

Annual Comprehensive Financial Report

Fiscal Year Ended September 30, 2021



CITY OF LUCAS, TEXAS
Prepared by Liz Exum, Finance Director



City of Lucas, Texas

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For the Year Ended September 30, 2021

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City of Lucas, Texas

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INTRODUCTORY SECTION



March 17, 2022

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

It is our pleasure to submit to you the Annual Comprehensive Financial Report of the City of Lucas, Texas for the fiscal year ended September 30, 2021. 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, 2021, were free of material misstatement. The independent auditor's report is located in the beginning of the financial section of the Annual Comprehensive 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, 2021.

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 on February 19, 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 8,631, 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 2020/2021 include:

- Property tax revenue increased by \$155,432 (4%) and sales tax revenue increased by \$286,635 (14%) during the ongoing COVID-19 pandemic from previous fiscal year 2019/2020.
- 149 new homes permitted with an average taxable market value of \$691,663.
- Commercial development at Angel Parkway included completion of 15,000 square foot outdoor sports field at Homerun Alley, O'Reilly Auto Parts (under construction), permit issued and plans reviewed for Tractor Supply, conceptual phase for Golden Chick, and a pending modified site plan from Walmart for a Panda Express.
- Economic development agreement was approved for Dwarf Willow LLC (Southview Drive/East Lucas Road).
- Completion of roadway improvement projects included Winninkoff Road Phase 2 (reconstruction from Forestview Drive to Snider Lane) and Brockdale Park Road (reconstruction from East Lucas Road to Brockdale Park Trailhead).
- Water system improvements included new pump house, pumps, and SCADA at the North Pump Station location.
- Drainage improvements included culvert repairs and cleanup at several locations: Lynn Lane, Bellagio Court, Winningkoff Road, Stinson Road, Community Park, Shiloh Drive/Toole Drive, and design for Lemontree/Kingwood Drainage.
- Funding in the total amount of \$8,365,180 was approved by Collin County to reconstruct West Lucas Road to a four-lane divided roadway. The City secured \$4,182,590 in 2021 and will receive the remaining funds when reconstruction begins in 2022.
- Paydown and refunding of Series 2011 Certificate of Obligation generating approximately \$559,062 in debt service gross savings.
- Appropriation of \$120,000 from general fund reserves for the purchase of a new water rescue boat to enhance safety and response associated with Lavon Lake emergencies.
- Payoff of funding agreement between the City and the Friends of the Lucas Fire-Rescue to assist in the restoration of the City's first fire engine.



Our Operational Efficiencies

The City of Lucas faced several challenges due to Winter Storm Uri that spanned the state of Texas from February 15-18, 2021, and the ongoing COVID-19 pandemic. The Lucas Response Team partnered Public Works and Fire-Rescue staff to assist Lucas residents with turning off water, repairing water lines and fire suppression systems, and clean up during the response to the repercussions of Winter Storm Uri. The City also developed a Winter Storm Improvement Plan to help prepare for any future winter storms and improve deficiencies in communications, technology, vehicles, and equipment.

The ongoing COVID-19 pandemic caused staffing shortages due to quarantine or positive cases which presented us with challenges that we had never experienced before. Many employees took on additional responsibilities to ensure that service levels did not falter. The City did not close one day and was still able to maintain a safe work environment and serve the community. The City utilized remaining funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of \$46,895 for sanitation supplies and resources, information technology support, and labor expenses for emergency responders.

In 2021, the American Rescue Plan Act (ARPA) appropriated funding from Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) to States for distribution to non-entitlement units (NEUs) of local governments. The City of Lucas is considered a NEU defined as a local government serving a population of less than 50,000. The City will receive a total funding allocation of \$2,119,313 which is distributed in two tranches. The City has received the first initial allocation of \$1,059,657 and anticipates receiving the second allocation of \$1,059,657 in summer of 2022. These funds were set up in deferred revenue account until the City has evaluated all alternatives for the prudent use of the ARPA funding.

The City has made improvements to operational efficiencies at both City Hall and the Fire Station. Improvements to operations included the following:

- Established city procedures for employees regarding COVID-19 exposures, testing, quarantine, and return to work process following guidelines from the Centers for Disease Control and Prevention (CDC) to ensure safe in-person working environment during the pandemic.
- Streamlined employee benefits package with TML Health and introduced Flexible Spending Accounts for employees to further provide high quality benefit options.
- Hired new high quality staff members to fill key positions including Public Works Director, Management Analyst (Engineering), HR Generalist, Code Enforcement Officer, and Firefighter/Paramedics.
- Implemented market adjustments and cost-of-living adjustments for eligible positions to help attract and retain high quality staff.



- Modified special events to help ensure public health safety during Country Christmas Drive Through, Arbor Day/Recycling Drive Through Event, Keep Lucas Beautiful Spring Cleanup, Founders Day, Public Lands Trail Cleanup, and the Lucas Farmers Markets.
- Developed I.T. Emergency Response Plan with Baxter I.T. to ensure proactive and preventative measures are in place to protect the City's cyber security, strategies for data backup, and recovery plans to protect the City from data loss, hardware failure, data corruption and ransomware.
- Updated the City's Website including the Homepage, Agenda/Minutes Page and Landing Pages (Community, Services, and Resources) to improve online functionality for the public.
- Created the Board and Commission Handbook to help educate and engage residents to participate in the City's boards and commissions.
- Conducted an internal audit and organized all development agreements, deeds and easements ensuring that all documents were properly recorded.
- Developed the Water Rescue Program to become proactive in the planning and improvement of emergency response at Lavon Lake.

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 require estimates and judgments by management.

Our Future

At the end of September 2021, the City of Lucas is working on the following:

- Bait Shop Intersection Waterline Relocation – Under design by Huitt-Zollars, Inc. 90% plans under staff review and working on obtaining necessary easements.
- Snider Bridge (White Rock Creek) – Under design by BCC Engineering. 90% plans under staff review.
- Stinson Bridge (Muddy Creek) – Under design by BCC Engineering. 60% plans under staff review.
- West Lucas Road – Under design by BCC Engineering. 60% plans under staff review.
- Good Shepherd United Methodist Church (Country Club Road) – Submission of final plat for the property to be approved by the Planning and Zoning Commission.
- Engineering Department has completed phase one and two of developing an interactive GIS map of the City. The final phase is estimated to be completed in 2022.



City of Lucas

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

- Review of the hydraulic modeling report of the City's existing water distribution system and prepare for developing the Water Master Plan.
- Development Services Department is implementing Energov, a new building permitting software program to automate operations in planning, permitting, code enforcement and inspections estimated to be completed in 2022.
- Human Resources will be implementing Bamboo HR software to streamline administrative processes into an integrated digital system to benefit the organization.
- Inflatable Fire Education House was ordered for Lucas Fire-Rescue to implement a program to teach child safety to children of the community.
- Submission of grant application to the Texas Parks & Wildlife Local Parks Grant Program to be considered for new playground equipment at Forest Creek Park.

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 20 months with current funds equaling 166% 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 Annual Comprehensive Financial Report for the fiscal years ended September 30, 2010, through 2020. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.



City of Lucas

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In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report whose contents conform to program standards. Such report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. This was the eleventh 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 Annual Comprehensive 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,


Jomi 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

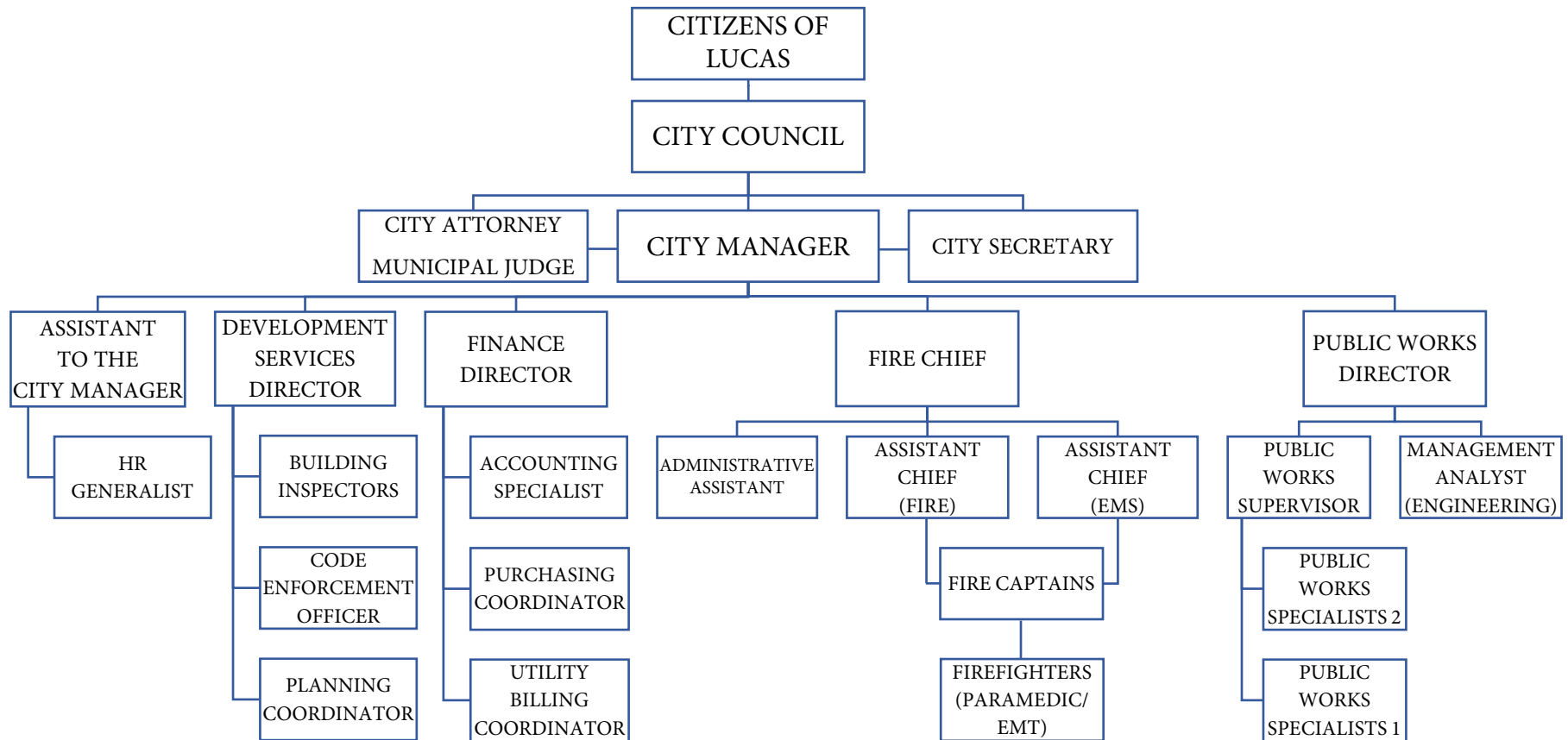
September 30, 2020

Christopher P. Morill

Executive Director/CEO



Organizational Chart



**CITY OF LUCAS, TEXAS
ELECTED OFFICIALS AND
ADMINISTRATIVE OFFICERS
SEPTEMBER 30, 2021**

City Council:

Jim Olk	Mayor
Kathleen Peele	Mayor Pro Tem, Seat 6
Tim Johnson	Seat 1
Tim Baney	Seat 2
David Keer	Seat 3
Philip Lawrence	Seat 4
Debbie Fisher	Seat 5

Administrative Officers:

Joni Clarke	City Manager
Liz Exum	Finance Director
Scott Holden	Public Works Director
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, 2021, 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, 2021, 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 17-27, the General Fund budgetary comparison information on pages 81-82, the schedules of changes in pension and OPEB liabilities and related ratios, the schedules of employer contributions to pension plans, on pages 83-87, 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 1-10, the individual fund budgetary comparison schedules on pages 89-91, and the statistical section on pages 92-122 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 cursive script that reads "LaFollett & Company PLLC".

LaFollett & Company PLLC
Certified Public Accountants
Tom Bean, Texas
March 17, 2022

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2021

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, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources (net position) at September 30, 2021 by \$70,927,876. Of this amount, \$16,923,398 (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 \$7,955,731. 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 \$23,352,738 at September 30, 2021, an increase of \$2,651,408 from the prior fiscal year; this includes an increase of \$1,282 in the Debt Service Fund, an increase of \$2,707,949 in the Capital Improvement Fund, an increase of \$25,912 in the non-major Lucas Fire District Fund, and a decrease of \$(83,735) in the General Fund.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$10,085,127 or 185% 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, 2021

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, 2021

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 \$70,927,876 as of September 30, 2021 in the primary government.

