -	\$ (1,817)	\$ (41,269)	\$ (43,086)
Business-type Activities	-	-	-	-
Total	<u>\$ -</u>	<u>\$ (1,817)</u>	<u>\$ (41,269)</u>	<u>\$ (43,086)</u>

Proportion Changes

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ -	\$ (44,582)	\$ -	\$ (44,582)
Business-type Activities	-	-	-	-
Total	<u>\$ -</u>	<u>\$ (44,582)</u>	<u>\$ -</u>	<u>\$ (44,582)</u>

Assumption Changes

	<u>TMRS</u>	<u>TESRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ -	\$ (62)	\$ -	\$ (62)
Business-type Activities	-	-	-	-
Total	<u>\$ -</u>	<u>\$ (62)</u>	<u>\$ -</u>	<u>\$ (62)</u>

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, *(continued)*

For Fiscal Year Ended September 30, 2020

D. Subsequent Events

In 2020, the Lucas Volunteer Firefighter Pension Board worked toward terminating the City's pension system participation with the Texas Emergency Services Retirement System (TESRS). The City paid TESRS the determined revocation charge in the amount of \$61,226 on October 1, 2020 and the final certified membership reconciliation amount of \$1,584 on December 10, 2020. The City Council approved the revocation amendment terminating the pension system participation contract between the City and TESRS on December 17, 2020. On December 18, 2020, the revocation amendment was fully executed between the City and Texas Emergency Services Retirement System (TESRS) effective December 31, 2020.

Management has evaluated subsequent events through March 18, 2021, the date on which the financial statements were available to be issued. There are no additional subsequent events to disclose for the City through this date.



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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property tax	\$ 2,538,275	\$ 2,545,475	\$ 2,579,028	\$ 33,553
Sales tax	1,100,800	1,197,000	1,374,506	177,506
Federal grants	-	361,356	579,245	217,889
Fire department agreements	564,244	552,954	540,663	(12,291)
Licenses and permits	546,620	551,160	496,675	(54,485)
Impact fees	380,000	421,000	451,516	30,516
Franchise and local taxes	405,200	402,460	391,893	(10,567)
Investment income	130,000	95,000	94,593	(407)
Other revenue	103,739	115,578	145,416	29,838
Grants and contributions	72,505	87,505	133,100	45,595
Fines and forfeitures	55,880	109,075	90,281	(18,794)
Total Revenues	<u>5,897,263</u>	<u>6,438,563</u>	<u>6,876,916</u>	<u>438,353</u>
Expenditures				
Current:				
General government				
City council	24,140	37,120	15,079	22,041
City secretary	168,900	161,776	145,344	16,432
Administrative	612,889	634,133	595,168	38,965
Non-departmental	419,966	762,649	465,153	297,496
Total general government	<u>1,225,895</u>	<u>1,595,678</u>	<u>1,220,744</u>	<u>374,934</u>
Public safety				
Fire department	2,251,365	2,277,244	2,095,725	181,519
Police	250,000	250,000	214,403	35,597
Total public safety	<u>2,501,365</u>	<u>2,527,244</u>	<u>2,310,128</u>	<u>217,116</u>
Public works				
Public works	316,645	289,670	227,187	62,483
Parks and recreation	203,810	183,718	130,564	53,154
Engineering	229,705	300,639	321,135	(20,496)
Animal Control	35,000	35,000	34,000	1,000
Total public works	<u>785,160</u>	<u>809,027</u>	<u>712,886</u>	<u>96,141</u>
Development services	434,203	381,602	338,684	42,918
Capital outlay	1,222,810	1,290,823	1,157,553	133,270
Total Expenditures	<u>6,169,433</u>	<u>6,604,374</u>	<u>5,739,996</u>	<u>864,378</u>
Revenues Over (Under) Expenditures	<u>(272,170)</u>	<u>(165,811)</u>	<u>1,136,921</u>	<u>1,302,732</u>

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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Other Financing Sources (Uses)				
Transfers in	626,295	676,387	742,826	66,439
Transfers (out)	-	(3,243,290)	(1,276,040)	1,967,250
Sale of capital assets	<u>3,000</u>	<u>3,000</u>	-	<u>(3,000)</u>
Total Other Financing Sources (Uses)	<u>629,295</u>	<u>(2,563,903)</u>	<u>(533,214)</u>	<u>2,030,689</u>
Net Change in Fund Balances	<u>\$ 357,125</u>	<u>\$ (2,729,714)</u>	603,707	<u>\$ 3,333,421</u>
Fund Balances, October 1			<u>11,809,253</u>	
Fund Balances, September 30			<u>\$ 12,412,960</u>	

Notes to Required Supplementary Information

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

City of Lucas, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS ¹

TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Ten Measured Years:

Measurement Date	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
Total Pension Liability				
Service Cost	\$ 450,025	\$ 414,235	\$ 372,249	\$ 348,892
Interest	303,275	266,265	231,198	198,270
Change in benefit terms	-	-	-	-
Difference between expected and actual experience	33,015	(33,376)	9,721	17,647
Changes of assumptions	70,627	-	-	-
Benefit payments, including refunds of participant contributions	<u>(122,030)</u>	<u>(111,419)</u>	<u>(117,869)</u>	<u>(59,465)</u>
Net change in total pension liability	<u>734,912</u>	<u>535,705</u>	<u>495,299</u>	<u>505,344</u>
Total pension liability, beginning	<u>4,328,966</u>	<u>3,793,261</u>	<u>3,297,962</u>	<u>2,792,618</u>
Total pension liability, ending (a)	<u>\$ 5,063,878</u>	<u>\$ 4,328,966</u>	<u>\$ 3,793,261</u>	<u>\$ 3,297,962</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 326,573	\$ 315,372	\$ 283,883	\$ 256,187
Contributions - members	178,177	164,379	144,523	134,633
Net investment income	539,095	(96,228)	353,005	140,372
Benefit payments, including refunds of participant contributions	(122,030)	(111,419)	(117,869)	(59,465)
Administrative expenses	(3,038)	(1,857)	(1,829)	(1,585)
Other	<u>(91)</u>	<u>(96)</u>	<u>(93)</u>	<u>(86)</u>
Net change in plan fiduciary net position	918,686	270,151	661,620	470,056
Plan fiduciary net position, beginning	<u>3,478,112</u>	<u>3,207,961</u>	<u>2,546,341</u>	<u>2,076,285</u>
Plan fiduciary net position, ending (b)	<u>\$ 4,396,798</u>	<u>\$ 3,478,112</u>	<u>\$ 3,207,961</u>	<u>\$ 2,546,341</u>
Net pension liability/(asset) ending = (a) - (b)	<u>\$ 667,080</u>	<u>\$ 850,854</u>	<u>\$ 585,300</u>	<u>\$ 751,621</u>
Plan fiduciary net position as a % of total pension liability	86.83%	80.35%	84.57%	77.21%
Covered payroll	\$ 2,545,390	\$ 2,348,274	\$ 2,064,609	\$ 1,923,330
Net pension liability as a % of covered payroll	26.21%	36.23%	28.35%	39.08%

Notes to Schedule:

¹ This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only available information is shown.

