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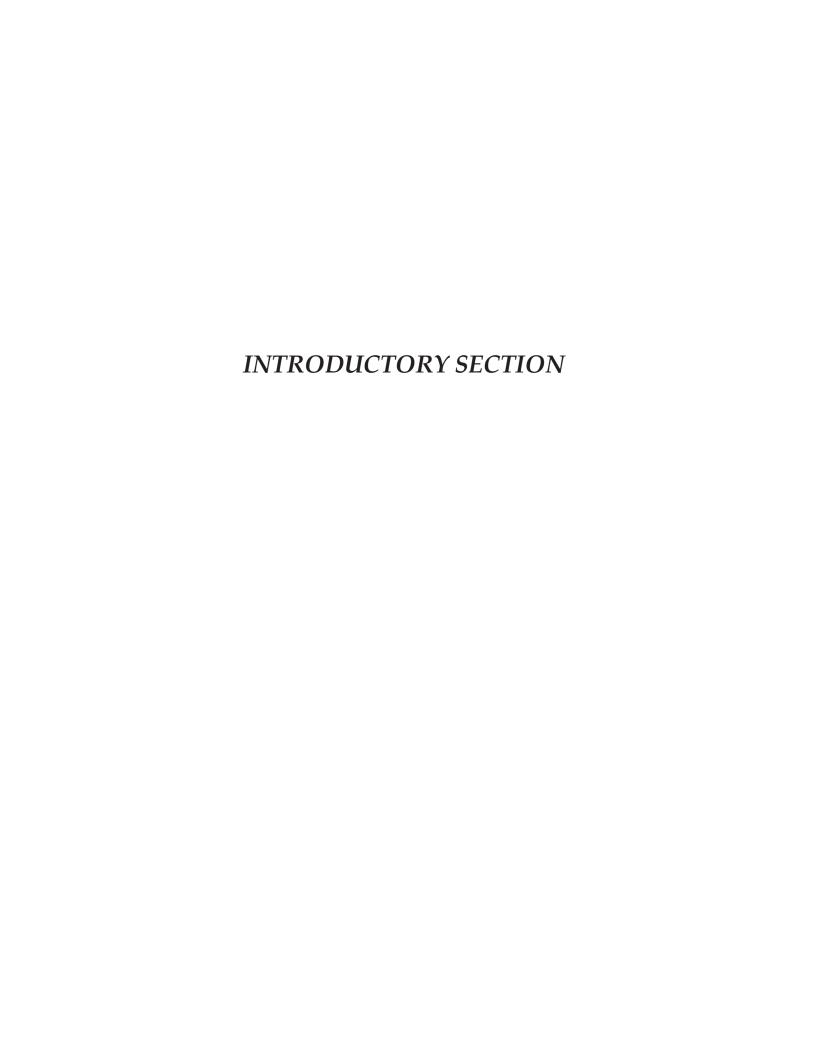
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February 15, 2024

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, 2023. 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 Vail & Park, P.C., is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2023, 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, 2023.

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. Special events and programs in addition to distinguished recognition received in fiscal year 2022/2023 included the following:

City of Lucas



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- Special Events and Programs
 - o Lucas Farmers Market (14 markets with special events)
 - o Movie in the Park
 - o Arbor Day and Recycling Event
 - o Country Christmas
 - o Keep Lucas Beautiful Spring Cleanup
 - o Founders Day
 - o Public Lands Trail Cleanup
 - o Lucas Car Show
 - o Art in Public Places
- Distinguished Recognition
 - o Keep Texas Beautiful 2023 Gold Star Status
 - o Scenic Texas Silver Certified City
 - o Texas Town and City Magazine article in recognition of the City of Lucas and Lucas Famers Market, reader's favorite issue.

Our Economy

With an estimated population of 9,181, 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 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 2022/2023 include:

- Property tax revenue increased by \$440,082 (9.71%) and sales tax revenue increased by \$95,287 (5.21%) from previous fiscal year 2021/2022. Revenue increases attributable to property taxes are used to fund two additional deputy sheriff positions with Collin County Sheriff's Office for the enhancement of public safety efforts in the community.
- 50 new homes permitted with an average taxable market value of \$1,025,900.
- Commercial development at Angel Parkway included completion of Tractor Supply, Wingstop, O'Reilly Auto Parts, Smoothie King, Jeremiah's Italian Ice and Golden Chick, and Wolf Creek Village included Galactic Audio and Video, Ashton's Beauty Bar, Lovejoy Chiropractic and Wellness and Dolce di Aesthetics.
- Residential development included Dean Farms, Hendrick Estates, Farmstead Phase 2, Enchanted Creek Phase 2, and Barrett Lakes Estates.
- Roadway project improvements included repaving segments of Snider Lane, Estelle Lane, Honeysuckle Lane, Long Road, and Bloom Street.

City of Lucas



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- Completion of bridge design for Snider Bridge (White Rock Creek) and Stinson Bridge (Muddy Creek).
- Water system improvements included relocation of the 12-inch water line for the Bait Shop Intersection Project, fire hydrant and valve maintenance, and water line loop between Brookhaven Drive and Enchanted Creek Phase 2.
- Drainage improvements included Rimrock Detention Pond, Orchard Channel and Culvert, and culvert replacement at Holly Lane.

Our Operational Efficiencies

The City of Lucas has been able to overcome challenges faced with high inflation costs and product shortages while maintaining one of the lowest property tax rates in Collin County, Texas. The City has continued to provide excellent essential services while maintaining strong financial reserves in both the General and Water Funds.

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 was awarded a total funding allocation of \$2,123,502 which was distributed in two tranches. The City received the first initial allocation of \$1,059,657 in August of 2021 and the second final allocation of \$1,063,751 in September of 2022. These funds are set up in a deferred revenue account in the proprietary fund to be utilized for a 750,000-gallon water storage tank project. Construction began in mid-December 2023, with anticipated completion in summer of 2025.

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

- Compensation strategies were developed and implemented to help attract and retain high quality staff.
- Updated the 457(b) Plan to enhance the deferred compensation plan for employees.
- Promoted the Assistant to the City Manager to the position of Assistant City Manager and the Management Analyst (Engineering) to the position of Capital Improvement Projects Manager.
- Promoted 3 Firefighter/Paramedics to the position of Fire Driver/Engineer.
- ISO Class 1 Rating by Texas State Fire Marshal to provide excellent fire protection services and reduce insurance costs for citizens.
- EMS Rate Study and adopted ordinance amending master fee schedule for Ambulance Services.
- Water rescue program implementation.
- Completion of the 2023 Comprehensive Capital Improvement Plan.
- Adoption of amended water and roadway impact fees.
- Implementation of the Geographic Information Systems (GIS) web map portal.

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- Adoption of the 2022 Comprehensive Plan.
- Completed and established the Drainage Policy following a methodology for culvert inspections and prioritization.
- Completed a five-year water and wastewater study and adopted an ordinance setting the rates.
- Transition to Community Waste Disposal as the new solid waste and recycling services providers for all residents.
- Amended the law enforcement agreement with Collin County Sheriff's Office for additional law enforcement deputies.
- Completed the implementation of the online service request center by GovQA.
- Updated the existing camera system to improve security at city facilities.
- Completed renovations to City Hall, Public Works Building and the Community Center.

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 2023, the City of Lucas is working on the following:

- Pursuing funding from the Transportation Improvement Program (TIP) through the North Central Texas Council of Governments (NCTCOG) and Texas Department of Transportation (TxDOT) for the West Lucas Road Reconstruction Project.
- Bidding and construction of the West Lucas Road Elevated Storage Tank.
- Evaluation of software for online use of permit payments.
- Termination of Length of Service Awards Program (LOSAP) due to the high administrative costs and the inability to recruit and retain volunteer emergency responders.
- Completing the Microsoft 365 migration to enhance cyber security and protection of the City's network.
- Pursuing funding from the Collin County Parks and Open Space Project Funding Assistance Program for the East Winningkoff Trail Project.
- Pursuing funding from the Texas Parks and Wildlife Local Parks Grant for new playground equipment at Forest Creek Park.
- Developing a long-range plan for Lucas Fire-Rescue.

City of Lucas



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- New fire engine specification and ambulance with an estimated arrival date in late 2025.
- Identifying paving of the back parking lot at the Lucas Community Park.
- Continuing renovation of the Public Works Building for additional second floor storage and staircase.

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 an accrual basis.

Budgeting is an essential element of the financial planning, control, and evaluation process of municipal government. In compliance with GASB 54, the City's financial practice requires a General Fund reserve equal to at least six months of working capital, which equates to 50% of expenditures. The current reserve in the general fund is at 12 months with funds equaling 100% of this year's budgeted expenditures.

The City also maintains a reserve of six months of working capital, which equates to 50% of expenditures in its Water Fund. Water bond covenants require the City to maintain reserve amounts sufficient to cover the average annual debt service requirements. The City's current reserve in the Water Fund is at 19 months with current funds equaling 158% 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 2022. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized 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 thirteenth 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





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Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Our Appreciation

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

Respectfully submitted,

Joni Clarke
City Manager

Liz Exum

Finance Director



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

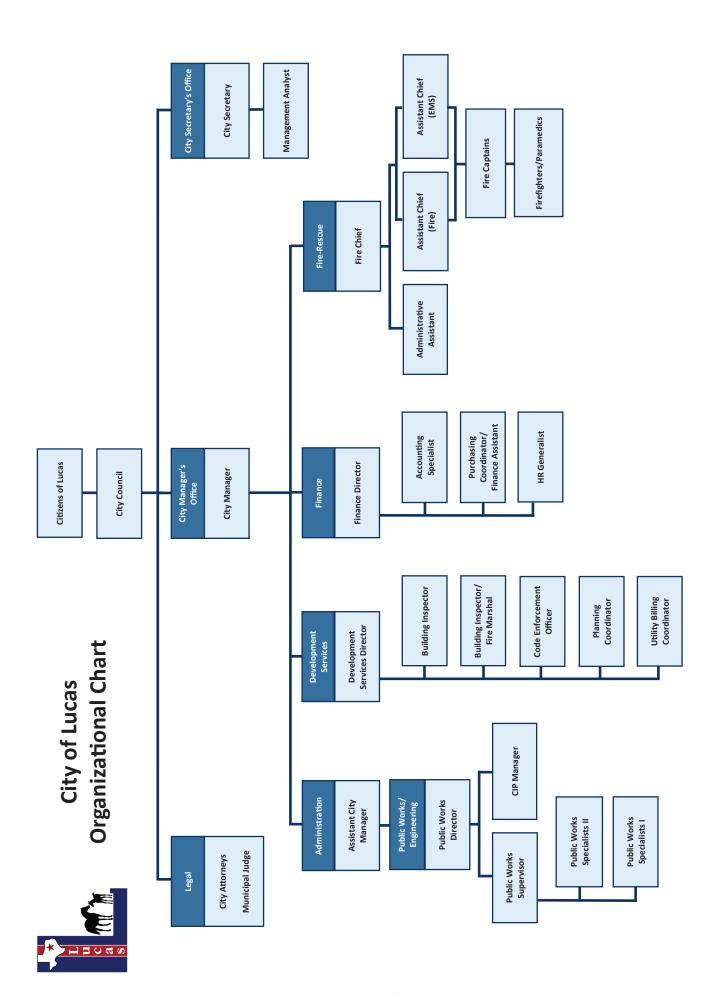
City of Lucas Texas

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

September 30, 2022

Christopher P. Morrill

Executive Director/CEO



CITY OF LUCAS, TEXAS ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS SEPTEMBER 30, 2023

City Council:

Mayor

Jim Olk

	,
Kathleen Peele	Mayor Pro Tem, Seat 6
Tim Johnson	Seat 1
Dusty Kuykendall	Seat 2
David Keer	Seat 3
Philip Lawrence	Seat 4
Debbie Fisher	Seat 5
	Administrative Officers:
Joni Clarke	City Manager
Kent Souriyasak	Assistant 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 and City Council City of Lucas, Texas

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Fax: 972-234-3331

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed on the table of contents on pages 19–29 and 86–93, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 individual fund budgetary comparison schedules on pages 96-98, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Vail & Park, P.C. Tom Bean, Texas

Vail + Park, P.C.