The largest portion of the City's net position, \$45,712,398, 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 added back to the calculation. 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, 2021

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2021			2020		
	Government Activities	Business-type Activities	Total	Government Activities	Business-type Activities	Total
Assets						
Current and other assets	\$ 25,096,726	\$ 11,650,272	\$ 36,746,998	\$ 21,462,062	\$ 12,140,951	\$ 33,603,013
Capital assets	39,138,566	20,796,041	59,934,607	36,240,575	19,963,509	56,204,084
Total Assets	64,235,292	32,446,313	96,681,605	57,702,637	32,104,460	89,807,097
Deferred Outflows of Resources	339,574	69,840	409,414	293,135	73,366	366,501
Liabilities						
Other Liabilities	1,895,760	352,995	2,248,755	926,014	364,468	1,290,482
Long-term Liabilities	17,485,880	6,199,391	23,685,271	17,815,162	6,346,874	24,162,036
Total Liabilities	19,381,640	6,552,386	25,934,026	18,741,176	6,711,342	25,452,518
Deferred Inflows of Resources	189,328	39,789	229,117	186,797	27,139	213,936
Net Position						
Net investment in capital assets	28,833,419	16,878,979	45,712,398	25,517,174	16,777,285	42,294,459
Restricted	6,980,910	1,311,170	8,292,080	4,982,422	939,365	5,921,787
Unrestricted	9,189,569	7,733,829	16,923,398	7,548,204	7,207,695	14,755,899
Total net position	\$ 45,003,898	\$ 25,923,978	\$ 70,927,876	\$ 38,047,800	\$ 24,924,345	\$ 62,972,145

During the current year, the City's current assets for the primary government increased. This change is primarily due to the funding received from the County for a road project. Long-term liabilities for the primary government decreased as a result of timely debt payments and a refunding taking place in the current year. The City's capital assets increased overall by \$3,730,523. The increase is primarily due to a road project in progress. Other liabilities for the primary government increased by \$958,273 and the increase is primarily attributed to unearned federal grant funds in the amount of \$1,059,657 for the American Rescue Plan Act funds received before year end for projects that will occur in future years.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

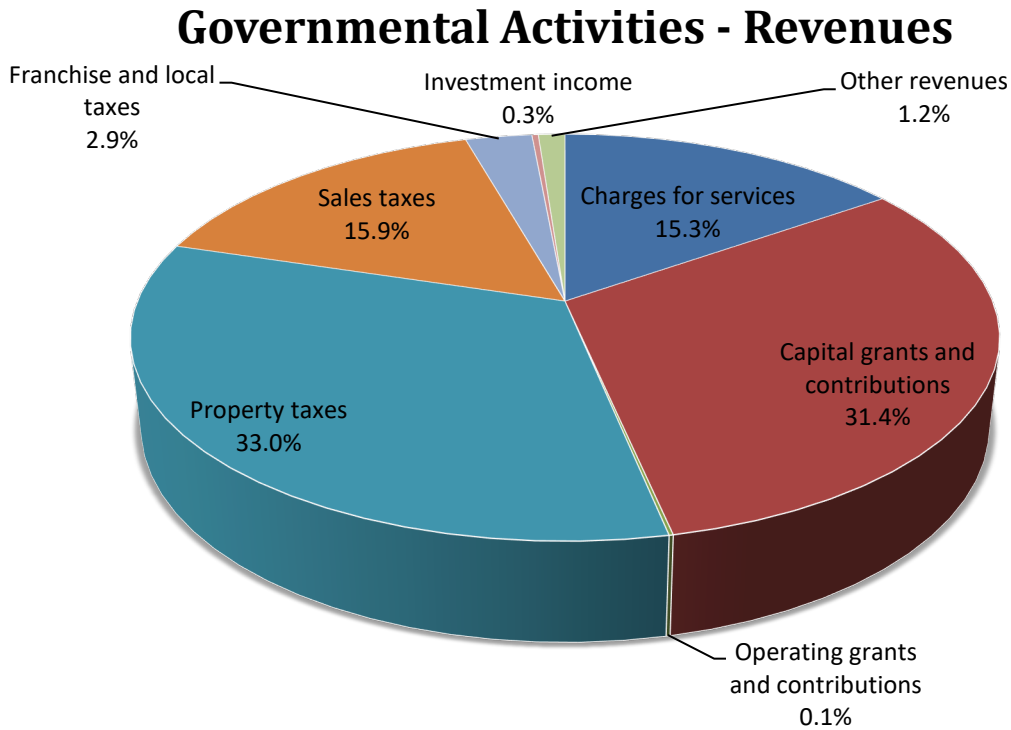
Statement of Activities:

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

	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenue						
Program revenue						
Charges for services	\$ 2,037,294	\$ 5,695,875	\$ 7,733,169	\$ 1,579,135	\$ 5,602,448	\$ 7,181,583
Capital grants and contributions	4,182,590	-	4,182,590	2,276,836	1,386,276	3,663,112
Operating grants and contributions	17,380	-	17,380	608,945	-	608,945
General Revenue						
Property taxes	4,393,105	-	4,393,105	4,241,420	-	4,241,420
Sales taxes	2,114,433	-	2,114,433	1,827,798	-	1,827,798
Franchise and local taxes	391,599	-	391,599	391,893	-	391,893
Investment income	37,869	9,968	47,837	202,167	114,429	316,596
Other revenues	156,826	-	156,826	145,417	-	145,417
Total revenue	13,331,096	5,705,843	19,036,939	11,273,611	7,103,153	18,376,764
Expenses						
General government	1,151,684	-	1,151,684	1,276,560	-	1,276,560
Public safety	2,716,928	-	2,716,928	2,611,453	-	2,611,453
Public works	1,711,774	-	1,711,774	1,481,315	-	1,481,315
Parks and Recreation	176,297	-	176,297	163,110	-	163,110
Development services	402,852	-	402,852	354,169	-	354,169
Interest and fiscal charges	499,818	199,550	699,368	552,910	222,605	775,515
Utility	-	4,222,305	4,222,305	-	4,306,681	4,306,681
Total expenses	6,659,353	4,421,855	11,081,208	6,439,517	4,529,286	10,968,803
Change in Net Position Before Transfers	6,671,743	1,283,988	7,955,731	4,834,094	2,573,867	7,407,961
Transfers	284,355	(284,355)	-	294,753	(294,753)	-
Gain (loss) on disposal of asset	-	-	-	(56,746)	1,200	(55,546)
Total	284,355	(284,355)	-	238,007	(293,553)	-
Change in Net Position	6,956,098	999,633	7,955,731	5,072,101	2,280,314	7,407,961
Net position October 1	38,047,800	24,924,345	62,972,145	32,975,699	22,644,031	55,619,730
Net position September 30	\$ 45,003,898	\$ 25,923,978	\$ 70,927,876	\$ 38,047,800	\$ 24,924,345	\$ 62,972,145

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

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

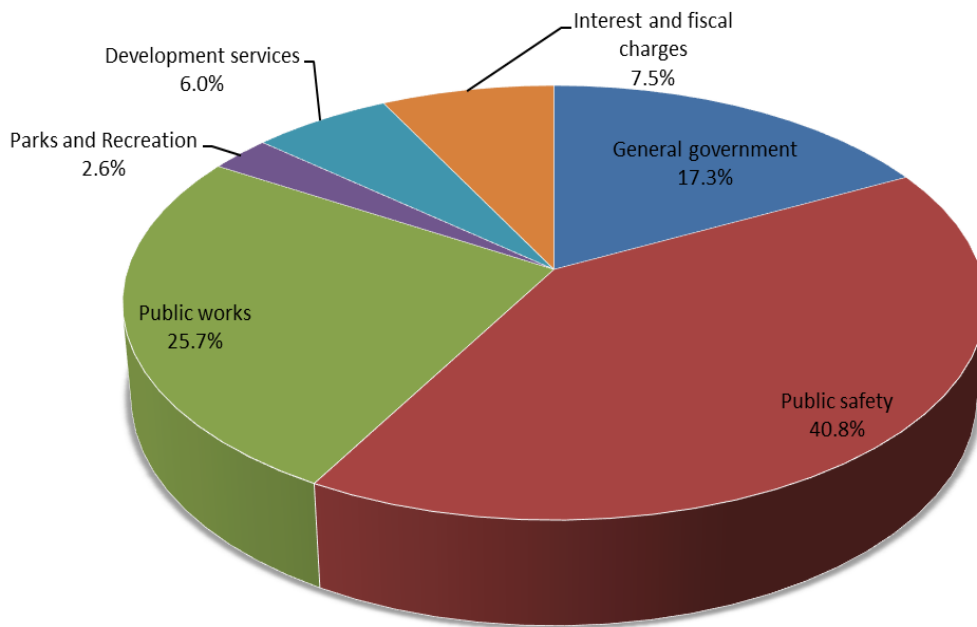


For the year ended September 30, 2021, revenues from governmental activities totaled \$13,331,096. Property taxes, sales taxes and charges for services are the City's largest general revenue sources. Overall governmental activity revenue increased \$2,057,485 or 18%. This increase is attributable primarily to the increase in capital grants and contributions by \$1,905,754 which is due to Collin County contributions for road projects. Operating grants and contributions decreased by \$591,565 which is primarily attributed to \$579,245 in CARES Act funding to respond to the Coronavirus pandemic received in the prior fiscal year. Property taxes increased by \$151,685, which is primarily attributed to the increase in appraised property values. Sales taxes increased by \$286,635 due to economic growth within the City. Investment income decreased by \$164,298 as a result of the decrease in interest-bearing cash accounts. All other revenues remained relatively stable when compared to the previous year.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2021, expenses for governmental activities totaled \$6,610,267. This represents an increase of \$170,750 or 3% from the prior year. The City's largest functional expense is public safety in the amount of \$2,716,928. Public safety expenses increased by \$105,475 or 4%, which is primarily due to increased personnel costs. General government decreased by \$124,876 or 10% primarily due to nonrecurring purchases and safety improvements to help protect the public and staff from Covid-19 exposure made in the previous year. Public works increased by \$181,373 or 12%, which is mainly attributable to road repair projects. Development services increased by \$48,683 or 14% due to increased personnel costs. Interest and fiscal charges decreased \$53,092 or 10% due to nonrecurring bond issuance costs incurred in the prior year. All other expenditures remained relatively stable when compared to the previous year.

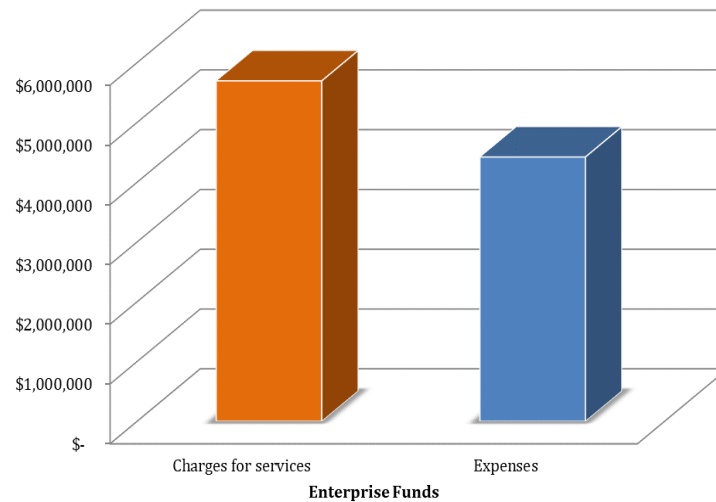
City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

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

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2021, charges for services by business-type activities totaled \$5,695,875. This is an increase of \$93,427 or 2%, from the previous year. This variance is due to an increase in impact fees in the current year.

Total expenses for business-type activities decreased by \$107,431 to a total of \$4,421,855 or 2%. The decrease is due to a decrease in interest and fiscal charges in the current year.

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, 2021, the City's governmental funds reported combined fund balances of \$23,352,738, an increase of \$2,651,408 in comparison with the prior year. Approximately 43% of this amount, \$10,085,127, 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 \$12,329,225. 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, 2021

The total fund balance of General Fund is 227% of total General Fund expenditures. The unassigned (the amount available for spending) fund balance of the General Fund of \$10,085,127 is 185% of total General Fund expenditures. The fund balance of the General Fund decreased by \$(83,735) compared to the prior year. This decrease is mainly attributed to a combination of an increase in revenues and an increase in other financing uses.

The Debt Service Fund had an ending fund balance of \$1,326,101 at September 30, 2021 compared to the previous year's balance of \$1,324,819. Principal payments amounted to \$3,145,000 and interest payments totaled \$605,440 in the current year. The principal payments include a refunding in the amount of \$1,745,000 that was offset by proceeds from the issuance of bonds. Total property tax and investment revenues amounted to \$1,595,288.

The Capital Improvement Fund ending fund balance is \$9,591,973. During the year, the City expended \$3,963,921 on various projects during the year from this fund. The fund balance increased by \$2,707,949 primarily due to the receipt of intergovernmental revenue related to road projects.

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 \$25,923,978. Unrestricted net position of the enterprise fund at the close of the fiscal year amounted to \$7,733,829. Total net position increased \$999,633. The fund had a net investment in capital assets of \$16,878,979. 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:

- Impact fee revenue was \$385,448 for the fiscal year, this represents an increase of \$154,652 from the previous year.
- Operational expenses excluding depreciation and amortization were \$3,504,863.
- Cash and cash equivalents in the Utility Fund were \$7,628,765 at fiscal year-end.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were several budget amendments approved during the fiscal year, and increased budgeted expenditures by \$861,776. The amendments also increased budgeted revenues by \$1,795,910. 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 \$1,084,597 in final budgeted expenditures compared to actual.
- \$411,618 is the surplus of revenues over expenditures before transfers.
- There was a net positive overall variance in fund balance of \$794,608.
- Significant amendments include an increase of \$413,953 for capital outlay for asset additions.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$39,138,566 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$20,796,041 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 \$3,730,523, net of depreciation.