<u>12/31/2015</u>	<u>12/31/2014</u>
\$ 293,557	\$ 182,681
171,059	144,591
-	305,541
3,953	33,580
45,337	-
<u>(36,429)</u>	<u>(39,926)</u>
<u>477,477</u>	<u>626,467</u>
<u>2,315,141</u>	<u>1,688,674</u>
<u>\$ 2,792,618</u>	<u>\$ 2,315,141</u>
\$ 229,058	\$ 113,742
116,030	103,947
2,608	86,065
(36,429)	(39,926)
(1,588)	(898)
<u>(78)</u>	<u>(74)</u>
<u>309,601</u>	<u>262,856</u>
<u>1,766,684</u>	<u>1,503,828</u>
<u>\$ 2,076,285</u>	<u>\$ 1,766,684</u>
<u>\$ 716,333</u>	<u>\$ 548,457</u>
74.35%	76.31%
\$ 1,657,575	\$ 1,484,954
43.22%	36.93%

City of Lucas, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS ¹ TEXAS MUNICIPAL RETIREMENT SYSTEM Last Ten Measured Years:

	12/31/2019	12/31/2018	12/31/2017
Total OPEB liability			
Service Cost	\$ 4,327	\$ 4,697	\$ 3,716
Interest	1,808	1,751	1,609
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(3,962)	(6,318)	-
Changes in assumptions or other inputs	12,455	(3,855)	4,624
Benefit payments, including refunds of participant contributions	(255)	(235)	-
Net Change in Total OPEB Liability	14,373	(3,960)	9,949
Total OPEB Liability - Beginning	46,705	50,665	40,716
Total OPEB Liability - Ending (a)	\$ 61,078	\$ 46,705	\$ 50,665
 Covered Payroll	 \$ 2,545,390	 \$ 2,348,274	 \$ 2,064,609
 Total OPEB Liability as a Percentage of Covered Payroll	 2.40%	 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.

City of Lucas, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS ¹

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Last Ten Measured Years:

	8/31/2020	8/31/2019	8/31/2018	8/31/2017
Total Pension Liability				
Service Cost	\$ 2,824	\$ 2,877	\$ 3,103	\$ 5,217
Interest	16,645	16,270	19,288	30,996
Change in benefit terms	4,523	-	5,502	-
Difference between expected and actual experience	(2,974)	-	(176)	-
Changes of assumptions	(103)	-	-	-
Benefit payments, including refunds of participant contributions	(10,414)	(9,917)	(11,372)	(16,474)
Net change in total pension liability	10,501	9,230	16,345	19,739
Total pension liability, beginning	217,153	212,019	251,457	402,971
Total pension liability, ending (a)	\$ 227,654	\$ 221,249	\$ 267,802	\$ 422,710
Plan Fiduciary Net Position				
Contributions - employer	\$ 5,683	\$ 5,366	\$ 7,982	\$ 16,408
Contributions - state	2,011	2,049	2,589	5,185
Net investment income	18,449	1,759	22,033	32,005
Benefit payments, including refunds of participant contributions	(10,414)	(9,917)	(11,372)	(16,474)
Administrative expenses	(486)	(350)	(308)	(602)
Other	-	-	-	-
Net change in plan fiduciary net position	15,243	(1,093)	20,924	36,522
Plan fiduciary net position, beginning	174,259	178,639	204,715	307,613
Plan fiduciary net position, ending (b)	\$ 189,502	\$ 177,546	\$ 225,639	\$ 344,135
Net pension liability/(asset) ending = (a) - (b)	\$ 38,152	\$ 43,703	\$ 42,163	\$ 78,575
Plan fiduciary net position as a % of total pension liability	83.24%	80.25%	84.26%	81.41%
Number of active members	3634	3702	3927	4046
Net pension liability per active	\$ 10	\$ 12	\$ 11	\$ 19
City's proportion of the net pension	0.1513%	0.1542%	0.1947%	0.3274%

Notes to Schedule:

¹ This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only available information is shown.

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

³ The System's net pension liability was measured as of August 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020.

<u>8/31/2016</u>	<u>8/31/2015</u>
\$ 576	\$ 6,499
3,027	32,495
246	-
22	-
303	-
<u>(1,599)</u>	<u>(17,258)</u>
<u>2,575</u>	<u>21,736</u>
<u>39,286</u>	<u>421,417</u>
<u>\$ 41,861</u>	<u>\$ 443,153</u>

\$ 1,178	\$ 13,486
539	6,281
1,686	(12,632)
(1,599)	(17,258)
(57)	(828)
-	-
<u>1,747</u>	<u>(10,951)</u>
<u>30,208</u>	<u>351,709</u>
<u>\$ 31,955</u>	<u>\$ 340,758</u>
<u>\$ 9,906</u>	<u>\$ 102,395</u>

76.34% 76.89%

3634 4036

\$ 12 \$ 110

0.0340% 0.3836%

City of Lucas, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN ¹ TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Last Ten Fiscal Years:

	<u>9/30/2020</u>	<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	\$ 7,056	\$ 6,909	\$ 9,327	\$ 15,834	\$ 1,558	\$ 18,120
Contributions in relation to the board determined contribution	7,056	6,909	9,327	15,834	1,558	18,120
Contribution deficiency (excess)	-	-	-	-	-	-

NOTES TO SCHEDULE OF CONTRIUBTIONS TO PENSION PLAN

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.