February 15, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2023

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, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources (net position) at September 30, 2023 by \$82,526,647. Of this amount, \$19,275,971 (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 \$6,667,149. 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 \$24,997,890 at September 30, 2023, an increase of \$1,382,727 from the prior fiscal year; this includes an increase of \$1,029,641 in the General Fund, an increase of \$53,247 in the Debt Service Fund, an increase of \$288,113 in the Capital Improvements Fund, and an increase of \$11,726 in the non-major Lucas Fire District Fund.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$9,360,865 or 114% 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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) September 30, 2023

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) September 30, 2023

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 \$82,526,647 as of September 30, 2023 in the primary government.

The largest portion of the City's net position, \$52,420,886, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) September 30, 2023

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

		2023		2022							
	Government Activities	Business-type Activities	Total	Government Activities	Business-type Activities	Total					
Assets											
Current and other assets	\$ 26,635,985	\$ 16,923,668	\$ 43,559,653	\$ 26,547,702	\$ 13,761,860	\$ 40,309,562					
Capital assets	41,862,522	21,787,638	63,650,160	40,218,638	20,507,216	60,725,854					
Total Assets	68,498,507	38,711,306	107,209,813	66,766,340	34,269,076	101,035,416					
Deferred Outflows of Resources	726,128	180,353	906,481	295,670	68,937	364,607					
Liabilities											
Other Liabilities	2,712,995	3,041,732	5,754,727	4,033,208	815,342	4,848,550					
Long-term Liabilities	14,751,951	4,953,710	19,705,661	14,966,016	5,182,164	20,148,180					
Total Liabilities	17,464,946	7,995,442	25,460,388	18,999,224	5,997,506	24,996,730					
Deferred Inflows of Resources	124,162	5,097	129,259	457,255	86,540	543,795					
Net Position											
Net investment in capital assets	33,757,041	18,663,845	52,420,886	30,848,043	17,084,250	47,932,293					
Restricted	9,305,004	1,524,786	10,829,790	7,748,436	2,484,356	10,232,792					
Unrestricted	8,573,482	10,702,489	19,275,971	9,009,052	8,685,361	17,694,413					
Total net position	\$ 51,635,527 \$ 30,891,1		\$ 82,526,647	\$ 47,605,531	\$ 28,253,967	\$ 75,859,498					

During the current year, the City's current and capital assets for the primary government increased. This change is primarily due to the receipt of capital contributions related to the Hendrick Farm development in the amount of \$2,092,026. Long-term liabilities for the primary government decreased as a result of timely debt payments. Other liabilities for the primary government increased by \$926,013 and the increase is primarily attributed to an increase in accounts and wages payable.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) September 30, 2023

Statement of Activities:

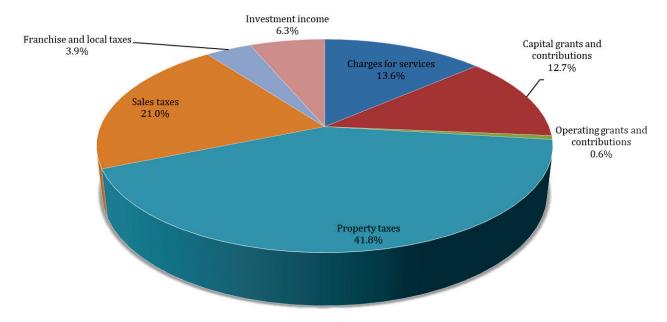
The following table provides a summary of the City's changes in net position:

Revenue Autivities Justines Activities Total Activities Revenue Activities Total Activities Activities Total Activities Activities Total Activities Activities Total Activities Total Activities Activities Total Activities Total Activities Activities Total Activities		2023					2022								
Program revenue 1,657,076 \$ 7,660,420 \$ 9,317,496 \$ 2,088,453 \$ 7,095,074 \$ 9,183,527 Capital grants and contributions 1,549,258 542,768 2,092,026 — 410,000 410,000 Operating grants and contributions 73,467 — 73,467 18,483 — 18,483 General Revenue — Franchise and local taxes 5,089,979 — 5,089,979 4,547,710 — 4,547,710 Sales taxes 2,558,589 — 2,558,589 2,432,430 — 2,432,430 Franchise and local taxes 471,540 — 471,540 447,706 — 447,706 Investment income 769,680 486,369 1,256,049 124,210 62,517 186,727 Total revenue 12,169,589 8,689,557 20,859,146 9,658,992 7,567,591 17,226,583 Expenses General government 1,384,180 — 1,384,180 1,210,334 — 1,210,334 Public safety 3,					• •		Total						Total		
Charges for services 1,657,076 7,660,420 9,317,496 2,088,453 7,095,074 9,183,527 Capital grants and contributions 1,549,258 542,768 2,092,026 - 410,000 410,000 Operating grants and contributions 73,467 - 73,467 18,483 - 118,483 General Revenue - - 5,089,979 - 5,089,979 4,547,710 - 4,547,710 Sales taxes 2,558,589 - 2,558,589 2,323,430 - 2,432,430 Franchise and local taxes 471,540 - 471,540 447,706 - 447,706 Investment income 769,680 486,369 1,256,049 124,210 62,517 186,727 Total revenue 12,169,589 8,689,557 20,859,146 9,658,992 7,567,591 17,226,583 Expenses General government 1,384,180 - 1,384,180 1,210,334 - 1,210,334 Public works 2,305,963 - <	Revenue														
Capital grants and contributions 1,549,258 542,768 2,092,026 - 410,000 410,000 Operating grants and contributions 73,467 - 73,467 18,483 - 18,483 General Revenue - - 73,467 18,483 - 18,483 Property taxes 5,089,979 - 5,089,979 4,547,710 - 4,547,710 Sales taxes 2,558,589 - 2,558,589 2,432,430 - 2,432,430 Franchise and local taxes 471,540 - 471,540 447,706 - 447,706 Investment income 769,680 486,369 1,256,049 124,210 62,517 186,727 Total revenue 12,169,589 8,689,557 20,859,146 9,658,992 7,567,591 17,226,583 Expenses General government 1,384,180 - 1,384,180 1,210,334 - 1,210,334 Public safety 3,777,849 - 3,777,849 3,257,026 - 3	Program revenue														
Operating grants and contributions 73,467 - 73,467 18,483 - 18,483 General Revenue - - 5,089,979 - 5,089,979 4,547,710 - 4,547,710 Sales taxes 2,558,589 - 2,558,589 2,432,430 - 2,432,430 Franchise and local taxes 471,540 - 471,540 447,706 - 447,706 Investment income 769,680 486,369 1,256,049 124,210 62,517 186,727 Total revenue 12,169,589 8,689,557 20,859,146 9,658,992 7,567,591 17,226,583 Expenses General government 1,384,180 - 1,384,180 1,210,334 - 1,210,334 Public safety 3,777,849 - 3,777,849 3,257,026 - 3,257,026 Public works 2,305,963 - 2,305,963 1,874,263 - 1,874,263 Parks and Recreation 227,599 227,599 203,629 -	Charges for services	\$	1,657,076	\$	7,660,420	\$	9,317,496	\$	2,088,453	\$	7,095,074	\$	9,183,527		
General Revenue Property taxes 5,089,979 - 5,089,979 4,547,710 - 4,547,710 Sales taxes 2,558,589 - 2,558,589 2,432,430 - 2,432,430 Franchise and local taxes 471,540 - 471,540 447,706 - 447,706 Investment income 769,680 486,369 1,256,049 124,210 62,517 186,727 Total revenue 12,169,589 8,689,557 20,859,146 9,658,992 7,567,591 17,226,583 Expenses General government 1,384,180 - 1,384,180 1,210,334 - 1,210,334 Public safety 3,777,849 - 3,777,849 3,257,026 - 3,257,026 Public works 2,305,963 - 2,305,963 1,874,263 - 1,874,263 Parks and Recreation 227,599 - 227,599 203,629 - 203,629 Development services 454,262 - 454,262 <	Capital grants and contributions		1,549,258		542,768		2,092,026		-		410,000		410,000		
Property taxes 5,089,979 - 5,089,979 4,547,710 - 4,547,710 Sales taxes 2,558,589 - 2,558,589 2,432,430 - 2,432,430 Franchise and local taxes 471,540 - 471,540 447,706 - 447,706 Investment income 769,680 486,369 1,256,049 124,210 62,517 186,727 Total revenue 12,169,589 8,689,557 20,859,146 9,658,992 7,567,591 17,226,583 Expenses General government 1,384,180 - 1,384,180 1,210,334 - 1,210,334 Public safety 3,777,849 - 3,777,849 3,257,026 - 3,257,026 Parks and Recreation 227,599 - 227,599 203,629 - 203,629 Development services 454,262 - 454,262 468,122 - 468,122 Interest and fiscal charges 370,715 133,564 504,279 409,035 150,573 <t< td=""><td>Operating grants and contributions</td><td></td><td>73,467</td><td></td><td>-</td><td></td><td>73,467</td><td></td><td>18,483</td><td></td><td>-</td><td></td><td>18,483</td></t<>	Operating grants and contributions		73,467		-		73,467		18,483		-		18,483		
Sales taxes 2,558,589 - 2,558,589 2,432,430 - 2,432,430 Franchise and local taxes 471,540 - 471,540 447,706 - 447,706 Investment income 769,680 486,369 1,256,049 124,210 62,517 186,727 Total revenue 12,169,589 8,689,557 20,859,146 9,658,992 7,567,591 17,226,583 Expenses General government 1,384,180 - 1,384,180 1,210,334 - 1,210,334 Public works 2,305,963 - 2,305,963 1,874,263 - 1,874,263 Parks and Recreation 227,599 - 227,599 203,629 - 203,629 Development services 454,262 - 454,262 468,122 - 468,122 Interest and fiscal charges 370,715 133,564 504,279 409,035 150,573 559,608 Utility - 5,537,865 5,537,865 - 4,725,979 4,725,97	General Revenue														
Franchise and local taxes 471,540 - 471,540 447,706 - 447,706 Investment income 769,680 486,369 1,256,049 124,210 62,517 186,727 Total revenue 12,169,589 8,689,557 20,859,146 9,658,992 7,567,591 17,226,583 Expenses General government 1,384,180 - 1,384,180 1,210,334 - 1,210,334 Public safety 3,777,849 - 3,777,849 3,257,026 - 3,257,026 Public works 2,305,963 - 2,305,963 1,874,263 - 1,874,263 Parks and Recreation 227,599 - 227,599 203,629 - 203,629 Development services 454,262 - 454,262 468,122 - 468,122 Interest and fiscal charges 370,715 133,564 504,279 409,035 150,573 559,608 Utility - 5,537,865 5,537,865 - 4,725,979 4,725,	Property taxes		5,089,979		-		5,089,979		4,547,710		-		4,547,710		
Investment income 769,680 486,369 1,256,049 124,210 62,517 186,727 Total revenue 12,169,589 8,689,557 20,859,146 9,658,992 7,567,591 17,226,583 Expenses	Sales taxes		2,558,589		-		2,558,589		2,432,430		-		2,432,430		
Expenses Seminary	Franchise and local taxes		471,540	-			471,540	447,706		-		447,706			
Expenses General government 1,384,180 - 1,384,180 1,210,334 - 1,210,334 Public safety 3,777,849 - 3,777,849 3,257,026 - 3,257,026 Public works 2,305,963 - 2,305,963 1,874,263 - 1,874,263 Parks and Recreation 227,599 - 227,599 203,629 - 203,629 Development services 454,262 - 454,262 468,122 - 468,122 Interest and fiscal charges 370,715 133,564 504,279 409,035 150,573 559,608 Utility - 5,537,865 5,537,865 - 4,725,979 4,725,979 Total expenses 8,520,568 5,671,429 14,191,997 7,422,409 4,876,552 12,298,961 Change in Net Position Before Transfers 3,649,021 3,018,128 6,667,149 2,236,583 2,691,039 4,927,622 Transfers 380,975 (380,975) - 365,050 (365,050) -	Investment income		769,680		486,369		1,256,049		124,210		62,517		186,727		
General government 1,384,180 - 1,384,180 1,210,334 - 1,210,334 Public safety 3,777,849 - 3,777,849 3,257,026 - 3,257,026 Public works 2,305,963 - 2,305,963 1,874,263 - 1,874,263 Parks and Recreation 227,599 - 227,599 203,629 - 203,629 Development services 454,262 - 454,262 468,122 - 468,122 Interest and fiscal charges 370,715 133,564 504,279 409,035 150,573 559,608 Utility - 5,537,865 5,537,865 - 4,725,979 4,725,979 Total expenses 8,520,568 5,671,429 14,191,997 7,422,409 4,876,552 12,298,961 Change in Net Position Before Transfers 3,649,021 3,018,128 6,667,149 2,236,583 2,691,039 4,927,622 Total 380,975 (380,975) - 365,050 (361,050) -	Total revenue		12,169,589		8,689,557		20,859,146		9,658,992		7,567,591		17,226,583		
Public safety 3,777,849 - 3,777,849 3,257,026 - 3,257,026 Public works 2,305,963 - 2,305,963 1,874,263 - 1,874,263 Parks and Recreation 227,599 - 227,599 203,629 - 203,629 Development services 454,262 - 454,262 468,122 - 468,122 Interest and fiscal charges 370,715 133,564 504,279 409,035 150,573 559,608 Utility - 5,537,865 5,537,865 - 4,725,979 4,725,979 Total expenses 8,520,568 5,671,429 14,191,997 7,422,409 4,876,552 12,298,961 Change in Net Position Before Transfers 3,649,021 3,018,128 6,667,149 2,236,583 2,691,039 4,927,622 Transfers 380,975 (380,975) - 365,050 (365,050) - Gain (loss) on disposal of asset - - - - 4,000 4,000 Total<	•														
Public works 2,305,963 - 2,305,963 1,874,263 - 1,874,263 Parks and Recreation 227,599 - 227,599 203,629 - 203,629 Development services 454,262 - 454,262 468,122 - 468,122 Interest and fiscal charges 370,715 133,564 504,279 409,035 150,573 559,608 Utility - 5,537,865 5,537,865 - 4,725,979 4,725,979 Total expenses 8,520,568 5,671,429 14,191,997 7,422,409 4,876,552 12,298,961 Change in Net Position Before Transfers 3,649,021 3,018,128 6,667,149 2,236,583 2,691,039 4,927,622 Transfers 380,975 (380,975) - 365,050 (365,050) - Gain (loss) on disposal of asset - - - - 4,000 4,000 Total 380,975 (380,975) - 365,050 (361,050) - Change in Net Posi	8				-		, ,				-		, ,		
Parks and Recreation 227,599 - 227,599 203,629 - 203,629 Development services 454,262 - 454,262 468,122 - 468,122 Interest and fiscal charges 370,715 133,564 504,279 409,035 150,573 559,608 Utility - 5,537,865 5,537,865 - 4,725,979 4,725,979 Total expenses 8,520,568 5,671,429 14,191,997 7,422,409 4,876,552 12,298,961 Change in Net Position Before Transfers 3,649,021 3,018,128 6,667,149 2,236,583 2,691,039 4,927,622 Transfers 380,975 (380,975) - 365,050 (365,050) - Gain (loss) on disposal of asset - - - - 4,000 4,000 Total 380,975 (380,975) - 365,050 (361,050) - Change in Net Position 4,029,996 2,637,153 6,667,149 2,601,633 2,329,989 4,927,622	3				-				3,257,026		-		, ,		
Development services 454,262 - 454,262 468,122 - 468,122 Interest and fiscal charges 370,715 133,564 504,279 409,035 150,573 559,608 Utility - 5,537,865 5,537,865 - 4,725,979 4,725,979 Total expenses 8,520,568 5,671,429 14,191,997 7,422,409 4,876,552 12,298,961 Change in Net Position Before Transfers 3,649,021 3,018,128 6,667,149 2,236,583 2,691,039 4,927,622 Transfers 380,975 (380,975) - 365,050 (365,050) - Gain (loss) on disposal of asset - - - - 4,000 4,000 Total 380,975 (380,975) - 365,050 (361,050) - Change in Net Position 4,029,996 2,637,153 6,667,149 2,601,633 2,329,989 4,927,622 Net position October 1 47,605,531 28,253,967 75,859,498 45,003,898 25,923,978 70,927,					-		, ,				-				
Interest and fiscal charges 370,715 133,564 504,279 409,035 150,573 559,608 Utility - 5,537,865 5,537,865 - 4,725,979 4,725,979 Total expenses 8,520,568 5,671,429 14,191,997 7,422,409 4,876,552 12,298,961 Change in Net Position Before Transfers 3,649,021 3,018,128 6,667,149 2,236,583 2,691,039 4,927,622 Transfers 380,975 (380,975) - 365,050 (365,050) - Gain (loss) on disposal of asset - - - - 4,000 4,000 Total 380,975 (380,975) - 365,050 (361,050) - Change in Net Position 4,029,996 2,637,153 6,667,149 2,601,633 2,329,989 4,927,622 Net position October 1 47,605,531 28,253,967 75,859,498 45,003,898 25,923,978 70,927,876			,		-		,		•		-		,		
Utility - 5,537,865 5,537,865 - 4,725,979 4,725,979 Total expenses 8,520,568 5,671,429 14,191,997 7,422,409 4,876,552 12,298,961 Change in Net Position Before Transfers 3,649,021 3,018,128 6,667,149 2,236,583 2,691,039 4,927,622 Transfers 380,975 (380,975) - 365,050 (365,050) - Gain (loss) on disposal of asset - - - - 4,000 4,000 Total 380,975 (380,975) - 365,050 (361,050) - Change in Net Position 4,029,996 2,637,153 6,667,149 2,601,633 2,329,989 4,927,622 Net position October 1 47,605,531 28,253,967 75,859,498 45,003,898 25,923,978 70,927,876	•		,		-				,		-		,		
Total expenses 8,520,568 5,671,429 14,191,997 7,422,409 4,876,552 12,298,961 Change in Net Position Before Transfers 3,649,021 3,018,128 6,667,149 2,236,583 2,691,039 4,927,622 Transfers 380,975 (380,975) - 365,050 (365,050) - Gain (loss) on disposal of asset - - - - 4,000 4,000 Total 380,975 (380,975) - 365,050 (361,050) - Change in Net Position 4,029,996 2,637,153 6,667,149 2,601,633 2,329,989 4,927,622 Net position October 1 47,605,531 28,253,967 75,859,498 45,003,898 25,923,978 70,927,876	5		370,715						409,035				,		
Change in Net Position Before Transfers 3,649,021 3,018,128 6,667,149 2,236,583 2,691,039 4,927,622 Transfers 380,975 (380,975) - 365,050 (365,050) - Gain (loss) on disposal of asset - - - - 4,000 4,000 Total 380,975 (380,975) - 365,050 (361,050) - Change in Net Position 4,029,996 2,637,153 6,667,149 2,601,633 2,329,989 4,927,622 Net position October 1 47,605,531 28,253,967 75,859,498 45,003,898 25,923,978 70,927,876	3														
Transfers 380,975 (380,975) - 365,050 (365,050) - Gain (loss) on disposal of asset - - - - 4,000 4,000 Total 380,975 (380,975) - 365,050 (361,050) - Change in Net Position 4,029,996 2,637,153 6,667,149 2,601,633 2,329,989 4,927,622 Net position October 1 47,605,531 28,253,967 75,859,498 45,003,898 25,923,978 70,927,876	•				5,671,429				7,422,409				12,298,961		
Gain (loss) on disposal of asset - - - - 4,000 4,000 Total 380,975 (380,975) - 365,050 (361,050) - Change in Net Position 4,029,996 2,637,153 6,667,149 2,601,633 2,329,989 4,927,622 Net position October 1 47,605,531 28,253,967 75,859,498 45,003,898 25,923,978 70,927,876	Change in Net Position Before Transfers		3,649,021		3,018,128		6,667,149		2,236,583		2,691,039		4,927,622		
Total 380,975 (380,975) - 365,050 (361,050) - Change in Net Position 4,029,996 2,637,153 6,667,149 2,601,633 2,329,989 4,927,622 Net position October 1 47,605,531 28,253,967 75,859,498 45,003,898 25,923,978 70,927,876	Transfers		380,975		(380,975)		-		365,050		(365,050)		-		
Change in Net Position 4,029,996 2,637,153 6,667,149 2,601,633 2,329,989 4,927,622 Net position October 1 47,605,531 28,253,967 75,859,498 45,003,898 25,923,978 70,927,876	Gain (loss) on disposal of asset						-				4,000		4,000		
Net position October 1 47,605,531 28,253,967 75,859,498 45,003,898 25,923,978 70,927,876	Total		380,975		(380,975)				365,050						
	o contract of the contract of														
Net position September 30 \$ 51,635,527 \$ 30,891,120 \$ 82,526,647 \$ 47,605,531 \$ 28,253,967 \$ 75,859,498	•	et position October 1 47,605,531		28,253,967			75,859,498		45,003,898		25,923,978				
	Net position September 30		51,635,527	\$	30,891,120	\$	82,526,647	\$	47,605,531	\$	28,253,967	\$	75,859,498		

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) September 30, 2023

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

Governmental Activities - Revenues

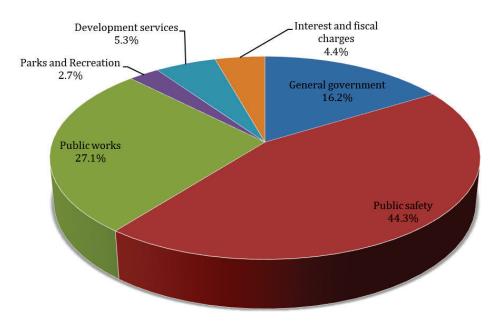


For the year ended September 30, 2023, revenues from governmental activities totaled \$12,169,589. Property taxes, sales taxes and charges for services are the City's largest general revenue sources. Overall governmental activity revenue increased by \$2,510,597 or 26%. This increase is attributable primarily to the increase in capital grants and contributions by \$1,549,258 which is due to developer contributions in the current year. Property taxes increased by \$542,269, which is primarily attributed to the increase in appraised property values and levy. Sales taxes increased by \$126,159 due to economic growth within the City. Investment income increased by \$645,470 as a result of an increase in interest-bearing cash accounts. All other revenues remained relatively stable when compared to the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) September 30, 2023

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

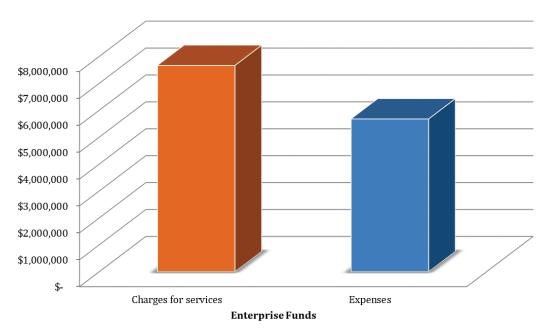


For the year ended September 30, 2023, expenses for governmental activities totaled \$8,520,568. This represents an increase of \$1,098,159 or 14.8% from the prior year. The City's largest functional expense is public safety in the amount of \$3,777,849. Public safety expenses increased by \$520,823 or 16%, which is primarily due to increased personnel costs. General government increased by \$173,846 or 14% primarily due to nonrecurring purchases and increased personnel costs. Public works increased by \$431,700 or 23%, which is mainly attributable to road repair projects. Development services decreased by \$13,860 or 3% due to staff vacancy. Interest and fiscal charges decreased \$38,320 or 9.4% due to the 2007 Series Refunding Bonds being paid off in the prior year with no interest cost incurred for these bonds in the current year. All other expenditures remained relatively stable when compared to the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) September 30, 2023

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, 2023, charges for services by business-type activities totaled \$7,660,420. This is an increase of \$565,346 or 7.9%, from the previous year. This variance is due to an increase in water revenue in the current year.