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

- Investment in water utility infrastructure of \$1,982,345
- Purchase of equipment and a vehicle for Fire Department and Public Works totaling \$108,672
- Investment in bridge and road infrastructure totaling \$4,670,672
- Purchase of public works equipment totaling \$154,533

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 \$22,657,662, including premiums. Of this amount, \$6,065,814 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 2021-2022:

- This budget will raise more total property taxes than last year's budget by \$110,826 or 2.82 %, and of that amount, \$132,231 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2021-2022 reflects total anticipated revenues of \$13,817,038 and total anticipated expenditures of \$13,573,795.
- The City tax rate is set each fall and is enacted via ordinance. The rate for fiscal year 2021-2022 was enacted by Ordinance #2021-09-00937 and is set to \$0.288397 cents per \$100 of valuation.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,209,022	\$ 7,628,765	\$ 17,837,787
Restricted cash	14,035,652	3,107,474	17,143,126
Restricted investments	279,043	-	279,043
Receivables, net	562,785	911,287	1,474,072
Prepaid expenses	10,224	2,746	12,970
Total Current Assets	25,096,726	11,650,272	36,746,998
Capital assets:			
Non depreciable	5,309,884	729,014	6,038,898
Net depreciable capital assets	33,828,682	20,067,027	53,895,709
Total Noncurrent Assets	39,138,566	20,796,041	59,934,607
Total Assets	64,235,292	32,446,313	96,681,605
Deferred Outflows of Resources			
Deferred outflows - pension	323,177	65,480	388,657
Deferred outflows - OPEB	16,397	4,360	20,757
Total Deferred Outflows of Resources	339,574	69,840	409,414
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	173,318	20,738	194,056
Unearned revenue	1,512,887	-	1,512,887
Accrued interest payable	83,465	31,118	114,583
Customer deposits	33,000	278,625	311,625
Compensated absences	93,090	22,514	115,604
Long term debt due within one year	1,115,000	495,000	1,610,000
Total Current Liabilities	\$ 3,010,760	\$ 847,995	\$ 3,858,755

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities:			
Long term debt due in more than one year	\$ 15,476,848	\$ 5,570,814	\$ 21,047,662
Net pension liabilities	837,131	118,452	955,583
Total OPEB liability	56,901	15,125	72,026
Total Noncurrent Liabilities	16,370,880	5,704,391	22,075,271
Total Liabilities	19,381,640	6,552,386	25,934,026
Deferred Inflows of Resources			
Deferred inflows - pension	179,154	37,084	216,238
Deferred inflows - OPEB	10,174	2,705	12,879
Total Deferred Inflows of Resources	189,328	39,789	229,117
Net Position			
Net investment in capital assets	28,833,419	16,878,979	45,712,398
Restricted for:			
Capital projects	3,305,272	120,979	3,426,251
Impact fees	1,417,322	352,448	1,769,770
Impact fees (Lakeview Downs)	-	33,000	33,000
Debt service	1,326,101	495,000	1,821,101
Water rescue	120,000	-	120,000
Water deposits	-	278,625	278,625
Pensions	279,043	-	279,043
Capital outlay (other)	300,000	-	300,000
Fire protection	121,818	-	121,818
Municipal court	75,515	-	75,515
Bait shop	-	31,118	31,118
Cable fees	34,707	-	34,707
Capital outlay (Playground E&P)	1,132	-	1,132
Unrestricted	9,189,569	7,733,829	16,923,398
Total Net Position	\$ 45,003,898	\$ 25,923,978	\$ 70,927,876

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public safety	\$ 2,716,928	\$ 585,092	\$ 17,380	\$ -
Public works	1,711,774	459,118	-	4,182,590
General government	1,151,684	-	-	-
Development services	402,852	993,084	-	-
Parks and recreation	176,297	-	-	-
Interest and fiscal charges	499,818	-	-	-
Total Governmental Activities	6,659,353	2,037,294	17,380	4,182,590
Business-Type Activities:				
Utility fund	4,421,855	5,695,875	-	-
Total Business-Type Activities	4,421,855	5,695,875	-	-
Total Primary Government	\$ 11,081,208	\$ 7,733,169	\$ 17,380	\$ 4,182,590

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

Transfers in (out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

See Notes to Financial Statements.

Governmental Activities	Business-Type Activities	Total
\$ (2,114,456)	\$ -	\$ (2,114,456)
2,929,934	-	2,929,934
(1,151,684)	-	(1,151,684)
590,232	-	590,232
(176,297)	-	(176,297)
(499,818)	-	(499,818)
<u>(422,089)</u>	<u>-</u>	<u>(422,089)</u>
-	1,274,020	1,274,020
<u>-</u>	<u>1,274,020</u>	<u>1,274,020</u>
<u>(422,089)</u>	<u>1,274,020</u>	<u>851,931</u>
4,393,105	-	4,393,105
2,114,433	-	2,114,433
391,599	-	391,599
37,869	9,968	47,837
156,826	-	156,826
284,355	(284,355)	-
<u>7,378,187</u>	<u>(274,387)</u>	<u>7,103,800</u>
6,956,098	999,633	7,955,731
38,047,800	24,924,345	62,972,145
<u>\$ 45,003,898</u>	<u>\$ 25,923,978</u>	<u>\$ 70,927,876</u>

See Notes to Financial Statements.

City of Lucas, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2021

	General	Debt Service	Capital Improvement	Nonmajor Lucas Fire District	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 10,203,898	\$ -	\$ -	\$ 5,124	\$ 10,209,022
Receivables, net	453,548	8,922	-	100,315	562,785
Cash and cash equivalents - restricted	3,024,713	1,326,101	9,684,838	-	14,035,652
Restricted investments	279,043	-	-	-	279,043
Prepaid assets	10,224	-	-	-	10,224
Total Assets	\$ 13,971,426	\$ 1,335,023	\$ 9,684,838	\$ 105,439	\$ 25,096,726
Liabilities					
Accounts payable and accrued liabilities	\$ 80,453	\$ -	\$ 92,865	\$ -	\$ 173,318
Unearned revenue - fire services	453,230	-	-	-	453,230
Unearned revenue - federal grants	1,059,657	-	-	-	1,059,657
Customer deposits	33,000	-	-	-	33,000
Total Liabilities	1,626,340	-	92,865	-	1,719,205
Deferred Inflows of Resources					
Unavailable revenue - property taxes	15,861	8,922	-	-	24,783
Total Deferred Inflows of Resources	15,861	8,922	-	-	24,783
Fund Balances					
Restricted for:					
Capital projects	-	-	9,591,973	-	9,591,973
Impact fees	1,417,322	-	-	-	1,417,322
Debt service	-	1,326,101	-	-	1,326,101
Pensions	279,043	-	-	-	279,043
Capital outlay (other)	300,000	-	-	-	300,000
Fire protection	16,379	-	-	105,439	121,818
Municipal court	75,515	-	-	-	75,515
Cable fees	34,707	-	-	-	34,707
Capital outlay (Playground E&P)	1,132	-	-	-	1,132
Water rescue	120,000	-	-	-	120,000
Unassigned	10,085,127	-	-	-	10,085,127
Total Fund Balances	12,329,225	1,326,101	9,591,973	105,439	23,352,738
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,971,426	\$ 1,335,023	\$ 9,684,838	\$ 105,439	\$ 25,096,726

See Notes to Financial Statements.

City of Lucas, Texas

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

September 30, 2021

Fund Balances - Total Governmental Funds \$ 23,352,738

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 5,309,884

Capital assets - net depreciable 33,828,682

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

Property taxes receivable 24,783

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 amounts 144,023

OPEB amounts 6,223

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

Accrued interest (83,465)

Non-current liabilities due in one year (1,115,000)

Non-current liabilities due in more than one year (15,476,848)

Compensated absences (93,090)

Total OPEB liability - TMRS (56,901)

Net pension liability - TMRS (445,603)

Net pension liability - LOSAP (391,528)

Net Position of Governmental Activities - Statement of Net Position

\$ 45,003,898

See Notes to Financial Statements.

City of Lucas, Texas

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

For the Year Ended September 30, 2021

	General	Debt Service	Capital Improvement	Nonmajor Lucas Fire District	Total Governmental Funds
Revenues					
Property tax	\$ 2,797,218	\$ 1,595,288	\$ -	\$ -	\$ 4,392,506
Sales tax	1,590,627	-	-	523,806	2,114,433
Fire department agreements	585,092	-	-	-	585,092
Licenses and permits	993,084	-	-	-	993,084
Impact fees	459,118	-	-	-	459,118
Franchise and local taxes	391,599	-	-	-	391,599
Investment income	24,921	3,052	9,896	-	37,869
Intergovernmental revenue	-	-	4,182,590	-	4,182,590
Other revenue	156,520	-	-	305	156,825
Grants and contributions	17,380	-	-	-	17,380
Total Revenues	7,015,559	1,598,340	4,192,486	524,111	13,330,496
Expenditures					
Current:					
Public safety	2,450,541	-	-	-	2,450,541
General government	1,128,717	-	-	-	1,128,717
Public works	484,418	-	-	-	484,418
Development services	409,058	-	-	-	409,058
Parks and recreation	144,106	-	-	-	144,106
Debt service:					
Principal	-	3,145,000	-	-	3,145,000
Interest and fiscal charges	-	605,440	-	-	605,440
Capital outlay	821,538	-	3,963,921	-	4,785,459
Total Expenditures	5,438,378	3,750,440	3,963,921	-	13,152,739
Revenues					
Over (Under) Expenditures	1,577,181	(2,152,100)	228,565	524,111	177,757
Other Financing Sources (Uses)					
Transfers in	782,554	215,000	2,479,384	-	3,476,938
Transfers (out)	(2,694,384)	-	-	(498,199)	(3,192,583)
Sale of capital assets	250,914	-	-	-	250,914
Bond issuance	-	1,745,000	-	-	1,745,000
Bond premium	-	193,382	-	-	193,382
Total Other Financing Sources (Uses)	(1,660,916)	2,153,382	2,479,384	(498,199)	2,473,651
Net Change in Fund Balances	(83,735)	1,282	2,707,949	25,912	2,651,408
Fund Balances - October 1	12,412,960	1,324,819	6,884,024	79,527	20,701,330
Fund Balances - September 30	\$ 12,329,225	\$ 1,326,101	\$ 9,591,973	\$ 105,439	\$ 23,352,738

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, 2021**

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

Net changes in fund balances - total governmental funds:	\$ 2,651,408
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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	4,785,459
Depreciation expense	(1,587,468)
Disposed assets	(300,000)

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	1,649
Accrued interest	11,261
Pension expense	97,467
OPEB expense	(5,256)

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

Issuance of bonds	(1,745,000)
Issuance of bond premium	(193,382)
Amortization of deferred charges on refunding	(7,396)
Amortization of debt premium	101,757
Changes in deferred revenue	599
Debt payments	3,145,000

Change in Net Position of Governmental Activities	\$ 6,956,098
--	---------------------

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUND

September 30, 2021

	<u>Utility</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 7,628,765
Restricted cash	3,107,474
Receivables, net	911,287
Prepaid expenses	<u>2,746</u>
Total Current Assets	<u>11,650,272</u>
Noncurrent Assets	
Capital assets:	
Non-depreciable	729,014
Net depreciable capital assets	<u>20,067,027</u>
Total Noncurrent Assets	<u>20,796,041</u>
Total Assets	<u>32,446,313</u>
Deferred Outflows of Resources	
Deferred outflows - pension	65,480
Deferred outflows - OPEB	<u>4,360</u>
Total Deferred Outflows of Resources	<u>\$ 69,840</u>

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUND

September 30, 2021

	<u>Utility</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 20,738
Accrued interest	31,118
Compensated absences	22,514
Customer deposits	278,625
Current portion of long term debt	495,000
Total Current Liabilities	<u>847,995</u>
Noncurrent Liabilities	
Noncurrent portion of long term debt	5,570,814
Net pension liability	118,452
Total OPEB liability	15,125
Total Noncurrent Liabilities	<u>5,704,391</u>
Total Liabilities	<u>6,552,386</u>
Deferred Inflows of Resources	
Deferred inflows - pension	37,084
Deferred inflows - OPEB	2,705
Total Deferred Inflows of Resources	<u>39,789</u>
Net Position	
Net investment in capital assets	16,878,979
Restricted for:	
Debt service	495,000
Impact fees (capital project)	352,448
Water deposits	278,625
Capital projects	120,979
Impact fees (Lakeview Downs)	33,000
Bait shop	31,118
Unrestricted	7,733,829
Total Net Position	<u><u>\$ 25,923,978</u></u>

See Notes to Financial Statements.