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	3.00%
Salary Increases	n/a
Investment Rate of Return	7.50%
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

Last Ten Measured Years:

	<u>6/30/2020</u> 12/31/19	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total Pension Liability				
Service Cost	\$ 29,557	\$ 31,505	\$ 30,982	\$ 34,136
Interest	6,701	6,900	8,432	7,558
Change in benefit terms	-	-	-	-
Difference between expected and actual experience	(14,382)	7	(41,351)	(1)
Changes of assumptions	40,477	23,268	(2,005)	(13,739)
Benefit payments, including refunds of participant contributions	(6,664)	(8,741)	(8,521)	(6,744)
Net change in total pension liability	<u>55,689</u>	<u>52,939</u>	<u>(12,463)</u>	<u>21,210</u>
Total pension liability, beginning	<u>274,573</u>	<u>221,634</u>	<u>234,097</u>	<u>212,887</u>
Total pension liability, ending (a)	<u>\$ 330,262</u>	<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>	<u>\$ -</u>
Net pension liability/(asset) ending = (a) - (b)	<u>\$ 330,262</u>	<u>\$ 274,573</u>	<u>\$ 221,634</u>	<u>\$ 234,097</u>
Plan fiduciary net position as a % of total pension liability	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

¹ This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 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 trust as defined in paragraph 4 of GASB 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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property tax	\$ 1,509,603	\$ 1,504,503	\$ 1,658,044	\$ 153,541
Investment income	24,000	12,000	10,941	(1,059)
Total Revenues	1,533,603	1,516,503	1,668,985	152,482
Expenditures				
Debt service				
Principal	915,000	915,000	915,000	-
Interest	585,399	585,399	585,398	1
Total Expenditures	1,500,399	1,500,399	1,500,398	1
Net Change in Fund Balances	\$ 33,204	\$ 16,104	168,587	\$ 152,483
Fund Balances, October 1			1,156,232	
Fund Balances, September 30			\$ 1,324,819	

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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Interest income	\$ 120,000	\$ 87,000	\$ 96,633	\$ 9,633
Total Revenues	<u>120,000</u>	<u>87,000</u>	<u>96,633</u>	<u>9,633</u>
Expenditures				
Capital outlay	419,671	8,911,389	2,579,227	6,332,162
Public works	-	129,518	129,518	-
Total Expenditures	<u>419,671</u>	<u>9,040,907</u>	<u>2,708,745</u>	<u>6,332,162</u>
Other Financing Sources (Uses)				
Transfers in	-	3,243,290	1,276,040	(1,967,250)
Total Other Financing (Uses)	<u>-</u>	<u>3,243,290</u>	<u>1,276,040</u>	<u>(1,967,250)</u>
Net Change in Fund Balances	<u>\$ (299,671)</u>	<u>\$ (5,710,617)</u>	(1,336,072)	<u>\$ 4,374,545</u>
Fund Balances, October 1			<u>8,220,096</u>	
Fund Balances, September 30			<u>\$ 6,884,024</u>	

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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Sales tax	\$ 370,800	\$ 417,000	\$ 453,292	\$ 36,292
Total Revenues	<u>370,800</u>	<u>417,000</u>	<u>453,292</u>	<u>36,292</u>
Other Financing Sources (Uses)				
Transfers (out)	(370,800)	(417,000)	(448,073)	31,073
Total Other Financing Sources (Uses)	<u>(370,800)</u>	<u>(417,000)</u>	<u>(448,073)</u>	<u>31,073</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	5,219	<u>\$ 5,219</u>
Fund Balances, October 1			<u>74,308</u>	
Fund Balances, September 30			<u>\$ 79,527</u>	



City of Lucas, Texas

STATISTICAL SECTION

UNAUDITED

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
Financial Trends	101-111
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	112-118
<i>These schedules contain information to help the reader assess the City's most significant local revenue source: property tax.</i>	
Debt Capacity	120-124
<i>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 in the future.</i>	
Demographics and Economic Information	125-127
<i>These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	128-130
<i>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.</i>	

City of Lucas, Texas
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Governmental Activities:				
Net Investments in Capital Assets	\$ 25,517,174	\$ 20,427,592	\$ 19,557,740	\$ 18,969,607
Restricted	4,982,422	4,129,734	3,194,287	2,425,677
Unrestricted	7,548,204	8,418,373	8,127,220	7,481,154
Total Governmental Activities	<u>\$ 38,047,800</u>	<u>\$ 32,975,699</u>	<u>\$ 30,879,247</u>	<u>\$ 28,876,438</u>
Business-type Activities:				
Net Investments in Capital Assets	\$ 16,777,285	\$ 15,334,416	\$ 15,023,072	\$ 14,790,563
Restricted	939,365	668,724	555,979	436,201
Unrestricted	7,207,695	6,640,891	6,202,108	5,616,348
Total Business-type Activities	<u>\$ 24,924,345</u>	<u>\$ 22,644,031</u>	<u>\$ 21,781,159</u>	<u>\$ 20,843,112</u>
Primary Government:				
Net Investments in Capital Assets	\$ 42,294,459	\$ 35,762,008	\$ 34,580,812	\$ 33,760,170
Restricted	5,921,787	4,798,458	3,750,266	2,861,878
Unrestricted	14,755,899	15,059,264	14,329,328	13,097,502
Total Primary Activities	<u>\$ 62,972,145</u>	<u>\$ 55,619,730</u>	<u>\$ 52,660,406</u>	<u>\$ 49,719,550</u>