Total expenses for business-type activities increased by \$794,877 to a total of \$5,671,429 or 16.3%. The increase is due to an increase in contract services and personnel costs 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.

<u>Governmental Funds</u> - 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, 2023, the City's governmental funds reported combined fund balances of \$24,997,890, an increase of \$1,382,727 in comparison with the prior year. Approximately 37% of this amount, \$9,360,865, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted or nonspendable.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) September 30, 2023

As of the end of the year the General Fund reflected a total fund balance of \$14,434,348. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures.

The total fund balance of General Fund is 175% of total General Fund expenditures. The unassigned (the amount available for spending) fund balance of the General Fund of \$9,360,865 is 114% of total General Fund expenditures. The fund balance of the General Fund increased by \$1,029,641 compared to the prior year. This increase is mainly attributed to a combination of an increase in revenues (property taxes and sales taxes) and an increase in other financing sources (transfers in from the Utility Fund and Lucas Fire District).

The Debt Service Fund had an ending fund balance of \$1,413,890 at September 30, 2023 compared to the previous year's balance of \$1,360,643. Principal payments amounted to \$920,000 and interest payments totaled \$440,608 in the current year. Total property tax and investment revenues amounted to \$1,413,855. The increase in fund balance is due to the City paying off a bond in the prior year so there was a decrease in debt service expenditures.

The Capital Improvement Fund ending fund balance is \$9,029,160. During the year, the City expended \$51,310 on various projects during the year from this fund. The fund balance increased by \$288,113 primarily due an increase in investment income.

<u>Proprietary Funds</u> - 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 \$30,891,120. Unrestricted net position of the enterprise fund at the close of the fiscal year amounted to \$10,702,489. Total net position increased by \$2,637,153. The fund had a net investment in capital assets of \$18,663,845. 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:

- Charges for services were \$7,660,420 for the fiscal year, this represents an increase of \$565,346 from the previous year.
- Operational expenses excluding depreciation and amortization were \$4,730,417.
- Cash and cash equivalents (unrestricted) in the Utility Fund were \$9,707,570 at fiscal year-end.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were several budget amendments approved during the fiscal year and increased budgeted expenditures by \$1,880,998. The amendments also increased budgeted revenues by \$363,864. 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 \$1,915,009 in final budgeted expenditures compared to actual.
- \$2,165,489 is the surplus of revenues over expenditures before transfers.
- There was a net positive overall variance in fund balance of \$591,652.
- Significant amendments include an increase of \$1,754,273 for capital outlay for asset additions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) September 30, 2023

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$41,862,522 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$21,787,638 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 \$2,924,306, net of depreciation.

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

- Snider Lane improvements in the amount of \$448,432.
- Bait Shop Waterline relocation project in the amount of \$1,382,362.
- Contributed capital for governmental and proprietary activities in the total amount of \$2,092,026.

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

LONG-TERM DEBT

At the end of the current fiscal year, the City had total debt obligations of \$19,542,079, including premiums. Of this amount, \$5,112,983 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 2023-2024:

- This budget will raise more total property taxes than last year's budget by \$448,223 or 10.13 %, and of that amount, \$241,223 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2023-2024 reflects total anticipated revenues of \$18,992,279 and total anticipated expenditures of \$18,013,715.
- The City's tax rate is set each fall and is enacted via ordinance. The rate for fiscal year 2023-2024 was enacted by Ordinance #2023-09-00989 and is set to \$0.256758 cents per \$100 of valuation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) September 30, 2023

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

$STATEMENT\ OF\ NET\ POSITION\ (Page\ 1\ of\ 2)$

September 30, 2023

	Primary Government						
		vernmental Activities		siness-Type Activities		Total	
Assets		Activities		Activities		Total	
Current assets:							
	\$	10,405,692	\$	0.707.570	\$	20 112 262	
Cash and cash equivalents Restricted cash	Ф		Ф	9,707,570	Ф	20,113,262	
Restricted investments		15,234,191 284,802		5,674,427		20,908,618 284,802	
Receivables, net		696,877		1 520 004			
·		,		1,538,904		2,235,781	
Prepaid expenses		14,423		2,767		17,190	
Total Current Assets		26,635,985		16,923,668		43,559,653	
Capital assets:							
Non depreciable		2,445,717		718,456		3,164,173	
Net depreciable capital assets		39,416,805		21,069,182		60,485,987	
Total Noncurrent Assets		41,862,522		21,787,638		63,650,160	
Total Assets		68,498,507		38,711,306		107,209,813	
Deferred Outflows of Resources							
Deferred outflows - pension		721,440		179,181		900,621	
Deferred outfows - OPEB		4,688		1,172		5,860	
Total Deferred Outflows of Resources		726,128		180,353	906,481		
Liabilities							
Current liabilities:							
Accounts payable and accrued liabilites		913,660		152,364		1,066,024	
Unearned revenue		598,602		2,123,502		2,722,104	
Accrued interest payable		70,260		25,257		95,517	
Customer deposits		42,600		295,600		338,200	
Compensated absences		137,873	30,009			167,882	
Long term debt due within one year		950,000		415,000	1,365,000		
Total Current Liabilities	\$	2,712,995	\$	3,041,732	\$	5,754,727	

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2023

	Primary Government						
	Governmental	Business-Type					
	Activities	Activities	Total				
Noncurrent liabilities:							
Long term debt due in more than one year	\$ 13,479,096	\$ 4,697,983	\$ 18,177,079				
Net pension liabilities	1,226,613	244,167	1,470,780				
Total OPEB liability	46,242	11,560	57,802				
Total Noncurrent Liabilities	14,751,951	4,953,710	19,705,661				
Total Liabilities	17,464,946	7,995,442	25,460,388				
Deferred Inflows of Resources							
Deferred inflows - pension	103,775	-	103,775				
Deferred inflows - OPEB	20,387	5,097	25,484				
Total Deferred Inflows of Resources	124,162	5,097	129,259				
Net Position							
Net investment in capital assets	33,757,041	18,663,845	52,420,886				
Restricted for:							
Capital projects	2,711,562	120,979	2,832,541				
Impact fees	1,881,660	618,050	2,499,710				
Impact fees (Lakeview Downs)	-	22,000	22,000				
Debt service	1,413,890	415,000	1,828,890				
Water deposits	-	295,600	295,600				
Pensions	284,802	-	284,802				
Capital outlay (other)	2,719,600	-	2,719,600				
Fire protection	120,492	-	120,492				
Municipal court	94,872	-	94,872				
Cable fees	39,751	-	39,751				
Capital outlay (Playground E&P)	1,132	-	1,132				
Brockdale street maintenance	31,464	-	31,464				
Records management	5,779	-	5,779				
Water operations	-	53,157	53,157				
Unrestricted	8,573,482	10,702,489	19,275,971				
Total Net Position	\$ 51,635,527	\$ 30,891,120	\$ 82,526,647				

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses		C	harges for Services	Gr	erating ants and tributions	Capital Frants and ntributions
Primary Government:							
Governmental Activities:							
Public safety	\$	3,777,849	\$	681,863	\$	73,467	\$ -
Public works		2,305,963		202,747		-	-
General government		1,384,180		213,918		-	-
Development services		454,262		558,548		-	1,549,258
Parks and recreation		227,599		-		-	-
Interest and fiscal charges		370,715				-	
Total Governmental Activities		8,520,568		1,657,076		73,467	1,549,258
Business-Type Activities:							
Utility fund		5,671,429		7,660,420		-	542,768
Total Business-Type Activities		5,671,429		7,660,420		-	542,768
Total Primary Government	\$	14,191,997	\$	9,317,496	\$	73,467	\$ 2,092,026

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Transfers in (out)

Total General Revenues and

Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

Go	overnmental	Βι	ısiness-Type	
	Activities		Activities	Total
\$	(3,022,519)	\$	-	\$ (3,022,519)
	(2,103,216)		-	(2,103,216)
	(1,170,262)		-	(1,170,262)
	1,653,544		-	1,653,544
	(227,599)		-	(227,599)
	(370,715)			(370,715)
	(5,240,767)			(5,240,767)
			2,531,759	2,531,759
	-		2,531,759	2,531,759
	(5,240,767)		2,531,759	(2,709,008)
	5,089,979		-	5,089,979
	2,558,589		-	2,558,589
	471,540		-	471,540
	769,680		486,369	1,256,049
	380,975		(380,975)	-
	9,270,763		105,394	9,376,157
	4,029,996		2,637,153	6,667,149
	47,605,531		28,253,967	75,859,498
\$	51,635,527	\$	30,891,120	\$ 82,526,647

BALANCE SHEET - GOVERNMENTAL FUNDS September 30, 2023

	General	Debt eneral Service		Capital Improvement		Nonmajor Lucas Fire District		Total overnmental Funds
Assets								
Cash and cash equivalents	\$ 10,248,457	\$	-	\$	145,873	\$ 11,362	\$	10,405,692
Receivables, net	565,274		22,473		-	109,130		696,877
Cash and cash equivalents - restricted	4,775,911		1,413,890		9,044,390	-		15,234,191
Restricted investments	284,802		-		-	-		284,802
Prepaid assets	14,423		-		-	 		14,423
Total Assets	\$ 15,888,867	\$	1,436,363	\$	9,190,263	\$ 120,492	\$	26,635,985
Liabilities								
Accounts payable and accrued liabiliites	\$ 752,557	\$	_	\$	161,103	\$ _	\$	913,660
Unearned revenue - fire services	598,602		-		_	_		598,602
Customer deposits	42,600		_		-	-		42,600
Total Liabilities	1,393,759	_	-		161,103	-		1,554,862
Deferred Inflows of Resources								
Unavailable revenue - property taxes	60,760		22,473		_	_		83,233
Total Deferred Inflows of Resources	60,760		22,473		-	 -		83,233
Fund Balances								
Nonspendable	14,423		-		-	-		14,423
Restricted for:								
Capital projects	-		-		9,029,160	-		9,029,160
Impact fees	1,881,660		-		-	-		1,881,660
Debt service	-		1,413,890		-	-		1,413,890
Pensions	284,802		-		-	-		284,802
Capital outlay (other)	2,719,600		-		-	-		2,719,600
Fire protection	-		-		-	120,492		120,492
Municipal court	94,872		-		-	-		94,872
Cable fees	39,751		-		-	-		39,751
Capital outlay (Playground E&P)	1,132		-		-	-		1,132
Brockdale street maintenance	31,464		-		-	-		31,464
Records management	5,779		-		-	-		5,779
Unassigned	9,360,865					 		9,360,865
Total Fund Balances	14,434,348		1,413,890		9,029,160	 120,492		24,997,890
Total Liabilities, Deferred Inflows of								
Resources, and Fund Balances	\$ 15,888,867	\$	1,436,363	\$	9,190,263	\$ 120,492	\$	26,635,985

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS September 30, 2023

\$ 24,997,890

Adjustments for the Statement of Net Position:

Fund Balances - Total Governmental Funds

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

Capital assets - non-depreciable 2,445,717
Capital assets - net depreciable 39,416,805

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

Unavailable revenue - property taxes 83,233

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 617,665
OPEB amounts (15,699)

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

Accrued interest (70,260)

Non-current liabilities due in one year (950,000)

Non-current liabilities due in more than one year (13,479,096)

Compensated absences (137,873)

Total OPEB liability - TMRS (46,242)