City of Lucas, Texas

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

For the Year Ended September 30, 2021

	Utility
Operating Revenues	
Charges for services	\$ 5,310,191
Impact fees	385,448
Other revenue	236
Total Operating Revenues	5,695,875
Operating Expenses	
Contractual services	2,071,525
Personnel	729,427
Depreciation	717,442
Trash services	574,236
Maintenance and repair	102,248
Supplies and materials	27,427
Total Operating Expenses	4,222,305
Operating Income	1,473,570
Non-Operating Revenues (Expenses)	
Investment income	9,968
Interest expense	(199,550)
Total Non-Operating Revenues (Expenses)	(189,582)
Income before Capital Contributions and Transfers	1,283,988
Transfers (out)	(284,355)
Changes in Net Position	999,633
Net Position - Beginning	24,924,345
Net Position - Ending	\$ 25,923,978

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, 2021

	<u>Utility</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 5,542,055
Payments to suppliers	(2,800,752)
Payments to employees	(750,434)
Net Cash Provided (Used) by Operating Activities	<u>1,990,869</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Transfer (out)	(284,355)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(284,355)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Net capital purchases	(1,549,974)
Proceeds from issuance of bonds (net)	1,116,865
Proceeds from the issuance of bond premium	128,708
Principal paid on debt	(1,880,000)
Interest paid on debt	(199,551)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,383,952)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	9,968
Net Cash Provided (Used) by Investing Activities	<u>9,968</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(667,470)</u>
Cash and Cash Equivalents at Beginning of Year	11,403,709
Cash and Cash Equivalents at End of Year	<u>\$ 10,736,239</u>

See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 2 of 2)
For the Year Ended September 30, 2021

	<u>Utility</u>
<u>Reconciliation of Operating Income</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating income (loss)	\$ 1,473,570
Adjustment to reconcile operating income to net cash provided:	
Depreciation	717,442
Change in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(174,045)
Deferred outflows related to pension	204
Deferred outflows related to OPEB	(1,987)
Deferred charge on refunding	5,309
Prepaid expenses	(2,746)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(25,316)
Compensated absences	(157)
Customer deposits	20,225
Accrued interest payable	(6,225)
Deferred inflows- pension	11,751
Deferred inflows - OPEB	899
Net pension liability	(29,899)
Total OPEB liability	1,844
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,990,869</u>

See Notes to Financial Statements.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS

For Fiscal Year Ended September 30, 2021

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, 2021

B. Upcoming and Newly Implemented Accounting Pronouncements

The GASB has issued the following statements:

GASB Statement No. 87, Leases, will increase the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The City is currently evaluating the impact of this Statement.

GASB Statement No. 91, Conduit Debt Obligations, will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The adoption of Statement No. 91 has no impact on the City's financial statements.

GASB Statement No. 92, Omnibus 2020, establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement are effective for various reporting periods beginning after June 15, 2021. The City is currently evaluating the impact of this Statement.

GASB Statement No. 93, Replacement of Interbank Offered Rates, provides exceptions to the existing provisions for hedge accounting termination and lease modifications to ease the accounting requirements related to the transition away from interbank offered rates. It also identifies appropriate benchmark interest rates for hedging derivative instruments. Some requirements of this Statement will take effect for reporting periods ending after December 31, 2021 while other requirements are effective beginning with fiscal years that end June 30, 2022. The adoption of Statement No. 93 has no impact on the City's financial statements.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, improves financial reporting by addressing these relationships and availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The City is currently evaluating the impact of this Statement.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), provides guidance on the accounting and financial reporting of contractual arrangements. It defines SBITA; establishes that a SBITA results in a right-to-use subscription asset; provides capitalization criteria; and requires note disclosures. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The City is currently evaluating the impact of this Statement.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

B. Upcoming and Newly Implemented Accounting Pronouncements (Continued)

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which potential component unit does not have a governing board and the primary government performs the duties that governing board typically would perform; mitigate costs associated with the reporting of certain defined contribution pension, OPEB and benefit plans other than pension or OPEB plans; and enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. The City is currently evaluating the impact of this Statement for the requirements effective in fiscal year 2022.

GASB Statement No. 98, The Annual Comprehensive Financial Report, establishes the term annual comprehensive financial report and its acronym ACFR. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The City has implemented this Statement.

C. 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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

C. Basis of Presentation – Government-Wide and Fund Financial Statements (Continued)

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.

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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

C. Basis of Presentation – Government-Wide and Fund Financial Statements (Continued)

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.

D. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

D. Measurement Focus and Basis of Accounting (Continued)

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*.

E. Assets, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

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

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

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

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

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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.

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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

5. Capital Assets (Continued)

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.

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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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.

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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

9. Long-Term Obligation (Continued)

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.

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 Fund (SDBF) 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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

F. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

3. Compensated Absences

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

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

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for 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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses (Continued)

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.

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General, Debt Service, Capital Improvements, Lucas Fire District, and Utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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	\$ 279,043	0	AA+
External investment pools			
TexPool	1,072,466	53	AAAm
LOGIC	17,730,886	49	AAAm
Lone Star	2,823,190	46	AAAm
<u>Total value</u>	<u>\$ 21,905,585</u>		
Total portfolio		49	

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, 2021, 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. At September 30, 2021, the market values of pledged securities and FDIC exceeded bank balances.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

A. Deposits and Investments (Continued)

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

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

LOGIC

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.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

A. Deposits and Investments (Continued)

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.

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, 2021.

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Group Annuity	\$ 279,043	\$ 279,043	\$ -	\$ -
Total Assets at Fair Value	<u>\$ 279,043</u>	<u>\$ 279,043</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%.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

C. Receivables

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

	General	Debt Service	Lucas Fire District	Utility	Total
Property taxes	\$ 15,861	\$ 8,922	\$ -	\$ -	\$ 24,783
Sales tax	305,940	-	100,315	-	406,255
Franchise tax	131,747	-	-	-	131,747
Accounts	-	-	-	913,739	913,739
Allowance	-	-	-	(2,452)	(2,452)
	<u>\$ 453,548</u>	<u>\$ 8,922</u>	<u>\$100,315</u>	<u>\$ 911,287</u>	<u>\$ 1,474,072</u>

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	\$ -	\$ (300,000)	\$ 916,447
Construction in progress	871,995	3,535,012	(13,570)	4,393,437
Total capital assets not being depreciated	<u>2,088,442</u>	<u>3,535,012</u>	<u>(313,570)</u>	<u>5,309,884</u>
Capital assets, being depreciated:				
Buildings and improvements	5,181,799	19,683	-	5,201,482
Furniture and equipment	2,195,260	73,064	-	2,268,324
Vehicles	2,846,561	35,608	(40,638)	2,841,531
Infrastructure	33,079,373	1,135,660	-	34,215,033
Total capital assets being depreciated	<u>43,302,993</u>	<u>1,264,015</u>	<u>(40,638)</u>	<u>44,526,370</u>
Less accumulated depreciation				
Buildings and improvements	(1,064,116)	(143,528)	-	(1,207,644)
Furniture and equipment	(1,505,413)	(133,174)	-	(1,638,587)
Vehicles	(1,282,022)	(198,378)	40,638	(1,439,762)
Infrastructure	(5,299,307)	(1,112,388)	-	(6,411,695)
Total accumulated depreciation	<u>(9,150,858)</u>	<u>(1,587,468)</u>	<u>40,638</u>	<u>(10,697,688)</u>
Net capital assets being depreciated	<u>34,152,135</u>	<u>(323,453)</u>	<u>-</u>	<u>33,828,682</u>
Total Capital Assets	<u>\$ 36,240,577</u>	<u>\$ 3,211,559</u>	<u>\$ (313,570)</u>	<u>\$ 39,138,566</u>

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

General government	\$ 48,121
Public safety	320,528
Public works	1,186,628
Parks and recreation	32,191
Total governmental activities depreciation expense	<u>\$ 1,587,468</u>

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

D. Capital Assets (Continued)

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 378,256	\$ -	\$ -	\$ 378,256
Construction in progress	671,384	266,275	(586,901)	350,758
Total capital assets not being depreciated	<u>1,049,640</u>	<u>266,275</u>	<u>(586,901)</u>	<u>729,014</u>
Capital assets, being depreciated:				
Buildings and improvements	713,389	-	-	713,389
Infrastructure	24,021,673	1,716,070	-	25,737,743
Furniture and equipment	1,957,286	154,533	(63,430)	2,048,389
Vehicles	61,488	-	-	61,488
Total capital assets being depreciated	<u>26,753,836</u>	<u>1,870,603</u>	<u>(63,430)</u>	<u>28,561,009</u>
Less accumulated depreciation				
Buildings and improvements	(337,979)	(13,090)	-	(351,069)
Infrastructure	(6,249,344)	(585,230)	-	(6,834,574)
Furniture and equipment	(1,191,159)	(119,122)	63,430	(1,246,851)
Vehicles	(61,488)	-	-	(61,488)
Total accumulated depreciation	<u>(7,839,970)</u>	<u>(717,442)</u>	<u>63,430</u>	<u>(8,493,982)</u>
Net capital assets being depreciated	<u>18,913,866</u>	<u>1,153,161</u>	<u>-</u>	<u>20,067,027</u>
Total Capital Assets	<u>\$ 19,963,506</u>	<u>\$ 1,419,436</u>	<u>\$ (586,901)</u>	<u>\$ 20,796,041</u>

Depreciation was charged to business-type activities as follows:

Utility	<u>\$ 717,442</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 717,442</u>

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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.

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due within One Year
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 480,000	\$ 1,745,000	\$ (235,000)	\$ 1,990,000	\$ 395,000
Certificates of Obligation	16,660,000	-	(2,910,000)	13,750,000	720,000
Premium	760,223	193,382	(101,757)	851,848	-
Total Governmental Activities	\$ 17,900,223	\$ 1,938,382	\$ (3,246,757)	\$ 16,591,848	\$ 1,115,000
Long-term liabilities due in more than one year				\$ 15,476,848	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 210,000	\$ 1,165,000	\$ (105,000)	\$ 1,270,000	\$ 200,000
Certificates of Obligation	6,280,000	-	(1,775,000)	4,505,000	295,000
Premium	210,242	128,708	(48,136)	290,814	-
Total Business-Type Activities	\$ 6,700,242	\$ 1,293,708	\$ (1,928,136)	\$ 6,065,814	\$ 495,000
Long-term liabilities due in more than one year				\$ 5,570,814	

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, 2021

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	\$ 245,000
2007 Certificates of obligation	4.25%	2,500,000	590,000
2015 Certificates of obligation	3.00%	2,000,000	1,270,000
2017 Certificates of obligation	3.00%	5,855,000	4,940,000
2019 Certificates of obligation	2.0% - 5.0%	7,215,000	6,950,000
2020 General obligation refunding bonds	2.0% - 4.0%	1,745,000	1,745,000
Total Governmental Activities		21,105,000	15,740,000
Business-type Activities			
2007 General obligation refunding bonds	3.76%	1,455,000	105,000
2007 Certificates of obligation	4.25%	2,500,000	750,000
2017 Certificates of obligation	3.00%	2,920,000	2,465,000
2019 Certificates of obligation	2.0% - 5.0%	1,390,000	1,290,000
2020 General obligation refunding bonds	2.0% - 4.0%	1,165,000	1,165,000
Total Business-type Activities		9,430,000	5,775,000
Total Long-Term Debt			
2007 General obligation refunding bonds	3.76%	3,245,000	350,000
2007 Certificates of obligation	4.25%	5,000,000	1,340,000
2015 Certificates of obligation	3.00%	2,000,000	1,270,000
2017 Certificates of obligation	3.00%	8,775,000	7,405,000
2019 Certificates of obligation	2.0% - 5.0%	8,605,000	8,240,000
2020 General obligation refunding bonds	2.0% - 4.0%	2,910,000	2,910,000
Total		\$ 30,535,000	\$ 21,515,000

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

Year ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2022	\$ 395,000	\$ 53,406	\$ 720,000	\$ 425,820
2023	155,000	42,700	765,000	396,908
2024	160,000	38,000	790,000	366,483
2025	170,000	33,000	815,000	335,008
2026	170,000	27,900	845,000	302,408
2027-2031	940,000	63,200	4,105,000	1,063,813
2032 & After	-	-	5,710,000	576,398
Total	\$ 1,990,000	\$258,206	\$ 13,750,000	\$ 3,466,838

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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
2022	\$ 200,000	\$ 34,474	\$ 295,000	\$ 142,661
2023	105,000	28,500	305,000	131,049
2024	105,000	25,350	310,000	119,161
2025	110,000	22,100	320,000	106,999
2026	120,000	18,700	325,000	94,561
2027-2031	630,000	42,150	1,225,000	328,931
2032 & After	-	-	1,725,000	168,784
Total	\$ 1,270,000	\$ 171,274	\$ 4,505,000	\$ 1,092,146

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	\$ 94,739	\$ 93,090	\$ (94,739)	\$ 93,090	\$ 93,090
Total Governmental Activities	94,739	93,090	(94,739)	93,090	93,090
Business-Type Activities:					
Compensated Absences	22,671	22,514	(22,671)	22,514	22,514
Total Business-Type Activities	\$ 22,671	\$ 22,514	\$ (22,671)	\$ 22,514	\$ 22,514

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 resulted from the issuance of the Series 2007 General Obligation Refunding and improvement bonds have been recorded as deferred outflows of resources and were 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 \$0 for governmental activities and \$0 for business-type activities.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

H. Unearned Revenue

On March 11, 2021, the American Rescue Plan Act was signed into law and established the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund, which together make up the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. In conjunction with this program, the City received \$1,059,657 which has been recorded as unearned revenue.