Source: City of Lucas Financial Services Annual Financial Reports

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 17,817,626	\$ 15,687,778	\$ 11,217,229	\$ 9,735,155	\$ 7,912,596	\$ 6,946,186
5,021,277	5,101,359	2,535,158	1,441,795	1,034,404	427,803
4,034,670	2,022,200	5,024,220	5,097,482	3,785,982	2,819,545
<u>\$ 26,873,573</u>	<u>\$ 22,811,337</u>	<u>\$ 18,776,607</u>	<u>\$ 16,274,432</u>	<u>\$ 12,732,982</u>	<u>\$ 10,193,534</u>
\$ 14,122,099	\$ 13,793,927	\$ 13,112,606	\$ 11,450,187	\$ 9,724,745	\$ 7,954,921
375,000	365,000	382,027	350,000	320,000	300,000
5,501,285	4,824,325	3,752,393	4,265,404	4,263,267	4,259,481
<u>\$ 19,998,384</u>	<u>\$ 18,983,252</u>	<u>\$ 17,247,026</u>	<u>\$ 16,065,591</u>	<u>\$ 14,308,012</u>	<u>\$ 12,514,402</u>
\$ 31,929,725	\$ 29,481,705	\$ 24,329,835	\$ 21,185,342	\$ 17,637,341	\$ 14,901,107
5,396,277	5,466,359	2,917,185	1,791,795	1,354,404	724,803
9,535,955	6,846,525	8,776,613	9,362,886	8,049,249	7,079,026
<u>\$ 46,871,957</u>	<u>\$ 41,794,589</u>	<u>\$ 36,023,633</u>	<u>\$ 32,340,023</u>	<u>\$ 27,040,994</u>	<u>\$ 22,707,936</u>

City of Lucas, Texas
CHANGES IN NET POSITION
Last Ten Years
(Accrual Basis of Accounting)
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Expenses				
Governmental Activities:				
General Government	\$ 1,276,560	\$ 1,096,507	\$ 935,150	\$ 961,459
Public Safety	2,611,453	2,621,361	2,223,061	2,082,243
Public Works	1,481,315	1,423,456	2,189,754	971,612
Development Services	354,169	426,705	408,654	345,336
Parks and Recreation	163,110	194,196	126,327	113,916
Community Development	-	-	-	-
Interest and Fiscal Charges	552,910	535,381	392,146	373,570
Total Governmental Activities	<u>6,439,517</u>	<u>6,297,606</u>	<u>6,275,092</u>	<u>4,848,136</u>
Business-type Activities:				
Utility Fund	4,529,286	4,247,590	4,243,367	3,840,280
Total Business-type Activities	<u>4,529,286</u>	<u>4,247,590</u>	<u>4,243,367</u>	<u>3,840,280</u>
Total Primary Government	<u>\$ 10,968,803</u>	<u>\$ 10,545,196</u>	<u>\$ 10,518,459</u>	<u>\$ 8,688,416</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
General Government	\$ -	\$ -	\$ -	\$ -
Public Safety	630,944	528,717	509,862	448,607
Public Works	451,516	232,881	341,597	356,940
Development Services	496,675	494,826	904,825	713,554
Parks and Recreation	-	-	-	-
Capital Grants and Contributions	2,276,836	437,074	342,372	-
Operating Grants and Contributions	608,945	-	-	126,168
Total Governmental Activities	<u>4,464,916</u>	<u>1,693,498</u>	<u>2,098,656</u>	<u>1,645,269</u>
Business-type Activities:				
Charges for Services				
Water and Sewer	5,602,448	4,775,275	5,314,349	4,403,061
Capital Grants and Contributions	1,386,276	368,375	37,419	417,020
Total Business-type Activities	<u>6,988,724</u>	<u>5,143,650</u>	<u>5,351,768</u>	<u>4,820,081</u>
Total Primary Government	<u>\$ 11,453,640</u>	<u>\$ 6,837,148</u>	<u>\$ 7,450,424</u>	<u>\$ 6,465,350</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (1,974,601)	\$ (4,604,108)	\$ (4,176,436)	\$ (3,202,867)
Business-type Activities	2,459,438	896,060	1,108,401	979,801
Total Primary Government	<u>\$ 484,837</u>	<u>\$ (3,708,048)</u>	<u>\$ (3,068,035)</u>	<u>\$ (2,223,066)</u>

Source: City of Lucas Financial Services Annual Financials

	2016	2015	2014	2013	2012	2011
\$	955,548	\$ 934,322	\$ 840,998	\$ 715,216	\$ 626,484	\$ 684,352
	1,866,920	1,693,535	1,469,546	889,680	775,050	653,625
	883,514	1,091,137	867,243	1,029,582	609,532	605,274
	279,699	352,718	257,331	273,707	293,418	289,492
	159,565	78,233	132,379	137,616	111,766	87,811
	-	-	-	-	-	-
	263,690	331,834	232,858	244,060	256,685	184,707
	<u>4,408,936</u>	<u>4,481,779</u>	<u>3,800,355</u>	<u>3,289,861</u>	<u>2,672,935</u>	<u>2,505,261</u>
	3,593,006	3,237,288	2,891,141	2,969,977	2,530,479	2,352,455
	<u>3,593,006</u>	<u>3,237,288</u>	<u>2,891,141</u>	<u>2,969,977</u>	<u>2,530,479</u>	<u>2,352,455</u>
\$	<u>8,001,942</u>	<u>7,719,067</u>	<u>6,691,496</u>	<u>6,259,838</u>	<u>5,203,414</u>	<u>4,857,716</u>
\$	-	\$ -	\$ 2,501	\$ 10,351	\$ 9,015	\$ 1,804
	413,588	327,745	252,949	184,020	176,777	137,312
	402,068	335,163	74,050	319,402	652,830	103,551
	658,708	707,807	553,264	545,526	539,593	377,558
	-	-	15,000	67,000	10,000	9,000
	37,600	196,000	1,804,078	2,297,740	946,567	218,510
	1,824,487	2,470,277	-	-	-	-
	<u>3,336,451</u>	<u>4,036,992</u>	<u>2,701,842</u>	<u>3,424,039</u>	<u>2,334,782</u>	<u>847,735</u>
	4,332,497	3,879,602	3,832,078	3,608,367	3,025,171	3,427,231
	418,089	1,299,604	512,011	1,300,659	1,350,014	-
	<u>4,750,586</u>	<u>5,179,206</u>	<u>4,344,089</u>	<u>4,909,026</u>	<u>4,375,185</u>	<u>3,427,231</u>
\$	<u>8,087,037</u>	<u>9,216,198</u>	<u>7,045,931</u>	<u>8,333,065</u>	<u>6,709,967</u>	<u>4,274,966</u>
\$	(1,072,485)	\$ (444,787)	\$ (1,098,513)	\$ 134,178	\$ (338,153)	\$ (1,657,526)
	1,157,580	1,941,918	1,452,948	1,939,049	1,844,706	1,074,776
\$	<u>85,095</u>	<u>1,497,131</u>	<u>354,435</u>	<u>2,073,227</u>	<u>1,506,553</u>	<u>(582,750)</u>