Net pension liability - TMRS (976,668)

Net pension liability - LOSAP (249,945)

Net Position of Governmental Activities - Statement of Net Position

\$ 51,635,527

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

	General	Debt Service	Capital Improvement		=		Total Governmental Funds	
Revenues		_				_		
Property tax	\$ 3,666,911	\$ 1,356,424	\$	-	\$	-	\$	5,023,335
Sales tax	1,925,199	-		-		633,390		2,558,589
Investment income	372,827	57,431		339,423		-		769,681
Fire department agreements	666,148	-		-		-		666,148
Licenses and permits	558,548	-		-		-		558,548
Franchise and local taxes	471,540	-		-		-		471,540
Other revenue	229,297	-		-		336		229,633
Impact fees	202,747	-		-		-		202,747
Grants and contributions	73,467	-						73,467
Total Revenues	8,166,684	 1,413,855		339,423		633,726		10,553,688
Expenditures								
Current:								
Public safety	3,378,429	-		-		-		3,378,429
General government	1,322,844	-		-		-		1,322,844
Public works	863,384	-		-		-		863,384
Development services	444,264	-		-		-		444,264
Parks and recreation	193,438	-		-		-		193,438
Debt service:								
Principal	-	920,000		-		-		920,000
Interest and fiscal charges	-	440,608		-		-		440,608
Capital outlay	2,029,238	-		51,310		-		2,080,548
Total Expenditures	8,231,597	1,360,608		51,310				9,643,515
Revenues								
Over (Under) Expenditures	(64,913)	53,247		288,113		633,726		910,173
Other Financing Sources (Uses)								
Transfers in	1,002,975	-		-		-		1,002,975
Transfers (out)	-	-		-		(622,000)		(622,000)
Sale of capital assets	91,579	-		-				91,579
Total Other Financing Sources								
(Uses)	1,094,554	 -		-		(622,000)		472,554
Net Change in Fund Balances	1,029,641	53,247		288,113		11,726		1,382,727
Fund Balances - October 1	13,404,707	 1,360,643		8,741,047		108,766		23,615,163
Fund Balances - September 30	\$ 14,434,348	\$ 1,413,890	\$	9,029,160	\$	120,492	\$	24,997,890

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

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

Net changes in fund balances - total governmental funds:	\$ 1,382,727
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	2,080,548
Depreciation expense	(1,952,908)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(16,892)
Accrued interest	6,017
Pension expense	(34,075)
OPEB expense	(2,186)
The issuance of long-term debt (e.g., bonds, leases, certificate of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the	
Amortization of debt premium	63,876
Changes in unavailable revenue	66,644
Debt payments	 920,000
Change in Net Position of Governmental Activities	\$ 4,029,996

STATEMENT OF NET POSITION (Page 1 of 2) PROPRIETARY FUND September 30, 2023

	 Utility
Assets	
Current assets:	
Cash and cash equivalents	\$ 9,707,570
Restricted cash	5,674,427
Receivables, net	1,538,904
Prepaid expenses	 2,767
Total Current Assets	16,923,668
Noncurrent Assets	
Capital assets:	
Non-depreciable	718,456
Net depreciable capital assets	21,069,182
Total Noncurrent Assets	21,787,638
Total Assets	 38,711,306
Deferred Outflows of Resources	
Deferred outflows - pension	179,181
Deferred outfows - OPEB	1,172
Total Deferred Outflows of Resources	\$ 180,353

STATEMENT OF NET POSITION (Page 2 of 2) PROPRIETARY FUND

September 30, 2023

		Utility
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$	152,364
Accrued interest		25,257
Compensated absences		30,009
Customer deposits		295,600
Current portion of long term debt		415,000
Unearned revenue-federal grants		2,123,502
Total Current Liabilities		3,041,732
Noncurrent Liabilities		
Noncurrent portion of long term debt		4,697,983
Net pension liability		244,167
Total OPEB liability		11,560
Total Noncurrent Liabilities		4,953,710
Total Liabilities		7,995,442
Deferred Inflows of Resources		
Deferred inflows - pension		_
Deferred inflows - OPEB		5,097
Total Deferred Inflows of Resources		5,097
Not Donition		
Net Position		10.662.045
Net investment in capital assets Restricted for:		18,663,845
		415 000
Debt service		415,000
Impact fees (capital project)		618,050
Water deposits		295,600
Capital projects		120,979
Impact fees (Lakeview Downs)		22,000
Water operations		53,157
Unrestricted	<u></u>	10,702,489
Total Net Position	\$	30,891,120

See Notes to Financial Statements.



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

	Utility
Operating Revenues	
Charges for services	\$ 7,476,165
Impact fees	181,342
Other revenue	 2,913
Total Operating Revenues	 7,660,420
Operating Expenses	
Contractual services	2,769,162
Personnel	921,057
Depreciation	807,448
Trash services	774,304
Maintenance and repair	227,514
Supplies and materials	38,380
Total Operating Expenses	5,537,865
Operating Income	2,122,555
Non-Operating Revenues (Expenses)	
Investment income	486,369
Interest expense	 (133,564)
Total Non-Operating Revenues (Expenses)	 352,805
Income before Capital Contributions and Transfers	2,475,360
Capital contributions	542,768
Transfers (out)	(380,975)
Changes in Net Position	2,637,153
Net Position - Beginning	28,253,967
Net Position - Ending	\$ 30,891,120

STATEMENT OF CASH FLOWS (Page 1 of 2) PROPRIETARY FUND

	Utility
Cash Flows from Operating Activities	_
Receipts from customers	\$ 7,173,728
Payments to suppliers	(3,679,324)
Payments to employees	(938,660)
Payments from Federal Agency	2,123,502
Net Cash Provided (Used) by Operating Activities	4,679,246
Cash Flows from Non-Capital Financing Activities	
Transfer (out)	(380,975)
Net Cash Provided (Used) by Non-Capital Financing Activities	(380,975)
Cash Flows from Capital and Related Financing Activities	
Net capital purchases	(1,545,102)
Principal paid on debt	(433,916)
Interest paid on debt	(138,873)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,117,891)
Cash Flows from Investing Activities	
Interest on cash and cash equivalents	 486,369
Net Cash Provided (Used) by Investing Activities	486,369
Net Increase (Decrease) in Cash and Cash Equivalents	2,666,749
Cash and Cash Equivalents at Beginning of Year	12,715,248
Cash and Cash Equivalents at End of Year	\$ 15,381,997

STATEMENT OF CASH FLOWS (Page 2 of 2) PROPRIETARY FUND

		Utility
Reconciliation of Operating Income		
to Net Cash Provided by Operating Activities		
Operating income (loss)	\$	2,122,555
Adjustment to reconcile operating income to net cash provided:		
Depreciation		807,448
Change in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable		(494,692)
Deferred outflows related to pension		(114,244)
Deferred outflows related to OPEB		2,828
Deferred charge on refunding		5,309
Prepaid expenses		(367)
Increase (Decrease) in:		
Accounts payable and accrued liabilities		92,455
Compensated absences		102
Customer deposits		8,000
Accrued interest payable		(2,669)
Deferred inflows- pension		(84,512)
Deferred inflows - OPEB		3,069
Unearned revenue - federal grants		2,123,502
Net pension liability		214,889
Total OPEB liability		(4,427)
Net Cash Provided (Used) by Operating Activities	\$	4,679,246
Schodula of non-Cash investing and financing activities		
Schedule of non-Cash investing and financing activities	\$	E42.760
Capital contributions Premium amortization	Ф	542,768 23,916
i i emilum amoi tization	\$	566,684



NOTES TO THE FINANCIAL STATEMENTS For Fiscal Year Ended September 30, 2023

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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

B. Upcoming and Newly Implemented Accounting Pronouncements

The GASB has issued the following 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 adoption of Statement No. 94 has no impact on the City's financial statements.

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements, provides guidance on accounting and financial reporting for subscription-based information technology arrangements ("SBITA") for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City has evaluated all subscription based IT arrangements and determined that there is no material impact on the City.

GASB Statement No. 99, "Omnibus 2022" enhances comparability in accounting and financial reporting and aims to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain provisions of Statement No. 99 are effective upon issuance, while other provisions of Statement No. 99 are effective for fiscal years beginning after June 15, 2022, or 2023. The City has determined that the provisions applicable to the City have no impact on the City's financial statements. The City is evaluating the effect of other provisions that are not yet effective.

GASB issued Statement No. 100, "Accounting Changes and Error Corrections-Amendment of GASB Statement No. 62," which prescribes the accounting and financial reporting for each type of accounting change and error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating the prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The City is evaluating the impact the implementation of this Statement will have on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

GASB issued Statement No. 101, "Compensated Absences," that clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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.

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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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

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

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

2. Fair Value Measurement

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

3. Receivables and Interfund Transactions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

4. Inventories and Prepaid Items

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

5. Capital Assets

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

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

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

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

Asset Description	Life
Vehicles	5 to 10 years
Furniture 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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

7. Fund Balance Flow Assumptions

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

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

8. Fund Balance Policies

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

9. Long-Term Obligations

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued)
For Fiscal Year Ended September 30, 2023

12. Other Postemployment Benefits (OPEB)

The City participates in the TMRS Supplemental Death Benefit Fund (SDBF), which operates like a group life insurance plan. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

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

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

Operating expenses for the 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 or certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

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

NOTES TO THE FINANCIAL STATEMENTS, (Continued)
For Fiscal Year Ended September 30, 2023

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's financial management staff and expenditure estimates by each City department. Budgets are reviewed by the City Manager, Assistant City Manager, and Finance Director. The City Manager makes final decisions and submits a recommended budget to City Council. The proposed budget is reviewed extensively by City Council, a process that includes a required public hearing, in addition to a budget workshop which is open to the public. The City Charter requires adoption of the City budget no later than September 30th of each fiscal year.

The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line-item activity for management control. Budgeted amounts are as originally adopted, or as legally amended. The City Council must amend the budget by passing a budget appropriation ordinance.

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:

		Weighted Average Maturity	Credit
	Value	(Days)	Rating
\$	284,802	0	AA+
	1,372,034	38	AAAm
2	27,597,280	59	AAAm
	2,982,133	41	AAAm
\$ 3	32,236,249		
	2	\$ 284,802 1,372,034 27,597,280	Average Maturity Value (Days) \$ 284,802 0 1,372,034 38 27,597,280 59 2,982,133 41

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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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, 2023, 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, 2023, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk –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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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

LOGIC has a conservative investment policy and invests in only authorized investments under the Texas Public Funds Investment Act. To ensure an accurate and current rating, Standard & Poor's monitors pertinent pool information, including the fund's portfolio holdings, on a weekly basis. There were no limitations or restrictions on withdrawals.

Lone Star Investment Pool

The Lone Star Investment Pool limits investments only to those allowed by the Public Funds Investment Act. The Lone Star fund has earned Standard & Poor's highest rating (AAA), which meets the standards set by the Public Funds Investment Act. There were no limitations or restrictions on withdrawals.

B. Fair Value Measurement

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

The following table sets forth by level, within the fair value hierarchy, the City's fair value measurements at September 30, 2023.