I. Interfund Transactions

Transfers between the primary government funds during the 2021 year were as follows:

Transfer Out	Transfer In	Amount
Lucas Fire District	General Fund	\$ 498,199
Utility Fund	General Fund	284,355
General Fund	Debt Service Fund	215,000
General Fund	Capital Improvement Fund	2,479,384
Total		\$ 3,476,938

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.

J. 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:

	Governmental Funds	Business-Type Activities
Restricted for:		
Capital projects	\$ 9,591,973	\$ 120,979
Impact fees	1,417,322	385,448
Debt service	1,326,101	495,000
Bait shop	-	31,118
Water deposits	-	278,625
Pensions	279,043	-
Capital outlay (other)	300,000	-
*Fire protection	121,818	-
*Municipal court	75,515	-
*Cable fees	34,707	-
Water rescue	120,000	-
Capital outlay (Playground E&P)	1,132	-
Total	\$ 13,267,611	\$ 1,311,170

* Restricted by enabling legislation

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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 or disclosed.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

C. Pension Plans

Texas Municipal Retirement Systems

1. Plan Description

The City of Lucas participates as one of 895 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.tmrs.com.

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

2. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an 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 2020</u>	<u>Plan Year 2019</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, 2021

2. Benefits Provided (Continued)

Employees Covered by Benefit Terms:

At the December 31, 2020 and 2019 valuation and measurement date, the following employees were covered by the benefit terms:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	22	20
Inactive employees entitled to but not yet receiving benefits	22	17
Active employees	39	39
Total	83	76

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 12.5% and 12.69% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$359,638, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.5% to 11.5%, 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, 2021

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 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (arithmetic)
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, 2021

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%
\$1,534,091	\$564,055	(\$211,963)

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/19	\$ 5,063,878	\$ 4,396,798	\$ 667,080
Changes for the year:			
Service Cost	457,386	-	457,386
Interest	352,880	-	352,880
Difference between expected and actual experience	(74,317)	-	(74,317)
Changes of assumptions	-	-	-
Contributions - employer	-	324,664	(324,664)
Contributions - employee	-	181,811	(181,811)
Net investment income	-	334,743	(334,743)
Benefit payments, including refunds or emp. contributions	(129,394)	(129,394)	-
Administrative expense	-	(2,160)	2,160
Other changes	-	(84)	84
Net changes	606,555	709,580	(103,025)
Balance at 12/31/20	<u>\$ 5,670,433</u>	<u>\$ 5,106,378</u>	<u>\$ 564,055</u>

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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.tmr.com.

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

For the year ended September 30, 2021, the City recognized pension expense of \$298,666.

At September 30, 2021, 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	\$ -	\$ (52,508)
Changes in actuarial assumptions	44,661	-
Difference between projected and investment earnings	-	(124,080)
Contributions subsequent to the measurement date	267,146	-
Total	\$ 311,807	\$ (176,588)

The City reported \$267,146 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, 2022. 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
2021	\$ (41,293)
2022	(6,850)
2023	(65,206)
2024	(12,946)
2025	(5,632)
Thereafter	-
Total	\$ (131,927)

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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 2020	Plan Year 2019
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, 2020 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	<u>47</u>

3. Contributions

The City's contributions to the TMRS SDBF for the years ended 2021, 2020, and 2019 were \$3,067, \$1,850, and \$2,520, respectively, which equaled the required contributions each year.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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
2019	0.01%	0.01%	100.00%
2020	0.01%	0.01%	100.00%
2021	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, 2020, 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, 2020 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	2.00%
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 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
\$ 88,953	\$ 72,026	\$ 58,775

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/19	\$ 61,078
Changes for the year:	
Service Cost	5,714
Interest	1,755
Difference between expected and actual experience	(6,467)
Changes in assumptions	10,206
Benefit payments	(260)
Net changes	10,948
Balance at 12/31/20	\$ 72,026

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$7,907. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in actuarial assumptions	\$ 18,652	\$ -
Difference between projected and investment earnings	-	(12,879)
Contributions subsequent to the measurement date	2,105	-
Total	\$ 20,757	\$ (12,879)

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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

The City reported \$2,105 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, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in expense as follows:

Year ended December 31:	Deferred Outflow (Inflow) of Resources
2021	\$ 723
2022	723
2023	723
2024	723
2025	424
Thereafter	2,457
Total	\$ 5,773

Texas Emergency Services Retirement System

The Texas Emergency Services Retirement System (TESRS) and the City, on behalf of Lucas Fire Rescue (LFR), entered into a contract on January 1, 2001, for participation in the TESRS pension system plan. On December 18, 2020, TESRS and the City, on behalf of the LFR, agreed to an amendment of the original contract. This amendment constitutes the termination of the pension system participation contract between TESRS and the City effective December 31, 2020. As of the effective date of this amendment, the parties agree that all requirements of the contract and termination are satisfied. As a result of the revocation of this contract, the City eliminated all TESRS related balances and the liability.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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 a Participant dies prior to Entitlement Age, his designated Beneficiary shall receive a single lump sum equal to the Actuarial Equivalent value of the Participant's Accrued Benefit (as of the most recent determination date).

Upon death, a 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, 2021

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, 2020 valuation date, the following employees were covered by the benefit terms:

	<u>2020</u>
Active members	16
Vested-terminated members	17
Retired Beneficiaries	<u>2</u>
Total count	35

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, 2021, were \$9,024, and were more than the required contributions.

As of September 30, 2021, the City has an investment balance of \$279,043, 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, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as July 1, 2020.

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

4. Net Pension Liability (Continued)

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of July 1, 2020, rolled forward to June 30, 2021 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	1.92% 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 1.92% which is based on the 20-year AA general obligation bond rate as of June 30, 2021.

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 1.92%, 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 (0.92%) or 1-percentage-point higher (2.92%) than the current rate:

1% Decrease 0.92%	Current Discount Rate Assumption 1.92%	1% Increase 2.92%
\$418,877	\$391,528	\$363,560

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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 7/1/20	\$ 330,262	\$ -	\$ 330,262
Changes for the year:			
Service Cost	22,459	-	22,459
Interest	6,319	-	6,319
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(5,712)	-	(5,712)
Changes of assumptions	41,830	-	41,830
Benefit payments and expenses	(3,630)	-	(3,630)
Net changes	<u>61,266</u>	<u>-</u>	<u>61,266</u>
Balance at 6/30/21	<u>\$ 391,528</u>	<u>\$ -</u>	<u>\$ 391,528</u>

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

For the year ended September 30, 2021, the City recognized pension expense of \$36,929.

At September 30, 2021, 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	\$ -	\$ (39,650)
Differences between actuarial assumption changes	68,848	-
Contributions subsequent to the measurement date	8,002	-
Total	<u>\$ 76,850</u>	<u>\$ (39,650)</u>

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

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

The City reported \$8,002 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, 2022. 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:	Deferred Outflows (Inflows) of Resources
2022	\$ 8,151
2023	8,151
2024	8,151
2025	8,149
2026	928
Thereafter	(4,332)
Total	\$ 29,198

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 and LOSAP

Deferred Outflows of Resources			
<u>Contributions Subsequent to the Measurement Date</u>			
	<u>TMRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ 211,045	\$ 8,002	\$ 219,047
Business-type Activities	56,101	-	56,101
Total	\$ 267,146	\$ 8,002	\$ 275,148
<u>Changes in Actuarial Assumptions</u>			
	<u>TMRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ 35,282	\$ 68,848	\$ 104,130
Business-type Activities	9,379	-	9,379
Total	\$ 44,661	\$ 68,848	\$ 113,509
Total Deferred Outflows of Resources			\$ 388,657

City of Lucas, Texas

NOTES TO THE FINANCIAL STATEMENTS, (Continued)

For Fiscal Year Ended September 30, 2021

Consolidated Pension Balances for all Plans (Continued)

Pension Liabilities			
<u>Net Pension Liabilities</u>			
	<u>TMRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ (445,603)	\$ (391,528)	\$ (837,131)
Business-type Activities	(118,452)	-	(118,452)
Total	<u>\$ (564,055)</u>	<u>\$ (391,528)</u>	<u>\$ (955,583)</u>
<u>Deferred Inflows of Resources</u>			
<u>Difference Between Projected and Actual Investment Earnings</u>			
	<u>TMRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ (99,632)	\$ -	\$ (99,632)
Business-type Activities	(24,448)	-	(24,448)
Total	<u>\$ (124,080)</u>	<u>\$ -</u>	<u>\$ (124,080)</u>
<u>Differences Between Expected and Actual Economic Experience</u>			
	<u>TMRS</u>	<u>LOSAP</u>	<u>Total</u>
Governmental Activities	\$ (41,340)	\$ (39,650)	\$ (80,990)
Business-type Activities	(11,168)	-	(11,168)
Total	<u>\$ (52,508)</u>	<u>\$ (39,650)</u>	<u>\$ (92,158)</u>
Total Deferred Inflows of Resources			<u>\$ (216,238)</u>

D. Excess of Expenditures Over Appropriations

For the year ended September 30, 2021, the Debt Service Fund exceeded appropriations at the legal level of control by \$1,938,382. This was due to a bond refunding that occurred during the current year. This overage was covered, in part, by an unbudgeted revenue for the proceeds associated with this issuance of \$1,745,000. The City has implemented procedures to ensure compliance.

E. Subsequent Events

Management has evaluated subsequent events through March 17, 2022, the date on which the financial statements were available to be issued. There are no 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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property tax	\$ 2,654,263	\$ 2,775,794	\$ 2,797,218	\$ 21,424
Sales tax	1,197,000	1,440,000	1,590,627	150,627
Federal grants	-	1,059,657	-	(1,059,657)
Fire department agreements	550,805	578,826	585,092	6,266
Licenses and permits	592,220	931,696	993,084	61,388
Impact fees	330,000	360,000	459,118	99,118
Franchise and local taxes	395,460	388,960	391,599	2,639
Investment income	50,000	16,300	24,921	8,621
Other revenue	108,700	123,125	156,520	33,395
Grants and contributions	12,500	12,500	17,380	4,880
Fines and forfeitures	1,680	1,680	-	(1,680)
Total Revenues	5,892,628	7,688,538	7,015,559	(672,979)
Expenditures				
Current:				
General government:				
City council	21,140	22,940	22,935	5
City secretary	165,137	164,118	158,605	5,513
Administrative	626,744	657,736	631,349	26,387
Non-departmental	272,436	322,747	315,828	6,919
Total general government	1,085,457	1,167,541	1,128,717	38,824
Public safety:				
Fire department	2,293,092	2,476,044	2,238,092	237,952
Police	250,000	250,000	212,449	37,551
Total public safety	2,543,092	2,726,044	2,450,541	275,503
Public works:				
Public works	314,380	318,168	238,093	80,075
Parks and recreation	213,110	213,110	144,106	69,004
Engineering	231,534	399,601	212,325	187,276
Animal control	35,000	35,000	34,000	1,000
Total public works	794,024	965,879	628,524	337,355
Development services	443,626	454,558	409,058	45,500
Capital outlay	795,000	1,208,953	821,538	387,415
Total Expenditures	5,661,199	6,522,975	5,438,378	1,084,597
Revenues Over (Under) Expenditures	231,429	1,165,563	1,577,181	411,618