City of Lucas, Texas

CHANGES IN NET POSITION (CONTINUED)

Last Ten Years

(Accrual Basis of Accounting)

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General Revenues				
Governmental Activities:				
Property Taxes	\$ 4,241,420	\$ 3,920,086	\$ 3,534,633	\$ 3,176,863
Sales Tax	1,827,798	1,576,882	1,454,670	1,407,216
Franchise Tax	391,893	413,713	410,594	318,056
Investment Earnings	202,167	334,467	195,398	80,081
Other Revenues	88,672	217,025	309,452	64,651
Intergovernmental	-	-	-	-
Transfers, Net	294,753	238,387	274,498	158,865
Total Governmental Activities	<u>7,046,703</u>	<u>6,700,560</u>	<u>6,179,245</u>	<u>5,205,732</u>
Business-type Activities:				
Investment Earnings	114,429	205,199	104,144	33,792
Other Income	1,200	-	-	-
Transfers, Net	(294,753)	(238,387)	(274,498)	(158,865)
Total Business-type Activities	<u>(179,124)</u>	<u>(33,188)</u>	<u>(170,354)</u>	<u>(125,073)</u>
Total Primary Government	<u>\$ 6,867,579</u>	<u>\$ 6,667,372</u>	<u>\$ 6,008,891</u>	<u>\$ 5,080,659</u>
Change in Net Position				
Governmental Activities	5,072,102	2,096,452	2,002,809	2,002,865
Business-type Activities	2,280,314	862,872	938,047	854,728
Total Primary Government	<u>\$ 7,352,416</u>	<u>\$ 2,959,324</u>	<u>\$ 2,940,856</u>	<u>\$ 2,857,593</u>

Source: City of Lucas Financial Services Annual Financials

2016	2015	2014	2013	2012	2011
\$ 2,988,174	\$ 2,500,042	\$ 2,430,447	\$ 2,292,931	\$ 2,095,821	\$ 2,053,573
1,349,475	1,180,171	814,033	587,259	178,331	186,642
420,003	333,591	319,026	258,356	258,112	244,161
31,531	25,026	18,681	15,682	19,009	30,079
183,261	120,443	122,164	64,773	44,897	53,362
-	-	-	-	-	-
160,926	320,244	275,834	188,271	166,229	255,716
<u>5,133,370</u>	<u>4,479,517</u>	<u>3,980,185</u>	<u>3,407,272</u>	<u>2,762,399</u>	<u>2,823,533</u>
8,478	3,342	4,321	6,300	9,175	6,122
-	111,210	-	500	565	-
<u>(160,926)</u>	<u>(320,244)</u>	<u>(275,834)</u>	<u>(188,271)</u>	<u>(166,229)</u>	<u>(255,716)</u>
<u>(152,448)</u>	<u>(205,692)</u>	<u>(271,513)</u>	<u>(181,471)</u>	<u>(156,489)</u>	<u>(249,594)</u>
<u>\$ 4,980,922</u>	<u>\$ 4,273,825</u>	<u>\$ 3,708,672</u>	<u>\$ 3,225,801</u>	<u>\$ 2,605,910</u>	<u>\$ 2,573,939</u>
4,060,885	4,034,730	2,881,672	3,541,450	2,424,246	1,166,007
1,005,132	1,736,226	1,181,435	1,757,578	1,688,217	825,182
<u>\$ 5,066,017</u>	<u>\$ 5,770,956</u>	<u>\$ 4,063,107</u>	<u>\$ 5,299,028</u>	<u>\$ 4,112,463</u>	<u>\$ 1,991,189</u>

City of Lucas, Texas

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(Modified Accrual Basis of Accounting)

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General Fund:				
Restricted				
Impact Fees	\$ 2,115,802	\$ 1,785,286	\$ 1,572,405	\$ 1,254,213
Pensions	252,407	252,407	233,592	216,615
Municipal Court	77,594	70,355	62,899	55,688
Capital Improvements	613,590	1,385,000	1,385,000	-
Cable Fees	31,834	28,582	25,318	21,843
Street Maintenance	385,528	285,878	245,054	204,594
Project Management	70,853	358,290	-	-
CARES Funding	89,755	-	-	-
Capital Outlay (Other)	250,000	200,000	150,000	-
Capital Outlay (Ambulance)	-	-	100,000	-
Capital Outlay (Playground E&P)	1,132	1,132	1,132	-
Unassigned	8,524,465	7,442,323	7,380,496	8,774,909
Total General Fund	<u>\$ 12,412,960</u>	<u>\$ 11,809,253</u>	<u>\$ 11,155,896</u>	<u>\$ 10,527,862</u>
All Other Governmental Funds:				
Restricted For:				
Debt Service	\$ 1,324,819	\$ 1,156,232	\$ 969,611	\$ 833,062
Fire Protection	79,527	74,308	67,868	56,277
Capital Improvement	6,884,024	8,220,098	4,892,086	6,866,803
Total All Other Governmental Funds	<u>\$ 8,288,370</u>	<u>\$ 9,450,638</u>	<u>\$ 5,929,565</u>	<u>\$ 7,756,142</u>

Source: City of Lucas Financial Services Annual Financials

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,116,079	\$ 867,279	\$ 770,508	\$ 828,316	\$ 649,220	\$ 99,050
-	-	-	-	-	-
51,623	45,612	35,473	28,624	23,291	3,753
-	-	-	-	-	-
17,670	12,773	8,256	4,608	1,893	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,382	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,834,423	6,203,973	5,867,875	5,140,955	3,822,755	3,179,629
<u>\$ 9,022,177</u>	<u>\$ 7,129,637</u>	<u>\$ 6,682,112</u>	<u>\$ 6,002,503</u>	<u>\$ 4,497,159</u>	<u>\$ 3,282,432</u>
\$ 704,397	\$ 560,000	\$ 391,905	\$ 379,905	\$ 359,900	\$ 326,368
53,135	50,075	-	-	-	-
2,901,186	3,575,719	3,480,905	2,983,071	3,279,282	4,048,401
<u>\$ 3,658,718</u>	<u>\$ 4,185,794</u>	<u>\$ 3,872,810</u>	<u>\$ 3,362,976</u>	<u>\$ 3,639,182</u>	<u>\$ 4,374,769</u>