	Fair Value	Fair Value Level 1 Inputs		Level	2 Inputs	Level 3 Inputs	
Group Annuity	\$ 284,802	\$	284,802	\$	-	\$	-
Total Assets at Fair Value	\$ 284,802	\$	284,802	\$		\$	

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

C. Receivables

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

	G	eneral	Deb Servi			cas	Uı	tility	Total
Property taxes	\$	60,760	\$22,4	73	\$	-	\$	-	\$ 83,233
Sales tax		331,787	-		10	9,130		-	440,917
Franchise tax		172,727	-			-		-	172,727
Accounts		-	-			-	1,5	39,826	1,539,826
Allowance		-				-		(922)	(922)
	\$	565,274	\$22,4	73	\$10	9,130	\$ 1,5	38,904	\$ 2,235,781

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

D. Capital Assets

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

A summary of changes in governmental activities capital assets for the year end was as follows:									
	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances					
Capital assets, not being depreciated:									
Land	\$ 916,447	\$ -	\$ -	\$ 916,447					
Construction in progress	3,219,406	38,220	(1,728,356)	1,529,270					
Total capital assets not being depreciated	4,135,853	38,220	(1,728,356)	2,445,717					
Capital assets, being depreciated:									
Buildings and improvements	5,215,535	305,827	-	5,521,362					
Furniture and equipment	2,436,268	483,492	(622,951)	2,296,809					
Vehicles	3,061,220	69,504	(113,567)	3,017,157					
Infrastructure	37,644,829	4,431,598		42,076,427					
Total capital assets being depreciated	48,357,852	5,290,421	(736,518)	52,911,755					
Less accumulated depreciation									
Buildings and improvements	(1,353,447)	(151,327)	-	(1,504,774)					
Furniture and equipment	(1,703,367)	(219,642)	619,458	(1,303,551)					
Vehicles	(1,637,386)	(215,723)	113,567	(1,739,542)					
Infrastructure	(7,580,867)	(1,366,216)		(8,947,083)					
Total accumulated depreciation	(12,275,067)	(1,952,908)	733,025	(13,494,950)					
Net capital assets being depreciated	36,082,785	3,337,513	(3,493)	39,416,805					
Total Capital Assets	\$ 40,218,638	\$ 3,375,733	\$ (1,731,849)	\$ 41,862,522					
Depreciation expense was charge General government Development	d to functions o	f the primary	government as fol \$ 51,379 3,444	lows:					

General government	\$ 51,379
Development	3,444
Public safety	367,235
Public works	1,496,689
Parks and recreation	34,161
Total governmental activities depreciation expense	\$ 1,952,908

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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

	Beginning		Decreases/	Ending
	Balances	Increases	Reclassifications	Balances
Capital assets, not being depreciated:				
Land	\$ 378,256	\$ -	\$ -	\$ 378,256
Construction in progress	238,719	195,700	(94,219)	340,200
Total capital assets not being depreciated	616,975	195,700	(94,219)	718,456
Captial assets, being depreciated:	542.200			5 42,200
Buildings and improvements	713,389	-	-	713,389
Infrastructure	26,208,551	1,974,029	(6,350)	28,176,230
Furniture and equipment	2,179,639	12,360	(695,987)	1,496,012
Vehicles	33,689			33,689
Total capital assets being depreciated	29,135,268	1,986,389	(702,337)	30,419,320
Less accumulated depreciation				
Buildings and improvements	(364,159)	(13,090)	-	(377,249)
Infrastructure	(7,461,755)	(639,013)	6,350	(8,094,418)
Furniture and equipment	(1,385,424)	(155,345)	695,987	(844,782)
Vehicles	(33,689)			(33,689)
Total accumulated depreciation	(9,245,027)	(807,448)	702,337	(9,350,138)
Net capital assets being depreciated	19,890,241	1,178,941	_	21,069,182
		·	¢ (04.210)	
Total Captial Assets	\$ 20,507,216	\$ 1,374,641	\$ (94,219)	\$ 21,787,638

Depreciation was charged to business-type activities as follows:

Utility\$ 807,448Total Business-Type Activities Depreciation Expense\$ 807,448

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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 longterm liabilities.

_	1	Beginning Balances	 Additions	Re	eductions_	Ending Balances	Du	mounts e within ne Year
Governmental Activities:								
Bonds, notes and other payables:								
General Obligation Bonds	\$	1,595,000	\$ -	\$	(155,000)	\$ 1,440,000	\$	160,000
Certificates of Obligation		13,030,000	-		(765,000)	12,265,000		790,000
Premium		787,972	 -		(63,876)	724,096		
Total Governmental Activities	\$	15,412,972	\$ -	\$	(983,876)	\$ 14,429,096	\$	950,000
Long-term liabilities due in more than one year						\$ 13,479,096		
Business-Type Activites:								
Bonds, notes and other payables:								
General Obligation Bonds	\$	1,070,000	\$ -	\$	(105,000)	\$ 965,000	\$	105,000
Certificates of Obligation		4,210,000	-		(305,000)	3,905,000		310,000
Premium		266,899	-		(23,916)	242,983		
Total Business-Type Activities	\$	5,546,899	\$ -	\$	(433,916)	\$ 5,112,983	\$	415,000
Long-term liabilities due in more than one year		-				\$ 4,697,983		

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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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

	Interest	Interest Original	
Description	Rates	Balance	Current Balance
Governmental Activities			
2007 Certificates of Obligation	4.25%	\$ 2,500,000	\$ 400,000
2015 Certificates of Obligation	3.00%	2,000,000	1,015,000
2017 Certificates of Obligation	3.00%	5,855,000	4,445,000
2019 Certificates of Obligation	2.0% - 5.0%	7,215,000	6,405,000
2020 General Obligation Refunding Bonds	2.0% - 4.0%	1,745,000	1,440,000
Total Governmen	ntal Activities	19,315,000	13,705,000
Business-Type Activities			
2007 Certificates of Obligation	4.25%	2,500,000	500,000
2017 Certificates of Obligation	3.00%	2,920,000	2,220,000
2019 Certificates of Obligation	2.0% - 5.0%	1,390,000	1,185,000
2020 General Obligation Refunding Bonds	2.0% - 4.0%	1,165,000	965,000
Total Business-ty	ype Activities	7,975,000	4,870,000
Total Long-Term Debt			
2007 Certificates of Obligation	4.25%	5,000,000	900,000
2015 Certificates of Obligation	3.00%	2,000,000	1,015,000
2017 Certificates of Obligation	3.00%	8,775,000	6,665,000
2019 Certificates of Obligation	2.0% - 5.0%	8,605,000	7,590,000
2020 General Obligation Refunding Bonds	2.0% - 4.0%	2,910,000	2,405,000
-	Total	\$ 27,290,000	\$ 18,575,000

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

	Gov	vernmental Activ	vities				
General Obligation Bonds Certificates of Obligation							
Year ending							
September 30,	Principal	Interest	Principal	Interest			

september 50,	Fillicipai	merest		 Fillicipai	Interest		
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	175,000		24,450	880,000		268,483	
2028	180,000		19,100	810,000		235,358	
2029-2033	585,000		19,650	3,915,000		829,112	
2034 & After			-	 4,210,000		307,257	
Total	\$ 1,440,000	\$	162,100	\$ 12,265,000	\$	2,644,109	

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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

Business-Type Activities										
	G	General Obligation Bonds				Certificates o	of Ob	oligation		
Year ending										
September 30,	F	Principal]	Interest	I	Principal]	Interest		
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		120,000		16,300		330,000		81,924		
2028		120,000		12,700		215,000		71,618		
2029-2033		390,000		13,150		1,165,000		259,100		
2034 & After		-		-		1,240,000		85,073		
Total	\$	965,000	\$	108,300	\$	3,905,000	\$	818,436		

F. Other Long-term Liabilities

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

								Aı	Amounts	
	Beginning						Ending		Due	
	Balance		Ad	Additions Reduction		ductions	Balance		<u>Within</u>	
Governmental Activities:										
Compensated Absences	\$	120,981	\$	137,873	\$	(120,981)	\$	137,873	\$	137,873
Total Governmental Activities	\$	120,981	\$	137,873	\$	(120,981)	\$	137,873	\$	137,873
Business-Type Activities:								_		
Compensated Absences	\$	29,907	\$	30,009	\$	(29,907)	\$	30,009	\$	30,009
Total Business-Type Activities	\$	29,907	\$	30,009	\$	(29,907)	\$	30,009	\$	30,009

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. 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 \$2,123,502 which has been recorded as unearned revenue in the proprietary fund. The governmental funds recognized \$598,602 of unearned revenue related to a fire services contract.

NOTES TO THE FINANCIAL STATEMENTS, (Continued)
For Fiscal Year Ended September 30, 2023

H. Interfund Transactions

Transfers between the primary government funds during the 2023 year were as follows:

Transfer Out	Transfer In		Amount	
Lucas Fire District	General Fund		\$	622,000
Utility Fund	General Fund			380,975
		Total	\$	1,002,975

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. The transfer between the General Fund and the Lucas Fire District was for the fire district service agreement provisions and the transfer between the Utility Fund and General Fund is for general operating expenses.

I. Restricted Net Position

The City records restricted net position to indicate that a portion is legally restricted for a specific future use. The following is a list of restricted net position of the City:

	Governmental		Bus	Business-Type	
		Funds		Activities	
Restricted for:					
Capital projects	\$	2,711,562	\$	120,979	
Impact fees		1,881,660		618,050	
Impact fees (Lakeview Downs)		-		22,000	
Debt service		1,413,890		415,000	
Water deposits		-		295,600	
Pensions		284,802		-	
Capital outlay (other)		2,719,600		-	
Fire protection		120,492		-	
Municipal court		94,872		-	
Cable fees		39,751		-	
Capital outlay (Playground E&P)		1,132		-	
Brockdale street maintenance		31,464		-	
Records management		5,779		-	
Water operations		-		53,157	
Total	\$	9,305,004	\$	1,524,786	

^{*} Restricted by enabling legislation

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

C. Pension and OPEB Plans

Texas Municipal Retirement Systems

1. Plan Description

The City of Lucas participates as one of 919 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:

	Plan Year 2022	Plan Year 2021
Employee deposit rate	7%	7%
Matching ratio (city to employer)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement elgibility		
(expressed as age/years of	60/5, 0/20	60/5, 0/20
service)		
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

Employees Covered by Benefit Terms:

At the December 31, 2022 and 2021 valuation and measurement date, the following employees were covered by the benefit terms:

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	24	23
Inactive employees entitled to but not yet receiving benefits	26	25
Active employees	44	41
Total	94	89

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 12.47% and 12.03% in the calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$441,298, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 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

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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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 2023 are summarized in the following table:

		Long-Term Expected
	Target	Real Rate of Return
Asset Class	Allocation	(arithmetic)
Global Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
Total	100.0%	

In general, the City uses the Debt Service Fund to liquidate governmental pension and OPEB liabilities.

Discount Rate:

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

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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				
Current Single Discount				
1% Decrease	Rate Assumption	1% Increase		
5.75%	6.75%	7.75%		
\$2,575,381	\$1,220,835	\$146,134		

Changes in the Net Pension Liability:

	Total Pension		Plan Fiduciary		Net Pension	
	Liability (a)		Net Position (b)		Liability (a) - (b	
Balance at 12/31/21	\$	6,371,010	\$	6,216,913	\$	154,097
Changes for the year:						
Service Cost		581,346		-		581,346
Interest		446,150		-		446,150
Difference between expected and						
actual experience		233,187		-		233,187
Changes of assumptions		-		-		-
Contributions - employer		-		415,676		(415,676)
Contributions - employee		-		233,338		(233,338)
Net investment income		-		(455,828)		455,828
Benefit payments, inlcuding refunds or						
emp. contributions		(104,095)		(104,095)		-
Administrative expense		-		(3,927)		3,927
Other changes		-		4,686		(4,686)
Net changes		1,156,588		89,850		1,066,738
Balance at 12/31/22	\$	7,527,598	\$	6,306,763	\$	1,220,835

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

5. <u>Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related</u> to Pensions

For the year ended September 30, 2023, the City recognized pension expense of \$508,348.