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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Other Financing Sources (Uses)				
Transfers in	684,096	746,528	782,554	36,026
Transfers (out)	-	(2,790,434)	(2,694,384)	96,050
Sale of capital assets	-	-	250,914	250,914
Total Other Financing Sources (Uses)	<u>684,096</u>	<u>(2,043,906)</u>	<u>(1,660,916)</u>	<u>382,990</u>
 Net Change in Fund Balances	 <u>\$ 915,525</u>	 <u>\$ (878,343)</u>	 (83,735)	 <u>\$ 794,608</u>
Fund Balances, October 1			12,412,960	
Fund Balances, September 30			<u>\$ 12,329,225</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>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Total Pension Liability				
Service Cost	\$ 457,386	\$ 450,025	\$ 414,235	\$ 372,249
Interest	352,881	303,275	266,265	231,198
Change in benefit terms	-	-	-	-
Difference between expected and actual experience	(74,317)	33,015	(33,376)	9,721
Changes of assumptions	-	70,627	-	-
Benefit payments, including refunds of participant contributions	(129,394)	(122,030)	(111,419)	(117,869)
Net change in total pension liability	<u>606,556</u>	<u>734,912</u>	<u>535,705</u>	<u>495,299</u>
Total pension liability, beginning	<u>5,063,878</u>	<u>4,328,966</u>	<u>3,793,261</u>	<u>3,297,962</u>
Total pension liability, ending (a)	<u>\$ 5,670,434</u>	<u>\$ 5,063,878</u>	<u>\$ 4,328,966</u>	<u>\$ 3,793,261</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 324,663	\$ 326,573	\$ 315,372	\$ 283,883
Contributions - members	181,811	178,177	164,379	144,523
Net investment income	334,743	539,095	(96,228)	353,005
Benefit payments, including refunds of participant contributions	(129,393)	(122,030)	(111,419)	(117,869)
Administrative expenses	(2,160)	(3,038)	(1,857)	(1,829)
Other	(84)	(91)	(96)	(93)
Net change in plan fiduciary net position	<u>709,580</u>	<u>918,686</u>	<u>270,151</u>	<u>661,620</u>
Plan fiduciary net position, beginning	<u>4,396,798</u>	<u>3,478,112</u>	<u>3,207,961</u>	<u>2,546,341</u>
Plan fiduciary net position, ending (b)	<u>\$ 5,106,378</u>	<u>\$ 4,396,798</u>	<u>\$ 3,478,112</u>	<u>\$ 3,207,961</u>
Net pension liability/(asset) ending = (a) - (b)	<u>\$ 564,056</u>	<u>\$ 667,080</u>	<u>\$ 850,854</u>	<u>\$ 585,300</u>
Plan fiduciary net position as a % of total pension liability	90.05%	86.83%	80.35%	84.57%
Covered payroll	\$ 2,597,307	\$ 2,545,390	\$ 2,348,274	\$ 2,064,609
Net pension liability as a % of covered payroll	21.72%	26.21%	36.23%	28.35%

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>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
\$ 348,892	\$ 293,557	\$ 182,681
198,270	171,059	144,591
-	-	305,541
17,647	3,953	33,580
-	45,337	-
(59,465)	(36,429)	(39,926)
505,344	477,477	626,467
2,792,618	2,315,141	1,688,674
<u>\$ 3,297,962</u>	<u>\$ 2,792,618</u>	<u>\$ 2,315,141</u>
\$ 256,187	\$ 229,058	\$ 113,742
134,633	116,030	103,947
140,372	2,608	86,065
(59,465)	(36,429)	(39,926)
(1,585)	(1,588)	(898)
(86)	(78)	(74)
470,056	309,601	262,856
2,076,285	1,766,684	1,503,828
<u>\$ 2,546,341</u>	<u>\$ 2,076,285</u>	<u>\$ 1,766,684</u>
<u>\$ 751,621</u>	<u>\$ 716,333</u>	<u>\$ 548,457</u>
77.21%	74.35%	76.31%
\$ 1,923,330	\$ 1,657,575	\$ 1,484,954
39.08%	43.22%	36.93%

City of Lucas, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN ¹

TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Ten Fiscal Years

	<u>9/30/2021</u>	<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>
Actuarially determined employer contributions	\$ 362,705	\$ 327,779	\$ 327,126	\$ 306,720	\$ 276,739	\$ 249,286	\$ 192,781
Contributions in relation to the actuarially determined contribution	<u>362,705</u>	<u>327,779</u>	<u>327,126</u>	<u>306,720</u>	<u>276,739</u>	<u>249,286</u>	<u>192,781</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
Annual covered payroll	\$ 2,845,105	\$ 2,577,004	\$ 2,517,351	\$ 2,269,249	\$ 2,030,750	\$ 1,845,924	\$ 1,484,954
Employer contributions as a percentage of covered payroll	12.75%	12.72%	12.99%	13.52%	13.63%	13.50%	12.98%

NOTES TO SCHEDULE OF CONTRIBUCTIONS 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:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: 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.

Other Information:

Notes	There were no benefit changes during the year.
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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

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Total OPEB liability				
Service Cost	\$ 5,714	\$ 4,327	\$ 4,697	\$ 3,716
Interest	1,755	1,808	1,751	1,609
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(6,467)	(3,962)	(6,318)	-
Changes in assumptions or other inputs	10,206	12,455	(3,855)	4,624
Benefit payments, including refunds of participant contributions	(260)	(255)	(235)	-
Net Change in Total OPEB Liability	<u>10,948</u>	<u>14,373</u>	<u>(3,960)</u>	<u>9,949</u>
Total OPEB Liability - Beginning	<u>61,078</u>	<u>46,705</u>	<u>50,665</u>	<u>40,716</u>
Total OPEB Liability - Ending (a)	<u>\$ 72,026</u>	<u>\$ 61,078</u>	<u>\$ 46,705</u>	<u>\$ 50,665</u>
 Covered Payroll	 \$ 2,597,307	 \$ 2,545,390	 \$ 2,348,274	 \$ 2,064,609
 Total OPEB Liability as a Percentage of Covered Payroll	 2.77%	 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

VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARDS PROGRAM ^{1,2}

Last Ten Measured Years

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total Pension Liability					
Service Cost	\$ 22,459	\$ 29,557	\$ 31,505	\$ 30,982	\$ 34,136
Interest	6,319	6,701	6,900	8,432	7,558
Change in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(5,712)	(14,382)	7	(41,351)	(1)
Changes of assumptions	41,830	40,477	23,268	(2,005)	(13,739)
Benefit payments, including refunds of participant contributions	(3,630)	(6,664)	(8,741)	(8,521)	(6,744)
Net change in total pension liability	<u>61,266</u>	<u>55,689</u>	<u>52,939</u>	<u>(12,463)</u>	<u>21,210</u>
Total pension liability, beginning	<u>330,262</u>	<u>274,573</u>	<u>221,634</u>	<u>234,097</u>	<u>212,887</u>
Total pension liability, ending (a)	<u>\$ 391,528</u>	<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>	<u>\$ -</u>
Net pension liability/(asset) ending = (a) - (b)	<u>\$ 391,528</u>	<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%	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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property tax	\$ 1,411,783	\$ 1,583,337	\$ 1,595,288	\$ 11,951
Investment income	3,600	2,989	3,052	63
Total Revenues	<u>1,415,383</u>	<u>1,586,326</u>	<u>1,598,340</u>	<u>12,014</u>
Expenditures				
Debt service				
Principal	1,020,000	1,247,793	3,145,000	(1,897,207)
Interest	550,851	564,265	605,440	(41,175)
Total Expenditures	<u>1,570,851</u>	<u>1,812,058</u>	<u>3,750,440</u>	<u>(1,938,382)</u>
Revenues Over (Under) Expenditures	<u>(155,468)</u>	<u>(225,732)</u>	<u>(2,152,100)</u>	<u>1,950,396</u>
Other Financing Sources (Uses)				
Transfers in	155,467	225,732	215,000	(10,732)
Bond issuance	-	-	1,745,000	1,745,000
Bond premium	-	-	193,382	193,382
Total Other Financing Sources (Uses)	<u>155,467</u>	<u>225,732</u>	<u>2,153,382</u>	<u>1,927,650</u>
Net Change in Fund Balances	<u>\$ (1)</u>	<u>\$ -</u>	1,282	<u>\$ 3,878,046</u>
Fund Balances, October 1			<u>1,324,819</u>	
Fund Balances, September 30			<u>\$ 1,326,101</u>	

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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Interest income	\$ 60,000	\$ 7,700	\$ 9,896	\$ 2,196
Intergovernmental revenue	-	4,182,590	4,182,590	-
Total Revenues	<u>60,000</u>	<u>4,190,290</u>	<u>4,192,486</u>	<u>2,196</u>
Expenditures				
Capital outlay	4,184,820	10,461,867	3,963,921	6,497,946
Total Expenditures	<u>4,184,820</u>	<u>10,461,867</u>	<u>3,963,921</u>	<u>6,497,946</u>
Revenues Over (Under) Expenditures	<u>(4,124,820)</u>	<u>(6,271,577)</u>	<u>228,565</u>	<u>(6,495,750)</u>
Other Financing Sources (Uses)				
Transfers in	-	2,790,434	2,479,384	(311,050)
Total Other Financing (Uses)	<u>-</u>	<u>2,790,434</u>	<u>2,479,384</u>	<u>(311,050)</u>
Net Change in Fund Balances	<u>\$ (4,124,820)</u>	<u>\$ (3,481,143)</u>	2,707,949	<u>\$ (6,806,800)</u>
Fund Balances, October 1			6,884,024	
Fund Balances, September 30			<u>\$ 9,591,973</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Sales tax	\$ 417,000	\$ 480,000	\$ 523,806	\$ 43,806
Other income	-	-	305	305
Total Revenues	<u>417,000</u>	<u>480,000</u>	<u>524,111</u>	<u>44,111</u>
Other Financing Sources (Uses)				
Transfers (out)	<u>(417,000)</u>	<u>(480,000)</u>	<u>(498,199)</u>	<u>18,199</u>
Total Other Financing Sources (Uses)	<u>(417,000)</u>	<u>(480,000)</u>	<u>(498,199)</u>	<u>18,199</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	25,912	<u>\$ 25,912</u>
Fund Balances, October 1			<u>79,527</u>	
Fund Balances, September 30			<u>\$ 105,439</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	93-102
<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	103-110
<i>These schedules contain information to help the reader assess the City's most significant local revenue source: property tax.</i>	
Debt Capacity	111-115
<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	116-118
<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	119-121
<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)

	2021	2020	2019	2018
Governmental Activities:				
Net Investments in Capital Assets	\$ 28,833,419	\$ 25,517,174	\$ 20,427,592	\$ 19,557,740
Restricted	6,980,910	12,176,865	4,129,734	3,194,287
Unrestricted	9,189,569	353,761	8,418,373	8,127,220
Total Governmental Activities	<u>\$ 45,003,898</u>	<u>\$ 38,047,800</u>	<u>\$ 32,975,699</u>	<u>\$ 30,879,247</u>
Business-type Activities:				
Net Investments in Capital Assets	\$ 16,878,979	\$ 16,777,285	\$ 15,334,416	\$ 15,023,072
Restricted	1,311,170	939,365	668,724	555,979
Unrestricted	7,733,829	7,207,695	6,640,891	6,202,108
Total Business-type Activities	<u>\$ 25,923,978</u>	<u>\$ 24,924,345</u>	<u>\$ 22,644,031</u>	<u>\$ 21,781,159</u>
Primary Government:				
Net Investments in Capital Assets	\$ 45,712,398	\$ 42,294,459	\$ 35,762,008	\$ 34,580,812
Restricted	8,292,080	13,116,230	4,798,458	3,750,266
Unrestricted	16,923,398	7,561,456	15,059,264	14,329,328
Total Primary Activities	<u>\$ 70,927,876</u>	<u>\$ 62,972,145</u>	<u>\$ 55,619,730</u>	<u>\$ 52,660,406</u>

Source: City of Lucas Financial Services Annual Financial Reports

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 18,969,607	\$ 17,817,626	\$ 15,687,778	\$ 11,217,229	\$ 9,735,155	\$ 7,912,596
2,425,677	5,021,277	5,101,359	2,535,158	1,441,795	1,034,404
7,481,154	4,034,670	2,022,200	5,024,220	5,097,482	3,785,982
<u>\$ 28,876,438</u>	<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>
\$ 14,790,563	\$ 14,122,099	\$ 13,793,927	\$ 13,112,606	\$ 11,450,187	\$ 9,724,745
436,201	375,000	365,000	382,027	350,000	320,000
5,616,348	5,501,285	4,824,325	3,752,393	4,265,404	4,263,267
<u>\$ 20,843,112</u>	<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>
\$ 33,760,170	\$ 31,929,725	\$ 29,481,705	\$ 24,329,835	\$ 21,185,342	\$ 17,637,341
2,861,878	5,396,277	5,466,359	2,917,185	1,791,795	1,354,404
13,097,502	9,535,955	6,846,525	8,776,613	9,362,886	8,049,249
<u>\$ 49,719,550</u>	<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>

City of Lucas, Texas

CHANGES IN NET POSITION

Last Ten Years

(Accrual Basis of Accounting)

(Unaudited)