City of Lucas, Texas
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
REVENUES:				
Property Taxes	\$ 4,237,072	\$ 3,954,237	\$ 3,518,185	\$ 3,199,118
Sales Tax	1,827,798	1,576,882	1,454,670	1,407,216
Franchise Taxes	391,893	413,713	410,594	318,056
Fines and Forfeitures	90,281	32,340	35,037	88,342
Licenses and Permits	496,675	463,900	871,480	627,675
Fire Service Agreements	540,663	527,303	508,170	446,144
Grants	712,345	181,400	342,372	126,168
Donations	-	-	-	-
Impact Fees	451,516	232,881	341,597	356,940
Intergovernmental	-	-	-	-
Investment Income	202,167	334,467	195,398	80,081
Other Revenue	145,416	210,307	306,219	136,307
Total Revenues	<u>9,095,826</u>	<u>7,927,430</u>	<u>7,983,722</u>	<u>6,786,047</u>
EXPENDITURES:				
General Government	1,220,744	995,991	947,731	886,212
Public Works	711,839	515,752	1,071,172	446,562
Parks and Recreation	130,564	152,485	134,568	69,247
Public Safety	2,310,128	2,341,313	2,294,878	1,713,980
Development Services	338,684	417,978	405,016	340,270
Trash Services	-	-	-	-
Debt Service				
Principal	915,000	860,930	844,218	597,555
Interest	585,398	374,100	415,842	248,082
Bond Issuance Costs	-	153,693	-	111,007
Capital Outlay	3,736,780	5,889,556	3,357,629	3,101,568
Total Expenditures	<u>9,949,138</u>	<u>11,701,798</u>	<u>9,471,054</u>	<u>7,514,483</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(853,312)</u>	<u>(3,774,368)</u>	<u>(1,487,332)</u>	<u>(728,436)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In (Out)	294,753	238,387	274,498	158,865
Debt Issued	-	7,215,000	-	5,855,000
Premium on Bonds Issued	-	488,693	-	256,007
Insurance Proceeds	-	-	-	60,401
Sale of Capital Assets	-	6,718	14,291	1,272
Total Other Financing Sources (Uses)	<u>294,753</u>	<u>7,948,798</u>	<u>288,789</u>	<u>6,331,545</u>
NET CHANGE IN FUND BALANCES	<u>\$ (558,559)</u>	<u>\$ 4,174,430</u>	<u>\$ (1,198,543)</u>	<u>\$ 5,603,109</u>
Ratio of total Debt Service Expenditures to Noncapital Expenditures	20.0%	21.0%	21.0%	19.0%

Source: City of Lucas Financial Services Annual Financials

	2016	2015	2014	2013	2012	2011
\$	2,964,421	\$ 2,492,526	\$ 2,430,447	\$ 2,303,432	\$ 2,096,519	\$ 2,020,469
	1,349,475	1,180,171	814,033	587,259	178,331	186,642
	420,003	333,591	319,026	258,356	258,112	244,161
	90,522	137,842	91,059	104,539	108,610	53,010
	568,630	571,932	483,163	467,719	482,755	369,573
	413,144	325,778	231,991	157,389	135,021	101,493
	-	-	-	1,000	9,667	218,510
	37,600	55,000	101,400	-	-	-
	402,068	335,163	89,050	386,402	652,830	103,550
	-	141,000	1,000,000	640,000	135,000	1,599
	31,531	25,026	18,681	15,682	19,009	39,497
	140,006	120,443	122,164	64,773	44,897	53,362
	<u>6,417,400</u>	<u>5,718,472</u>	<u>5,701,014</u>	<u>4,986,551</u>	<u>4,120,751</u>	<u>3,391,866</u>
	882,248	817,532	770,722	671,248	586,357	595,706
	479,430	548,519	416,843	614,999	270,836	311,002
	106,408	78,233	129,207	134,866	123,301	110,394
	1,640,309	1,412,056	1,282,562	748,936	655,648	540,536
	279,243	328,126	248,613	264,989	570,860	285,706
	-	-	-	-	279,787	-
	615,940	444,367	439,703	360,000	325,000	485,000
	273,287	227,132	235,196	246,242	278,158	158,778
	-	85,771	-	-	-	81,746
	<u>1,172,535</u>	<u>3,422,242</u>	<u>1,612,063</u>	<u>914,655</u>	<u>1,297,754</u>	<u>754,566</u>
	<u>5,449,400</u>	<u>7,363,978</u>	<u>5,134,909</u>	<u>3,955,935</u>	<u>4,387,701</u>	<u>3,323,434</u>
	968,000	(1,645,506)	566,105	1,030,616	(266,950)	68,432
	160,926	320,244	275,833	188,271	166,229	255,716
	43,255	2,000,000	345,000	-	-	3,500,000
	-	85,771	-	-	-	70,200
	-	-	-	-	-	-
	-	-	2,501	10,250	9,000	-
	<u>204,181</u>	<u>2,406,015</u>	<u>623,334</u>	<u>198,521</u>	<u>175,229</u>	<u>3,825,916</u>
\$	<u>1,172,181</u>	<u>\$ 760,509</u>	<u>\$ 1,189,439</u>	<u>\$ 1,229,137</u>	<u>\$ (91,721)</u>	<u>\$ 3,894,348</u>
	21.0%	17.0%	19.0%	20.0%	20.0%	25.0%

City of Lucas, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years

(Unaudited)

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2011	\$ 672,582,013	\$ 31,426,610	\$ 151,689,649	\$ 552,318,974	0.374180
2012	691,413,029	26,934,184	151,303,804	567,043,409	0.374180
2013	716,326,368	37,240,949	163,960,310	589,607,007	0.374180
2014	790,398,481	49,743,972	176,470,025	663,672,428	0.355620
2015	901,321,744	69,309,682	201,710,713	768,920,713	0.320660
2016	1,023,259,148	158,170,201	302,812,807	878,616,542	0.320660
2017	1,147,772,070	179,725,707	326,310,300	1,001,187,477	0.317950
2018	1,317,197,182	183,873,468	377,122,296	1,123,948,354	0.317950
2019	1,515,503,761	173,183,222	379,972,859	1,308,714,124	0.303220
2020	1,634,791,916	192,914,323	389,986,165	1,437,720,074	0.303220