At September 30, 2023, 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	\$	111,153	\$	-
Changes in actuarial assumptions		18,882		-
Difference between projected and investment earnings		430,339		-
Contributions subsequent to the measurement date		335,718		-
Total	\$	896,092	\$	-

The City reported \$335,718 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred		
	Outf	low (Inflow)	
Year ended December 31:	of Resources		
2023	\$	76,994	
2024		129,254	
2025		139,579	
2026		214,547	
2027		-	
Thereafter			
Total	\$	560,374	

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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 2022	Plan Year 2021
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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	5
Active employees	44
Total	55

3. Contributions

The City's contributions to the TMRS SDBF for the years ended 2023, 2022, and 2021 were \$6,707, \$3,223, and \$3,067, respectively, which equaled the required contributions each year.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

<u>Schedule of Contribution Rates</u> (RETIREE-only portion of the rate)

	Annual		
	Required	Actual	Percentage
	Contribution	Contribution	of ARC
Plan/Calendar Year	(Rate)	Made (Rate)	Contributed
2021	0.01%	0.01%	100.00%
2022	0.01%	0.01%	100.00%
2023	0.02%	0.02%	100.00%

4. Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2022, 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, 2022 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 4.05% 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 and a 3 year set-forward for females. 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 4.05%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

NOTES TO THE FINANCIAL STATEMENTS, (Continued)
For Fiscal Year Ended September 30, 2023

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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

1	1% Decrease Current Discount Rate		1% Increase		
3.05%			4.05%		5.05%
\$	70,560	\$	57,802	\$	47,991

Changes in the Total OPEB Liability:

	Total OPEB Liability				
Balance at 12/31/21	\$	84,143			
Changes for the year:					
Service Cost		9,000			
Interest		1,628			
Difference between expected		(3,108)			
and actual experience		(3,100)			
Changes in assumptions		(33,528)			
Benefit payments		(333)			
Net changes		(26,341)			
Balance at 12/31/22	\$	57,802			

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$7,362. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Out	ferred flows of sources	Deferred (Inflows) of Resources		
Changes in actuarial assumptions Difference between projected and investment earnings	\$	-	\$	(13,965) (11,519)	
Contributions subsequent to the measurement date		5,860		-	
Total	\$	5,860	\$	(25,484)	

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

The City reported \$5,860 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, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in expense as follows:

	Deferred			
	Outflow (Inflow)			
Year ended December 31:	of Resources			
2023	\$	(3,266)		
2024		(3,266)		
2025		(3,565)		
2026		(3,159)		
2027		(2,685)		
Thereafter		(9,543)		
Total	\$	(25,484)		

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.

NOTES TO THE FINANCIAL STATEMENTS, (Continued)
For Fiscal Year Ended September 30, 2023

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.

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, 2023 valuation date, the following employees were covered by the benefit terms:

	2023
Active members	8
Vested-Terminated me	18
Retired Beneficiaries	5
Total	31

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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, 2023, were \$8,255, and were equal to the required contributions.

As of September 30, 2023, the City has an investment balance of \$284,802, 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, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as July 1, 2022.

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of July 1, 2022, rolled forward to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 0% per year Overall payroll growth Not applicable

Investment Rate of Return 3.86% net of pension plan investment expense, including inflation

Mortality No pre-retirement mortality; post retirement RP200MF projected to 2030

Retirement First eligible

Turnover T5
Disability None

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

Discount Rate:

The calculations of the pension liability assume that the plan remains unfunded and uses a discount rate of 3.86% which is based on the 20-year AA general obligation bond rate as of June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

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

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

The following presents the net pension liability of the City, calculated using the discount rate of 3.86%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86%) or 1-percentage-point higher (3.86%) than the current rate:

1	1% Decrease 2.86%	Current Discount Rate 3.86%		7, 7	
\$	305,673	\$	249,945	\$	208,566

Changes in the Net Pension Liability:

	Total	Plan	Net Pension
	Pension	Fiduciary Net	Liability (a) -
	Liability (a)	Position (b)	(b)
Balance at 7/1/22	\$ 280,069	\$ -	\$ 280,069
Changes for the year:			
Service Cost	8,255	-	8,255
Interest	10,651	-	10,651
Changes in benefit terms	-	-	
Difference between expected and actual experience	(30,496)	-	(30,496)
Changes of assumptions	(8,404)	-	(8,404)
Benefit payments and expenses	(10,130)		(10,130)
Net changes	(30,124)	-	(30,124)
Balance at 6/30/23	\$ 249,945	\$ -	\$ 249,945

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

4. <u>Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions</u>

For the year ended September 30, 2023, the City recognized pension expense of \$10,360.

At September 30, 2023, the City reported deferred outflows and inflows of resources related to LOSAP pensions from the following sources:

Ü	Out	ferred flows of sources	Deferred (Inflows) of Resources		
Differences between expected and actual economic experience	\$	-	\$	(52,174)	
Differences between actuarial assumption changes		-		(51,601)	
Contributions subsequent to the measurement date		4,529		-	
Total	\$	4,529	\$	(103,775)	

The City reported \$4,529 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, 2024. 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				
2024	\$	(23,448)			
2025		(23,450)			
2026		(30,671)			
2027		(26,206)			
2028		-			
Thereafter		-			
Total	\$	(103,775)			

NOTES TO THE FINANCIAL STATEMENTS, (Continued)
For Fiscal Year Ended September 30, 2023

Consolidated Pension Balances for all Plans

The total amount of pension and OPEB expense related to TMRS and LOSAP plans was \$526,070. The following presents the combined net pension liabilities as well as deferred outflows and inflows of resources for the TMRS and LOSAP:

Deferred 0	utfl	ows of Reso	urce	S		
Contributions Subsequent to the	Me	asurement l	Date			
		TMRS		OSAP		<u>Total</u>
Governmental Activities	\$	268,575	\$	4,529	\$	273,104
Business-Type Activities		67,143		-		67,143
Total	\$	335,718	\$	4,529	\$	340,247
Changes in Actuarial Assumption	<u>S</u>					
•		TMRS	<u>L</u>	OSAP		<u>Total</u>
Governmental Activities	\$	15,143	\$	-	\$	15,143
Business-Type Activities		3,739				3,739
Total	\$	18,882	\$	-	\$	18,882
Investment Experience						
*		TMRS	<u>L</u>	OSAP		Total
Governmental Activities	\$	88,922	\$	-	\$	88,922
Business-Type Activities		22,231		-		22,231
Total	\$	111,153	\$	-	\$	111,153
Investment Formings						
Investment Earnings		TMRS	Τ.	OSAP		Total
Governmental Activities	\$	344,271	\$ \$	<u>USAF</u>	\$	344,271
Business-Type Activities	ψ	86,068.00	Ψ	_	•	86,068.00
Total	\$	430,339	\$		\$	430,339
		· · · · · · · · · · · · · · · · · · ·	Ψ			
Total Deferred Outflows of Resou	ırce	es			\$	900,621
Pens	ion	Liabilities				
Net Pension Liabilities						
		TMRS	<u>L</u>	OSAP		Total
Governmental Activities	\$	(976,668)	\$ (2	249,945)	\$ (1,226,613)
Business-Type Activities		(244,167)				(244,167)
Total	\$	(1,220,835)	\$ (2	249,945)	\$ (1,470,780)

NOTES TO THE FINANCIAL STATEMENTS, (Continued) For Fiscal Year Ended September 30, 2023

Deferred Inflows of Resources

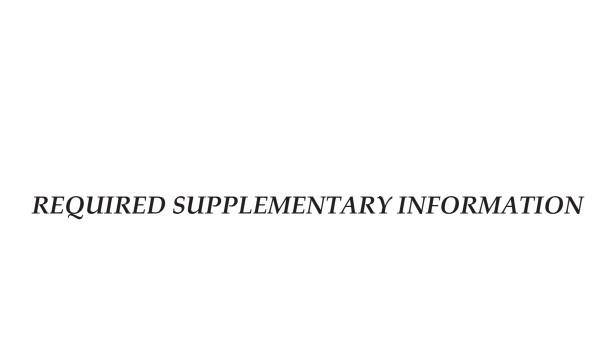
Changes in Actuarial Assumptions								
-		TMRS	LOSAP		Total			
Governmental Activities	\$	-	\$ (51,601)	\$	(51,601)			
Business-Type Activities								
Total	\$	-	\$ (51,601)	\$	(51,601)			
Differences Between Expected and Actual Economic Experience								
		TMRS	LOSAP		<u>Total</u>			
Governmental Activities	\$	-	\$ (52,174)	\$	(52,174)			
Business-Type Activities								
Total	\$	-	\$ (52,174)	\$	(52,174)			
Total Deferred Inflows of Resources					(103,775)			

D. Subsequent Events

Management has evaluated subsequent events through February 15, 2024, 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 other than what is listed below.

In April of 2015, the City approved offering an IRS Qualified Retirement Program to Volunteer Emergency Responders by providing them a Length of Service Award Program (LOSAP) as a mechanism to recruit and retain volunteers. The provision of LOSAP is through the Volunteer Fireman's Insurance Services (VFIS) and may be terminated without cause by either party by providing 60 days written notice. On November 2, 2023, The City authorized the process to proceed with the termination of the LOSAP program due to the high administrative costs and the inability to retain or recruit volunteers. The resolution to terminate the Length of Service Award Program (LOSAP) was approved on December 7, 2023. The payout to all 28 members on the current LOSAP roster will be full (100%) actuarial present value of accrued benefits (APVAB). The termination process takes approximately six months to complete.





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

GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	ance with
Revenues				
Property tax	\$ 3,526,440	\$ 3,657,424	\$ 3,666,911	\$ 9,487
Sales tax	1,770,000	1,867,350	1,925,199	57,849
Fire department agreements	621,462	627,514	666,148	38,634
Licenses and permits	682,060	531,128	558,548	27,420
Impact fees	455,000	176,000	202,747	26,747
Franchise and local taxes	398,642	453,826	471,540	17,714
Investment income	24,000	336,197	372,827	36,630
Other revenue	62,236	190,198	229,297	39,099
Grants and contributions	12,500	 76,567	73,467	 (3,100)
Total Revenues	7,552,340	 7,916,204	 8,166,684	 250,480
Expenditures Current:				
Public safety	3,782,203	4,058,627	3,378,429	680,198
General government	1,341,610	1,415,578	1,322,844	92,734
Public works	1,134,584	906,086	863,384	42,702
Development services	511,605	516,436	444,264	72,172
Parks and recreation	200,000	200,000	193,438	6,562
Capital outlay	1,295,606	 3,049,879	2,029,238	 1,020,641
Total Expenditures	8,265,608	10,146,606	8,231,597	 1,915,009
Revenues Over (Under) Expenditures	(713,268)	 (2,230,402)	(64,913)	2,165,489

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND (Page 2 of 2)

For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Other Financing Sources (Uses)				
Transfers in	1,119,090	2,954,017	1,002,975	(1,951,042)
Transfers (out)	-	(306,489)	-	306,489
Sale of capital assets	<u> </u>	20,863	91,579	70,716
Total Other Financing Sources (Uses)	1,119,090	2,668,391	1,094,554	(1,573,837)
Net Change in Fund Balances Fund Balances, October 1 Fund Balances, September 30	\$ 405,822	\$ 437,989	1,029,641 13,404,707 \$ 14,434,348	\$ 591,652

Notes to Required Supplementary Information

^{1.} Annual budgets are adopted on a basis consistant with generally accepted accounting principles (GAAP).