	2021	2020	2019	2018
Expenses				
Governmental Activities:				
General Government	\$ 1,151,684	\$ 1,276,560	\$ 1,096,507	\$ 935,150
Public Safety	2,716,928	2,611,453	2,621,361	2,223,061
Public Works	1,711,774	1,481,315	1,423,456	2,189,754
Development Services	402,852	354,169	426,705	408,654
Parks and Recreation	176,297	163,110	194,196	126,327
Community Development	-	-	-	-
Interest and Fiscal Charges	499,818	552,910	535,381	392,146
Total Governmental Activities	6,659,353	6,439,518	6,297,606	6,275,092
Business-type Activities:				
Utility Fund	4,421,855	4,529,286	4,247,590	4,243,367
Total Business-type Activities	4,421,855	4,529,286	4,247,590	4,243,367
Total Primary Government	<u>\$ 11,081,208</u>	<u>\$ 10,968,804</u>	<u>\$ 10,545,196</u>	<u>\$ 10,518,459</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
General Government	\$ -	\$ -	\$ -	\$ -
Public Safety	585,092	630,944	528,717	509,862
Public Works	459,118	451,516	232,881	341,597
Development Services	993,084	496,675	494,826	904,825
Parks and Recreation	-	-	-	-
Capital Grants and Contributions	4,182,590	2,173,436	437,074	342,372
Operating Grants and Contributions	17,380	712,345	-	-
Total Governmental Activities	6,237,264	4,464,916	1,693,498	2,098,656
Business-type Activities:				
Charges for Services				
Water and Sewer	5,695,875	5,602,448	4,775,275	5,314,349
Capital Grants and Contributions	-	1,386,276	368,375	37,419
Total Business-type Activities	5,695,875	6,988,724	5,143,650	5,351,768
Total Primary Government	<u>\$ 11,933,139</u>	<u>\$ 11,453,640</u>	<u>\$ 6,837,148</u>	<u>\$ 7,450,424</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (422,089)	\$ (1,974,602)	\$ (4,604,108)	\$ (4,176,436)
Business-type Activities	1,274,020	2,459,438	896,060	1,108,401
Total Primary Government	<u>\$ 851,931</u>	<u>\$ 484,836</u>	<u>\$ (3,708,048)</u>	<u>\$ (3,068,035)</u>

Source: City of Lucas Financial Services Annual Financials

2017	2016	2015	2014	2013	2012
\$ 961,459	\$ 955,548	\$ 934,322	\$ 840,998	\$ 715,216	\$ 626,484
2,082,243	1,866,920	1,693,535	1,469,546	889,680	775,050
971,612	883,514	1,091,137	867,243	1,029,582	609,532
345,336	279,699	352,718	257,331	273,707	293,418
113,916	159,565	78,233	132,379	137,616	111,766
-	-	-	-	-	-
373,570	263,690	331,834	232,858	244,060	256,685
4,848,136	4,408,936	4,481,779	3,800,355	3,289,861	2,672,935
3,840,280	3,593,006	3,237,288	2,891,141	2,969,977	2,530,479
3,840,280	3,593,006	3,237,288	2,891,141	2,969,977	2,530,479
\$ 8,688,416	\$ 8,001,942	\$ 7,719,067	\$ 6,691,496	\$ 6,259,838	\$ 5,203,414
\$ -	\$ -	\$ -	\$ 2,501	\$ 10,351	\$ 9,015
448,607	413,588	327,745	252,949	184,020	176,777
356,940	402,068	335,163	74,050	319,402	652,830
713,554	658,708	707,807	553,264	545,526	539,593
-	-	-	15,000	67,000	10,000
-	37,600	196,000	1,804,078	2,297,740	946,567
126,168	1,824,487	2,470,277	-	-	-
1,645,269	3,336,451	4,036,992	2,701,842	3,424,039	2,334,782
4,403,061	4,332,497	3,879,602	3,832,078	3,608,367	3,025,171
417,020	418,089	1,299,604	512,011	1,300,659	1,350,014
4,820,081	4,750,586	5,179,206	4,344,089	4,909,026	4,375,185
\$ 6,465,350	\$ 8,087,037	\$ 9,216,198	\$ 7,045,931	\$ 8,333,065	\$ 6,709,967
\$ (3,202,867)	\$ (1,072,485)	\$ (444,787)	\$ (1,098,513)	\$ 134,178	\$ (338,153)
979,801	1,157,580	1,941,918	1,452,948	1,939,049	1,844,706
\$ (2,223,066)	\$ 85,095	\$ 1,497,131	\$ 354,435	\$ 2,073,227	\$ 1,506,553

City of Lucas, Texas

CHANGES IN NET POSITION (CONTINUED)

Last Ten Years

(Accrual Basis of Accounting)

(Unaudited)

	2021	2020	2019	2018
General Revenues				
Governmental Activities:				
Property Taxes	\$ 4,393,105	\$ 4,241,420	\$ 3,920,086	\$ 3,534,633
Sales Tax	2,114,433	1,827,798	1,576,882	1,454,670
Franchise Tax	391,599	391,893	413,713	410,594
Investment Earnings	37,869	202,167	334,467	195,398
Other Revenues	156,826	88,672	217,025	309,452
Intergovernmental	-	-	-	-
Transfers, Net	284,355	294,753	238,387	274,498
Total Governmental Activities	7,378,187	7,046,703	6,700,560	6,179,245
Business-type Activities:				
Investment Earnings	9,968	114,429	205,199	104,144
Other Income	-	1,200	-	-
Transfers, Net	(284,355)	(294,753)	(238,387)	(274,498)
Total Business-type Activities	(274,387)	(179,124)	(33,188)	(170,354)
Total Primary Government	\$ 7,103,800	\$ 6,867,579	\$ 6,667,372	\$ 6,008,891
Change in Net Position				
Governmental Activities	6,956,098	5,072,101	2,096,452	2,002,809
Business-type Activities	999,633	2,280,314	862,872	938,047
Total Primary Government	\$ 7,955,731	\$ 7,352,415	\$ 2,959,324	\$ 2,940,856

Source: City of Lucas Financial Services Annual Financials

2017	2016	2015	2014	2013	2012
\$ 3,176,863	\$ 2,988,174	\$ 2,500,042	\$ 2,430,447	\$ 2,292,931	\$ 2,095,821
1,407,216	1,349,475	1,180,171	814,033	587,259	178,331
318,056	420,003	333,591	319,026	258,356	258,112
80,081	31,531	25,026	18,681	15,682	19,009
64,651	183,261	120,443	122,164	64,773	44,897
-	-	-	-	-	-
158,865	160,926	320,244	275,834	188,271	166,229
5,205,732	5,133,370	4,479,517	3,980,185	3,407,272	2,762,399
33,792	8,478	3,342	4,321	6,300	9,175
-	-	111,210	-	500	565
(158,865)	(160,926)	(320,244)	(275,834)	(188,271)	(166,229)
(125,073)	(152,448)	(205,692)	(271,513)	(181,471)	(156,489)
\$ 5,080,659	\$ 4,980,922	\$ 4,273,825	\$ 3,708,672	\$ 3,225,801	\$ 2,605,910
2,002,865	4,060,885	4,034,730	2,881,672	3,541,450	2,424,246
854,728	1,005,132	1,736,226	1,181,435	1,757,578	1,688,217
\$ 2,857,593	\$ 5,066,017	\$ 5,770,956	\$ 4,063,107	\$ 5,299,028	\$ 4,112,463

City of Lucas, Texas

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(Modified Accrual Basis of Accounting)

(Unaudited)

	2021	2020	2019	2018
General Fund:				
Restricted				
Impact Fees	\$ 1,417,322	\$ 2,115,802	\$ 1,785,286	\$ 1,572,405
Pensions	279,043	252,407	252,407	233,592
Municipal Court	75,515	77,594	70,355	62,899
Capital Improvements	-	613,590	1,385,000	1,385,000
Cable Fees	34,707	31,834	28,582	25,318
Street Maintenance	-	385,528	285,878	245,054
Project Management	-	70,853	358,290	-
CARES Funding	-	89,755	-	-
Capital Outlay (Other)	300,000	250,000	200,000	150,000
Capital Outlay (Ambulance)	-	-	-	100,000
Capital Outlay (Playground E&P)	1,132	1,132	1,132	1,132
Fire Protection	16,379	-	-	-
Water Rescue	120,000	-	-	-
Unassigned	10,085,127	8,524,465	7,442,323	7,380,496
Total General Fund	<u>\$ 12,329,225</u>	<u>\$ 12,412,960</u>	<u>\$ 11,809,253</u>	<u>\$ 11,155,896</u>
All Other Governmental Funds:				
Restricted For:				
Debt Service	\$ 1,326,101	\$ 1,324,819	\$ 1,156,232	\$ 969,611
Fire Protection	105,439	79,527	74,308	67,868
Capital Improvement	9,591,973	6,884,024	8,220,098	4,892,086
Total All Other Governmental Funds	<u>\$ 11,023,513</u>	<u>\$ 8,288,370</u>	<u>\$ 9,450,638</u>	<u>\$ 5,929,565</u>

Source: City of Lucas Financial Services Annual Financials

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

City of Lucas, Texas

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(Modified Accrual Basis of Accounting)

(Unaudited)

	2021	2020	2019	2018
REVENUES:				
Property Taxes	\$ 4,392,506	\$ 4,237,072	\$ 3,954,237	\$ 3,518,185
Sales Tax	2,114,433	1,827,798	1,576,882	1,454,670
Franchise Taxes	391,599	391,893	413,713	410,594
Fines and Forfeitures	-	90,281	32,340	35,037
Licenses and Permits	993,084	496,675	463,900	871,480
Fire Service Agreements	585,092	540,663	527,303	508,170
Grants	17,380	712,345	181,400	342,372
Donations	-	-	-	-
Impact Fees	459,118	451,516	232,881	341,597
Intergovernmental	4,182,590	-	-	-
Investment Income	37,869	202,167	334,467	195,398
Other Revenue	156,825	145,416	210,307	306,219
Total Revenues	13,330,496	9,095,826	7,927,430	7,983,722
EXPENDITURES:				
General Government	1,128,717	1,220,744	995,991	947,731
Public Works	484,418	711,839	515,752	1,071,172
Parks and Recreation	144,106	130,564	152,485	134,568
Public Safety	2,450,541	2,310,128	2,341,313	2,294,878
Development Services	409,058	338,684	417,978	405,016
Trash Services	-	-	-	-
Debt Service				
Principal	3,145,000	915,000	860,930	844,218
Interest	605,440	585,398	374,100	415,842
Bond Issuance Costs	-	-	153,693	-
Capital Outlay	4,785,459	3,736,780	5,889,556	3,357,629
Total Expenditures	13,152,739	9,949,138	11,701,798	9,471,054
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	177,757	(853,312)	(3,774,368)	(1,487,332)
OTHER FINANCING SOURCES (USES):				
Transfers In (Out)	284,355	294,753	238,387	274,498
Debt Issued	1,745,000	-	7,215,000	-
Premium on Bonds Issued	193,382	-	488,693	-
Insurance Proceeds	-	-	-	-
Sale of Capital Assets	250,914	-	6,718	14,291
Total Other Financing Sources (Uses)	2,473,651	294,753	7,948,798	288,789
NET CHANGE IN FUND BALANCES	\$ 2,651,408	\$ (558,559)	\$ 4,174,430	\$ (1,198,543)
Ratio of total Debt Service Expenditures to Noncapital Expenditures ¹	39.2% ²	31.8%	21.0%	21.0%

¹ This ratio is calculated by dividing debt service expenditures (principal and interest) by noncapital expenditures.

² For fiscal year 2021, refunded bonds were issued which increased the principal expense by the amount refunded. Based on this, the ratio noted above considers the debt and premium issued associated with the refunded bonds as a reduction of the debt service expenditures.

Source: City of Lucas Financial Services Annual Financials

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 3,199,118	\$ 2,964,421	\$ 2,492,526	\$ 2,430,447	\$ 2,303,432	\$ 2,096,519
1,407,216	1,349,475	1,180,171	814,033	587,259	178,331
318,056	420,003	333,591	319,026	258,356	258,112
88,342	90,522	137,842	91,059	104,539	108,610
627,675	568,630	571,932	483,163	467,719	482,755
446,144	413,144	325,778	231,991	157,389	135,021
126,168	-	-	-	1,000	9,667
-	37,600	55,000	101,400	-	-
356,940	402,068	335,163	89,050	386,402	652,830
-	-	141,000	1,000,000	640,000	135,000
80,081	31,531	25,026	18,681	15,682	19,009
136,307	140,006	120,443	122,164	64,773	44,897
<u>6,786,047</u>	<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>
886,212	882,248	817,532	770,722	671,248	586,357
446,562	479,430	548,519	416,843	614,999	270,836
69,247	106,408	78,233	129,207	134,866	123,301
1,713,980	1,640,309	1,412,056	1,282,562	748,936	655,648
340,270	279,243	328,126	248,613	264,989	570,860
-	-	-	-	-	279,787
597,555	615,940	444,367	439,703	360,000	325,000
248,082	273,287	227,132	235,196	246,242	278,158
111,007	-	85,771	-	-	-
<u>3,101,568</u>	<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>7,514,483</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>(728,436)</u>	<u>968,000</u>	<u>(1,645,506)</u>	<u>566,105</u>	<u>1,030,616</u>	<u>(266,950)</u>
158,865	160,926	320,244	275,833	188,271	166,229
5,855,000	43,255	2,000,000	345,000	-	-
256,007	-	85,771	-	-	-
60,401	-	-	-	-	-
1,272	-	-	2,501	10,250	9,000
<u>6,331,545</u>	<u>204,181</u>	<u>2,406,015</u>	<u>623,334</u>	<u>198,521</u>	<u>175,229</u>
<u>\$ 5,603,109</u>	<u>\$ 1,172,181</u>	<u>\$ 760,509</u>	<u>\$ 1,189,439</u>	<u>\$ 1,229,137</u>	<u>\$ (91,721)</u>
19.0%	21.0%	17.0%	19.0%	20.0%	20.0%