Source: Collin County Appraisal District

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

	Total Estimated Actual Taxable Value	Assessed Value as Percentage of Actual Value
\$	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%
	1,827,706,239	78.66%

City of Lucas, Texas

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Years
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Direct Rates:				
City of Lucas - Operating	0.18452	0.20235	0.19870	0.23037
City of Lucas - Debt Service	0.11870	0.10087	0.11925	0.08758
Total Direct Rate	<u>0.30322</u>	<u>0.30322</u>	<u>0.31795</u>	<u>0.31795</u>
 Overlapping Rates:				
Lovejoy Independent School District	1.56800	1.67000	1.67000	1.67000
Allen Independent School District	1.45800	1.55000	1.57000	1.59000
McKinney Independent School District	1.48800	1.59000	1.62000	1.62000
Plano Independent School District	1.33700	1.43900	1.43900	1.43900
Princeton Independent School District	1.56800	1.62000	1.62000	1.62000
Wylie Independent School District	1.53800	1.64000	1.64000	1.64000
Collin County	0.17400	0.18000	0.19225	0.20840
Collin County Community College	0.08100	0.08100	0.07981	0.08122

Tax rates per \$100 of assessed valuation

Source: Collin County Central Appraisal District 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.

2016	2015	2014	2013	2012	2011
0.21551	0.23307	0.25401	0.26122	0.25772	0.24723
0.10515	0.08759	0.10161	0.11296	0.11645	0.12695
0.32066	0.32066	0.35562	0.37418	0.37418	0.37418

1.56000	1.56000	1.53500	1.53500	1.53500	1.53500
1.61000	1.64000	1.67000	1.67000	1.67000	1.54000
1.67000	1.67000	1.67000	1.54000	1.54000	1.52800
1.43900	1.44800	1.45300	1.37340	1.37340	1.35340
1.62000	1.62000	1.51000	1.48000	1.47360	1.49000
1.64000	1.64000	1.64000	1.64000	1.64000	1.64000
0.22500	0.23500	0.23750	0.24000	0.24000	0.24000
0.08196	0.08196	0.08364	0.08630	0.08630	0.08630



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

Property Taxpayer	Fiscal Year 2020			Fiscal Year 2011		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Liberty Bankers Life Insurance Trust	\$ 16,037,907	1	1.12%	-	-	-
Wal-Mart Stores Texas LLC	15,857,564	2	1.10%	-	-	-
Dahlia ARR LLC	5,901,784	3	0.41%	-	-	-
Megatel Homes INC	5,127,560	4	0.36%	-	-	-
Texas Henderson LLC	4,041,868	5	0.28%	-	-	-
Larsen Brandon & Heather	3,984,045	6	0.28%	-	-	-
Mentone Partners LLC	3,415,802	7	0.24%	-	-	-
Grayson Collin Elec CO-OP	3,402,633	8	0.24%	-	-	-
Williams Karl	3,262,818	9	0.23%	-	-	-
Lucas Partners LTD	2,957,981	10	0.21%	-	-	-
F G Creek Properties LTD	-	-	-	\$ 1,995,403	1	0.36%
Designer Homes By Tiffany LLC	-	-	-	1,469,071	2	0.27%
Paul Taylor Homes Limited	-	-	-	1,368,406	3	0.25%
Claremont Spring II LTD	-	-	-	1,181,765	4	0.21%
Wolf Creek Lucas Investors LP	-	-	-	1,172,565	5	0.21%
Zadorozny Daniel Etux Diane	-	-	-	1,090,767	6	0.20%
Graham Mortgage Corporation	-	-	-	1,008,540	7	0.18%
Rockland Farms Lot Venture JV	-	-	-	982,670	8	0.18%
Keelen Gregory M & Stephanie L	-	-	-	904,096	9	0.16%
	-	-	-	851,172	10	0.15%
Total	<u>\$ 63,989,962</u>		<u>4.45%</u>	<u>\$ 12,024,455</u>		<u>2.17%</u>
Total Assessed Value:	<u>\$ 1,437,720,074</u>		<u>100%</u>	<u>\$ 552,318,974</u>		<u>100%</u>

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
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Tax levy	\$ 4,214,364	\$ 3,919,539	\$ 3,494,617	\$ 3,166,220
Current tax collected	4,214,364	3,872,364	3,476,119	3,117,732
Percent of current tax collections	100.0%	98.8%	99.5%	98.5%
Delinquent tax collections	\$ -	\$ 47,176	\$ -	\$ 44,816
Total tax collections	\$ 4,214,365	\$ 3,919,539	\$ 3,476,119	\$ 3,162,548
Total collections as a percentage of Levy	100.00%	100.00%	99.47%	99.88%

Source: Dallas and Collin County reports.

2016	2015	2014	2013	2012	2011
\$ 2,916,026	\$ 2,468,541	\$ 2,466,765	\$ 2,217,506	\$ 2,096,021	\$ 2,027,004
2,796,734	2,426,661	2,321,282	2,167,874	2,076,932	2,011,207
95.9%	98.3%	94.1%	97.76%	99.09%	99.22%
\$ 112,841	\$ 35,951	\$ 140,331	\$ 46,244	\$ 15,670	\$ 13,372
\$ 2,909,575	\$ 2,462,612	\$ 2,461,613	\$ 2,214,118	\$ 2,092,602	\$ 2,024,579
99.78%	99.76%	99.79%	99.85%	99.84%	99.88%

City of Lucas, Texas

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Years
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Governmental activities:				
General Obligations Bonds	\$ 480,000	\$ 705,000	\$ 920,000	\$ 1,125,000
Certificates of Obligations	17,420,223	18,158,549	11,061,892	11,663,928
Capital Leases	-	-	60,930	120,148
Business-type activities:				
General Obligations Bonds	210,000	320,000	425,000	525,000
Certificates of Obligations	6,490,242	6,893,709	5,754,189	6,088,006
Total primary government	<u>\$ 24,600,465</u>	<u>\$ 26,077,258</u>	<u>\$ 18,222,011</u>	<u>\$ 19,522,082</u>
Percentage of personal income (1)	4.36%	4.90%	3.70%	4.32%
Per capita (1)	\$ 2,950	\$ 3,227	\$ 2,293	\$ 2,640