City of Lucas, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years

(Unaudited)

Fiscal Year	Estimated Market Value		Less:	Total Taxable Assessed Value
	Real Property	Personal Property	Tax-Exempt Property	
2012	691,413,029	26,934,184	151,303,804	567,043,409
2013	716,326,368	37,240,949	163,960,310	589,607,007
2014	790,398,481	49,743,972	176,470,025	663,672,428
2015	901,321,744	69,309,682	201,710,713	768,920,713
2016	1,023,259,148	158,170,201	302,812,807	878,616,542
2017	1,147,772,070	179,725,707	326,310,300	1,001,187,477
2018	1,317,197,182	183,873,468	377,122,296	1,123,948,354
2019	1,515,503,761	173,183,222	379,972,859	1,308,714,124
2020	1,634,791,916	192,914,323	389,986,165	1,437,720,074
2021	1,714,068,603	176,400,549	391,708,084	1,498,761,068

Source: Collin County Appraisal District

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

Total Direct Tax Rate	Total Estimated Actual Taxable Value	Assessed Value as Percentage of Actual Value
0.374180	718,347,213	78.94%
0.374180	753,567,317	78.24%
0.355620	840,142,453	79.00%
0.320660	970,631,426	79.22%
0.320660	1,181,429,349	74.37%
0.317950	1,327,497,777	75.42%
0.317950	1,501,070,650	74.88%
0.303220	1,688,686,983	77.50%
0.303220	1,827,706,239	78.66%
0.299795	1,890,469,152	79.28%

City of Lucas, Texas

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Years

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Direct Rates:				
City of Lucas - Operating	0.190846	0.18452	0.20235	0.19870
City of Lucas - Debt Service	0.108949	0.11870	0.10087	0.11925
Total Direct Rate	0.299795	0.30322	0.30322	0.31795

Overlapping Rates:

Lovejoy Independent School District	1.5547	1.56800	1.67000	1.67000
Allen Independent School District	1.4325	1.45800	1.55000	1.57000
McKinney Independent School District	1.4747	1.48800	1.59000	1.62000
Plano Independent School District	1.3237	1.33700	1.43900	1.43900
Princeton Independent School District	1.4698	1.56800	1.62000	1.62000
Wylie Independent School District	1.5205	1.53800	1.64000	1.64000
Collin County	0.17253	0.17400	0.18000	0.19225
Collin County Community College	0.08122	0.08100	0.08100	0.07981

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.

2017	2016	2015	2014	2013	2012
0.23037	0.21551	0.23307	0.25401	0.26122	0.25772
0.08758	0.10515	0.08759	0.10161	0.11296	0.11645
0.31795	0.32066	0.32066	0.35562	0.37418	0.37418

1.67000	1.56000	1.56000	1.53500	1.53500	1.53500
1.59000	1.61000	1.64000	1.67000	1.67000	1.67000
1.62000	1.67000	1.67000	1.67000	1.54000	1.54000
1.43900	1.43900	1.44800	1.45300	1.37340	1.37340
1.62000	1.62000	1.62000	1.51000	1.48000	1.47360
1.64000	1.64000	1.64000	1.64000	1.64000	1.64000
0.20840	0.22500	0.23500	0.23750	0.24000	0.24000
0.08122	0.08196	0.08196	0.08364	0.08630	0.08630

City of Lucas, Texas

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago (Unaudited)

Property Taxpayer	Fiscal Year 2021			Fiscal Year 2012		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Real Estate	\$ 13,190,951	1	0.88%	-		-
Liberty Bankers Life Insurance	10,170,260	2	0.68%	-		-
Wal-Mart Stores Texas LLC	5,543,916	3	0.37%	-		-
Texas Henderson LLC	5,497,270	4	0.37%	-		-
Dahlia ARR LLC	5,264,932	5	0.35%	-		-
Larsen Brandon & Heather	3,681,684	6	0.25%	-		-
Grayson Collin Elec CO-OP	3,489,312	7	0.23%	-		-
Whyburn Lucille E 1994	3,187,277	8	0.21%	-		-
Crabtree Michael	3,166,714	9	0.21%	-		-
Chicane Revocable Trust	3,132,757	10	0.21%	-		-
Lucas Real Estate LLC	-		-	\$ 3,311,459	1	0.60%
DR Horton - Texas LTD	-		-	3,022,521	2	0.55%
M Christopher Custom Homes LLC	-		-	2,137,306	3	0.39%
Windsor Homes Cumberland LLC	-		-	1,273,136	4	0.23%
Zadorozny Daniel Etux Diane	-		-	1,060,101	5	0.19%
Wal-Mart Real Estate	-		-	1,011,061	6	0.18%
Brown Billy & Kristi L	-		-	909,972	7	0.16%
Tanella Robert T Etux	-		-	857,313	8	0.16%
Keelen Gregory M & Stephanie L	-		-	845,060	9	0.15%
Foster Ralph M & Amy L	-		-	843,361	10	0.15%
Total	<u>\$ 56,325,073</u>		<u>3.76%</u>	<u>\$ 15,271,290</u>		<u>2.76%</u>
Total Assessed Value:	<u>\$ 1,498,761,068</u>		<u>100%</u>	<u>\$ 552,756,489</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)

	2021	2020	2019	2018
Tax levy	\$ 4,369,607	\$ 4,214,364	\$ 3,919,539	\$ 3,494,617
Current tax collected	\$ 4,359,330	\$ 4,214,364	\$ 3,872,364	\$ 3,476,119
Percent of current tax collections	99.8%	100.0%	98.8%	99.5%
Delinquent tax collections	\$ 10,277	\$ -	\$ 47,176	\$ -
Total tax collections	\$ 4,369,607	\$ 4,214,365	\$ 3,919,539	\$ 3,476,119
Total collections as a percentage of levy	100.00%	100.00%	100.00%	99.47%

Source: Dallas and Collin County reports.

2017	2016	2015	2014	2013	2012
\$ 3,166,220	\$ 2,916,026	\$ 2,468,541	\$ 2,466,765	\$ 2,217,506	\$ 2,096,021
\$ 3,117,732	\$ 2,796,734	\$ 2,426,661	\$ 2,321,282	\$ 2,167,874	\$ 2,076,932
98.5%	95.9%	98.3%	94.1%	97.76%	99.09%
\$ 44,816	\$ 112,841	\$ 35,951	\$ 140,331	\$ 46,244	\$ 15,670
\$ 3,162,548	\$ 2,909,575	\$ 2,462,612	\$ 2,461,613	\$ 2,214,118	\$ 2,092,602
99.88%	99.78%	99.76%	99.79%	99.85%	99.84%

City of Lucas, Texas

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Years

(Unaudited)

	2021	2020	2019	2018
Governmental activities:				
General Obligations Bonds	\$ 2,164,044	\$ 480,000	\$ 705,000	\$ 920,000
Certificates of Obligations	\$ 14,427,804	\$ 17,420,223	\$ 18,158,549	\$ 11,061,892
Capital Leases	\$ -	\$ -	\$ -	\$ 60,930
Business-type activities:				
General Obligations Bonds	\$ 1,385,837	\$ 210,000	\$ 320,000	\$ 425,000
Certificates of Obligations	\$ 4,679,977	\$ 6,490,242	\$ 6,893,709	\$ 5,754,189
Total primary government	<u>\$ 22,657,662</u>	<u>\$ 24,600,465</u>	<u>\$ 26,077,258</u>	<u>\$ 18,222,011</u>
Percentage of personal income (1)	3.77%	4.36%	4.90%	3.70%
Per capita (1)	\$ 2,625	\$ 2,950	\$ 3,227	\$ 2,293

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 116

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 1,125,000	\$ 1,325,000	\$ 1,515,000	\$ 1,695,000	\$ 1,645,804	\$ 1,648,404
\$ 11,663,928	\$ 5,914,957	\$ 6,293,421	\$ 4,336,840	\$ 4,764,750	\$ 5,116,500
\$ 120,148	\$ 177,703	\$ 233,643	\$ 288,008	\$ -	\$ -
\$ 525,000	\$ 695,000	\$ 865,000	\$ 1,002,839	\$ 1,067,531	\$ 1,127,222
\$ 6,088,006	\$ 3,253,733	\$ 3,450,982	\$ 3,638,232	\$ 3,899,125	\$ 4,155,250
<u>\$ 19,522,082</u>	<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>
4.32%	2.82%	3.23%	2.97%	3.61%	4.35%
\$ 2,640	\$ 1,610	\$ 1,817	\$ 1,652	\$ 1,854	\$ 2,138

City of Lucas, Texas

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
NET TAXABLE ASSESSED VALUE				
All Property	\$ 1,498,761,068	\$ 1,437,720,074	\$ 1,308,714,124	\$ 1,123,948,354
NET BONDED DEBT (1)				
Gross bonded debt	22,657,662	24,600,465.00	26,077,258.00	18,161,081.00
Less debt services funds	<u>(1,326,100)</u>	<u>(1,321,951)</u>	<u>(1,156,232)</u>	<u>(969,611)</u>
Net Bonded Debt	<u><u>\$ 21,331,562</u></u>	<u><u>\$ 23,278,514</u></u>	<u><u>\$ 24,921,026</u></u>	<u><u>\$ 17,191,470</u></u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	1.42%	1.62%	1.90%	1.53%
POPULATION	8,631	8,338	8,080	7,947
NET BONDED DEBT PER PERSON	\$ 2,472	\$ 2,792	\$ 3,084	\$ 2,163

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 1,001,187,477	\$ 878,616,542	\$ 768,920,713	\$ 663,672,428	\$ 589,607,007	\$ 567,043,409
19,401,934.00	11,188,690	12,124,403	10,672,911	11,377,210	12,047,376
(833,062)	(704,397)	(560,000)	(391,905)	(380,000)	(359,900)
<u>\$ 18,568,872</u>	<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>
1.85%	1.19%	1.50%	1.55%	1.87%	2.06%
7,395	7,061	6,800	6,636	6,135	5,635
\$ 2,511	\$ 1,485	\$ 1,701	\$ 1,549	\$ 1,793	\$ 2,074

City of Lucas, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2021

(Unaudited)

Governmental Unit	Gross Bonded Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Tax Rate
Debt repaid with property taxes			
Allen ISD	\$ 630,085,730	0.84%	\$ 5,292,720
Collin County	526,975,000	0.94%	\$ 4,953,565
Collin County Community College	514,470,000	0.94%	\$ 4,836,018
Lovejoy ISD	148,362,326	34.33%	\$ 50,932,787
McKinney ISD	517,065,000	0.48%	\$ 2,481,912
Plano ISD	625,625,000	0.13%	\$ 813,313
Princeton ISD	289,772,209	0.16%	\$ 463,636
Wylie ISD (Collin)	439,735,599	0.25%	\$ 1,099,339
Subtotal, overlapping debt			70,873,290
City direct debt			<u>16,591,848</u>
Total direct and overlapping debt			<u><u>\$ 87,465,138</u></u>

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)

Fiscal Year	Estimated Population	Personal Income	Per Capita Personal Income	Average Age	School Enrollment	Unemployment Rate
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	62,011	41	2,094	3.4%
2020	8,338	564,549,304	67,708	41	1,836	7.1%
2021	8,631	601,917,309	69,739	41	1,914	4.3%

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)

Function/Program	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government and Administration	4	4	4	4	4	3	3	4	3	3
Finance	4	4	4	4	4	4	4	4	4	4
Development Services	5	5	5	5	5	4	4	4	4	4
Fire/EMS	16	16	16	16	12	12	8	8	2	1
Public Works/Water Engineering	<u>10</u>	<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>
Total	<u><u>39</u></u>	<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>

Source: Various City departments.



City of Lucas, Texas

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Years

(Unaudited)

Function/Program	2021	2020	2019	2018
Public Safety				
Municipal Court				
Number of Cases Filed	4	1	14	6
Fire/EMS				
Number of Calls Answered	941	848	757	773
Public Works				
Streets Maintained (miles)	345	345	342	339
Development Services				
Building Permits	859	771	714	1,028
Water and Sewer				
New Connections	138	93	87	106
Annual Gallons Pumped (thousands)	456,998	457,649	439,653	506,758
Miles of Water Mains Maintained	58	58	57	56

Source: Various City departments.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
13	2	4	30	260	333
596	532	504	499	403	388
324	320	280	267	263	245
818	777	663	621	578	527
81	105	84	71	75	93
424,082	421,738	499,963	458,360	567,325	517,953
57	55	53	48	45	42

City of Lucas, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function/Program	2021	2020	2019	2018
Public Safety				
Fire Stations	1	1	1	1
Public Works				
Streets-paved	63	63	62	59
Parks	3	3	3	3
Parks (acres)	11	11	11	11
Water and Sewer				
Water Mains (miles)	57	57.0	57.0	56.0
Storm Mains (miles)	3	3	3	3
Storm Drainage (miles)	2.5	2.5	2.5	2.5

Source: Various City departments.

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