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 123

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,325,000	\$ 1,515,000	\$ 1,695,000	\$ 1,645,804	\$ 1,648,404	\$ 1,651,005
5,914,957	6,293,421	4,336,840	4,764,750	5,116,500	5,433,250
177,703	233,643	288,008	-	-	-
695,000	865,000	1,002,839	1,067,531	1,127,222	1,186,913
3,253,733	3,450,982	3,638,232	3,899,125	4,155,250	4,391,375
<u>\$ 11,366,393</u>	<u>\$ 12,358,046</u>	<u>\$ 10,960,919</u>	<u>\$ 11,377,210</u>	<u>\$ 12,047,376</u>	<u>\$ 12,662,543</u>
2.82%	3.23%	2.97%	3.61%	4.35%	5.46%
\$ 1,610	\$ 1,817	\$ 1,652	\$ 1,854	\$ 2,138	\$ 2,380

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Taxable Assessed Value				
All Property	\$ 1,437,720,074	\$ 1,308,714,124	\$ 1,123,948,354	\$ 1,001,187,477
Net Bonded Debt (1)				
Gross bonded debt	24,600,465	26,077,258	18,161,081	19,401,934
Less debt services funds	<u>(1,324,189)</u>	<u>(1,156,232)</u>	<u>(969,611)</u>	<u>(833,062)</u>
Net Bonded Debt	<u>\$ 23,276,276</u>	<u>\$ 24,921,026</u>	<u>\$ 17,191,470</u>	<u>\$ 18,568,872</u>
Ratio of Net Bonded Debt To Assessed Value	1.62%	1.90%	1.53%	1.85%
Population	8,338	8,080	7,947	7,395
Net Bonded Debt Per Population	\$ 2,792	\$ 3,084	\$ 2,163	\$ 2,511

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 bussiness-type activities

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 878,616,542	\$ 768,920,713	\$ 663,672,428	\$ 589,607,007	\$ 567,043,409	\$ 552,318,974
11,188,690	12,124,403	10,672,911	11,377,210	12,047,376	12,662,543
(704,397)	(560,000)	(391,905)	(380,000)	(359,900)	(326,369)
<u>\$ 10,484,293</u>	<u>\$ 11,564,403</u>	<u>\$ 10,281,006</u>	<u>\$ 10,997,210</u>	<u>\$ 11,687,476</u>	<u>\$ 12,336,174</u>
1.19%	1.50%	1.55%	1.87%	2.06%	2.23%
7,061	6,800	6,636	6,135	5,635	5,320
\$ 1,485	\$ 1,701	\$ 1,549	\$ 1,793	\$ 2,074	\$ 2,319

City of Lucas, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2020

(Unaudited)

Governmental Unit	Gross Bonded Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Tax Rate
Debt repaid with property taxes			
Allen ISD	\$ 551,873,446	0.84%	\$ 4,635,737
Collin County	487,405,000	0.94%	4,581,607
Collin County Community College	524,590,000	0.94%	4,931,146
Lovejoy ISD	157,942,326	34.33%	54,221,601
McKinney ISD	491,650,000	0.48%	2,359,920
Plano ISD	753,090,000	0.13%	979,017
Princeton ISD	216,430,781	0.16%	346,289
Wylie ISD (Collin)	446,291,921	0.25%	1,115,730
Subtotal, overlapping debt			73,171,047
City direct debt			17,900,223
Total direct and overlapping debt			\$ 91,071,270

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

City of Lucas, Texas

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

(Unaudited)

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Average Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
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	0.0%
2018	7,947	492,801,417	62,011	40	1,981	3.2%
2019	8,080	532,358,880	65,886	41	2,094	3.4%
2020	8,338	564,549,304	67,708	41	1,836	3.0%

Sources: Estimated population provided by City of Lucas. Per Capita Income provided by United State Census Bureau. Enrollment information provided by Lovejoy Independent School District. Unemployment information provided by the Texas Workforce Commission.



City of Lucas, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Years
(Unaudited)

<u>Function/Program</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Government and Administration	4	4	4	4	3	3	4	3	3	3
Finance	4	4	4	4	4	4	4	4	4	4
Development Services	5	5	5	5	4	4	4	4	4	4
Fire/EMS	16	16	16	12	12	8	8	2	1	-
Public Works/Water Engineering	<u>10</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>
Total	<u><u>39</u></u>	<u><u>38</u></u>	<u><u>38</u></u>	<u><u>34</u></u>	<u><u>32</u></u>	<u><u>27</u></u>	<u><u>29</u></u>	<u><u>22</u></u>	<u><u>21</u></u>	<u><u>20</u></u>

Source: Various City departments.

City of Lucas, Texas

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Years

(Unaudited)

Function/Program	2020	2019	2018	2017
Public Safety				
Municipal Court				
Number of Cases Filed	1	14	6	13
Fire/EMS				
Number of Calls Answered	848	757	773	596
Public Works				
Streets Maintained (miles)	345	342	339	324
Development Services				
Building Permits	771	714	1,028	818
Water and Sewer				
New Connections	93	87	106	81
Annual Gallons Pumped (thousands)	457,649	439,653	506,758	424,082
Miles of Water Mains Maintained	58	57	56	57

Source: Various City departments.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
2	4	30	260	333	400
532	504	499	403	388	352
320	280	267	263	245	230
777	663	621	578	527	443
105	84	71	75	93	90
421,738	499,963	458,360	567,325	517,953	587,816
55	53	48	45	42	42

City of Lucas, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function/Program	2020	2019	2018	2017
Public Safety				
Fire Stations	1	1	1	1
Public Works				
Streets-paved	63	62	59	58
Parks	3	3	3	3
Parks (acres)	11	11	11	11
Water and Sewer				
Water Mains (miles)	57.0	57.0	56.0	57.0
Storm Mains (miles)	3	3	3	3
Storm Drainage (miles)	2.5	2.5	2.5	2.5

Source: Various City departments.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
1	1	1	1	1	1
56	53	48	45	39	39
3	3	3	3	3	3
11	11	11	11	11	11
55.0	50.9	48.5	45.0	42.0	42.0
3	3	3	3	2	n/a
2.5	2.5	2.5	2.5	2.5	2.5