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

Last Ten Measured Years

Measurement Date	12	2/31/2022	12	2/31/2021	12	2/31/2020	12/31/2019		
Total Pension Liability									
Service Cost	\$	581,346	\$	499,230	\$	457,386	\$	450,025	
Interest		446,150		395,760		352,881		303,275	
Change in benefit terms		-		-		-		-	
Difference between expected and actual experience		233,187		(80,541)		(74,317)		33,015	
Changes of assumptions		-		-		-		70,627	
Benefit payments, including refunds of participant									
contributions		(104,095)		(113,873)		(129,394)		(122,030)	
Net change in total pension liability		1,156,588		700,576		606,556		734,912	
Total pension liability, beginning		6,371,010		5,670,434		5,063,878		4,328,966	
Total pension liability, ending (a)	\$	7,527,598	\$	6,371,010	\$	5,670,434	\$	5,063,878	
Plan Fiduciary Net Position									
Contributions - employer	\$	415,676	\$	360,571	\$	324,663	\$	326,573	
Contributions - members	,	233,338	,	198,896	,	181,811	,	178,177	
Net investment income		(455,828)		667,999		334,743		539,095	
Benefit payments, including refunds of participant		, ,							
contributions		(104,095)		(113,873)		(129,393)		(122,030)	
Administrative expenses		(3,927)		(3,080)		(2,160)		(3,038)	
Other		4,686		21		(84)		(91)	
Net change in plan fiduciary net position		89,850		1,110,534		709,580		918,686	
Plan fiduciary net position, beginning		6,216,913		5,106,379		4,396,798		3,478,112	
Plan fiduciary net position, ending (b)	\$	6,306,763	\$	6,216,913	\$	5,106,378	\$	4,396,798	
				·		·			
Net pension liability/(asset) ending = (a) - (b)	\$	1,220,835	\$	154,097	\$	564,056	\$	667,080	
Plan fiduciary net position as a % of total pension									
liability		83.78%		97.58%		90.05%		86.83%	
Covered payroll	\$	3,333,405	\$	2,841,377	\$	2,597,307	\$	2,545,390	
Net pension liability as a % of covered payroll		36.62%		5.42%		21.72%		26.21%	

Notes to Schedule:

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASSB 68, only periods for which such information is available are presented.

12	2/31/2018	12	2/31/2017	_ 12	2/31/2016	_ 12	2/31/2015	12	2/31/2014
\$	414,235 266,265 -	\$	372,249 231,198 -	\$	348,892 198,270 -	\$	293,557 171,059 -	\$	182,681 144,591 305,541
	(33,376)		9,721 -		17,647 -		3,953 45,337		33,580
\$	(111,419) 535,705 3,793,261 4,328,966	\$	(117,869) 495,299 3,297,962 3,793,261	\$	(59,465) 505,344 2,792,618 3,297,962	\$	(36,429) 477,477 2,315,141 2,792,618	\$	(39,926) 626,467 1,688,674 2,315,141
\$	315,372 164,379 (96,228)	\$	283,883 144,523 353,005	\$	256,187 134,633 140,372	\$	229,058 116,030 2,608	\$	113,742 103,947 86,065
	(111,419) (1,857) (96) 270,151		(117,869) (1,829) (93) 661,620		(59,465) (1,585) (86) 470,056		(36,429) (1,588) (78) 309,601	-	(39,926) (898) (74) 262,856
\$	3,207,961 3,478,112	\$	2,546,341 3,207,961	\$	2,076,285 2,546,341	\$	1,766,684 2,076,285	\$	1,503,828 1,766,684
\$	850,854	\$	585,300	\$	751,621	\$	716,333	\$	548,457
	80.35%		84.57%		77.21%		74.35%		76.31%
\$	2,348,274	\$	2,064,609	\$	1,923,330	\$	1,657,575	\$	1,484,954
	36.23%		28.35%		39.08%		43.22%		36.93%

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Ten Fiscal Years

	9/30/2023		9/30/2022		9	/30/2021	9	/30/2020
Actuarially determined employer contributions	\$	448,005	\$	403,522	\$	362,705	\$	327,779
Contributions in relation to the actuarially determined contribution		448,005		403,522		362,705		327,779
Contribution deficiency (excess)		-		-		-		-
Annual covered payroll	\$	3,637,337	\$	3,222,954	\$	2,845,105	\$	2,577,004
Employer contributions as a percentage of covered payroll		12.32%		12.52%		12.75%		12.72%

NOTES TO SCHEDULE OF CONTRIUBTIONS TO PENSION PLAN

The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

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 22 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.

9	/30/2019	9	/30/2018	9/30/2017		9	/30/2016	9/30/2015	
\$	327,126	\$	306,720	\$	276,739	\$	249,286	\$	192,781
	327,126		306,720		276,739		249,286		192,781
	-		-		-		-		-
\$	2,517,351	\$	2,269,249	\$	2,030,750	\$	1,845,924	\$	1,484,954
	12.99%		13.52%		13.63%		13.50%		12.98%

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS ¹ TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Ten Measured Years

		12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Total OPEB liability							
Service Cost	\$	9,000 \$	7,672 \$	5,714 \$	4,327 \$	4,697 \$	3,716
Interest		1,628	1,514	1,755	1,808	1,751	1,609
Changes in benefit terms		-	-	-	-	-	-
Differences between expected and actual experience		(3,108)	311	(6,467)	(3,962)	(6,318)	-
Changes in assumptions or other inputs		(33,528)	2,904	10,206	12,455	(3,855)	4,624
Benefit payments, including refunds of participant							
contributions		(333)	(284)	(260)	(255)	(235)	-
Net Change in Total OPEB Liability		(26,341)	12,117	10,948	14,373	(3,960)	9,949
Total OPEB Liability - Beginning	_	84,143	72,026	61,078	46,705	50,665	40,716
Total OPEB Liability - Ending (a)	\$	57,802 \$	84,143 \$	72,026 \$	61,078 \$	46,705 \$	50,665
Covered Employee Payroll	\$	3,333,405 \$	2,841,377 \$	2,597,307 \$	2,545,390 \$	2,348,274 \$	2,064,609
Total OPEB Liability as a Percentage of Covered Payroll		1.73%	2.96%	2.77%	2.40%	1.99%	2.45%

Notes to Schedule:

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.1010 to pay related benefits for the OPEB plan.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARDS PROGRAM 1,2 Last Ten Measured Years

	6/	30/2023	_6/	30/2022	6/	30/2021	6/	30/2020	6/	30/2019	6,	/30/2018	6/	30/2017
Total Pension Liability														
Service Cost	\$	8,255	\$	14,190	\$	22,459	\$	29,557	\$	31,505	\$	30,982	\$	34,136
Interest		10,651		14,310		6,319		6,701		6,900		8,432		7,558
Change in benefit terms		-		-		-		-		-		-		-
Difference between expected and actual														
experience		(30,496)		(6,470)		(5,712)		(14,382)		7		(41,351)		(1)
Changes of assumptions		(8,404)		(124,774)		41,830		40,477		23,268		(2,005)		(13,739)
Benefit payments, including refunds of														
participant contributions		(10,130)		(8,715)		(3,630)		(6,664)		(8,741)	_	(8,521)		(6,744)
Net change in total pension liability		(30,124)		(111,459)		61,266		55,689		52,939	_	(12,463)		21,210
Total pension liability, beginning		280,069		391,528		330,262		274,573		221,634	_	234,097		212,887
Total pension liability, ending (a)	\$	249,945	\$	280,069	\$	391,528	\$	330,262	\$	274,573	\$	221,634	\$	234,097
Plan Fiduciary Net Position														
Plan fiduciary net position, beginning		-		-		_		-		-		-		-
Plan fiduciary net position, ending (b)	\$	-	\$	-	\$	-	\$	-	\$	-	\$		\$	-
Net pension liability/(asset) ending = (a) - (b)	\$	249,945	\$	280,069	\$	391,528	\$	330,262	\$	274,573	\$	221,634	\$	234,097
Plan fiduciary net position as a % of total pension liability		0.00%		0.00%		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	SHPPI	EMEN	NTARY II	VFORM	ATION
•	JIILLI	JULIL				

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

For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property tax	\$ 1,192,849	\$ 1,348,712	\$ 1,356,424	\$ 7,712
Investment income		50,000	57,431	7,431
Total Revenues	1,192,849	1,398,712	1,413,855	15,143
Expenditures				
Debt service				
Principal	920,000	920,000	920,000	-
Interest	440,608	440,608	440,608	
Total Expenditures	1,360,608	1,360,608	1,360,608	
Revenues Over (Under) Expenditures	(167,759)	38,104	53,247	15,143
Other Financing Sources (Uses)				
Transfers in	167,759			
Total Other Financing Sources (Uses)	167,759			
Net Change in Fund Balances Fund Balances, October 1 Fund Balances, September 30	\$ -	\$ 38,104	53,247 1,360,643 \$ 1,413,890	\$ 15,143

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL IMPROVEMENTS FUND For the Year Ended September 30, 2023

	Or	Original		Final			Variance with			
	Bı	Budget		Budget	Actual		Fir	nal Budget		
Revenues										
Interest income	\$	6,000	\$	300,000	\$	339,423	\$	39,423		
Total Revenues		6,000		300,000		339,423		39,423		
Expenditures										
Capital outlay				5,449,468		51,310		5,398,158		
Total Expenditures		-		5,449,468		51,310		5,398,158		
Other Financing Sources (Uses)										
Transfers in				306,489				(306,489)		
Total Other Financing (Uses)		-		306,489		-		(306,489)		
Net Change in Fund Balances	\$	6,000	\$ (4,842,979)		288,113	\$	5,131,092		
Fund Balances, October 1					8	8,741,047				
Fund Balances, September 30					\$ 9	9,029,160				

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL LUCAS FIRE DISTRICT

For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Sales tax	\$ 590,000	\$ 622,000	\$ 633,390	\$ 11,390
Other income			336	336
Total Revenues	590,000	622,000	633,726	11,726
Other Financing Sources (Uses)				
Transfers (out)	(590,000)	(622,000)	(622,000)	
Total Other Financing Sources (Uses)	(590,000)	(622,000)	(622,000)	
Net Change in Fund Balances Fund Balances, October 1 Fund Balances, September 30	\$ -	\$ -	11,726 108,766 \$ 120,492	\$ 11,726

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	100-109
These scheudles contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	110-117
These schedules contain information to help the reader asses the City's most significant local revenue source: property tax.	
Debt Capacity	118-122
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.	
Demographics and Economic Information	123-125
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	126-129
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 activites it performs.	

NET POSITION BY COMPONENT

Last Ten Fiscal Years (Accrual Basis of Accounting) (Unaudited)

	2023		2022	 2021	2020	
Community Addition						
Governmental Activities:						
Net Investments in Capital Assets	\$	33,757,041	\$ 30,848,043	\$ 28,833,419	\$	25,517,174
Restricted		9,305,004	7,748,436	6,980,910		12,176,865
Unrestricted		8,573,482	9,009,052	9,189,569		353,761
Total Governmental Activities	\$	51,635,527	\$ 47,605,531	\$ 45,003,898	\$	38,047,800
Business-type Activities:						
Net Investments in Capital Assets	\$	18,663,845	\$ 17,084,250	\$ 16,878,979	\$	16,777,285
Restricted		1,524,786	2,484,356	1,311,170		939,365
Unrestricted		10,702,489	8,685,361	7,733,829		7,207,695
Total Business-type Activities		30,891,120	\$ 28,253,967	\$ 25,923,978	\$	24,924,345
Primary Government:						
Net Investments in Capital Assets	\$	52,420,886	\$ 47,932,293	\$ 45,712,398	\$	42,294,459
Restricted		10,829,790	10,232,792	8,292,080		13,116,230
Unrestricted		19,275,971	17,694,413	16,923,398		7,561,456
Total Primary Activities		82,526,647	\$ 75,859,498	\$ 70,927,876	\$	62,972,145

Source: City of Lucas Financial Services Annual Financial Reports

 2019	2018	 2017	 2016		2015		2014
\$ 20,427,592	\$ 19,557,740	\$ 18,969,607	\$ 17,817,626	\$	15,687,778	\$	11,217,229
4,129,734	3,194,287	2,425,677	5,021,277		5,101,359		2,535,158
8,418,373	8,127,220	7,481,154	4,034,670		2,022,200		5,024,220
\$ 32,975,699	\$ 30,879,247	\$ 28,876,438	\$ 26,873,573	\$	22,811,337	\$	18,776,607
\$ 15,334,416	\$ 15,023,072	\$ 14,790,563	\$ 14,122,099	\$	13,793,927	\$	13,112,606
668,724	555,979	436,201	375,000		365,000		382,027
 6,640,891	6,202,108	 5,616,348	 5,501,285		4,824,325		3,752,393
\$ 22,644,031	\$ 21,781,159	\$ 20,843,112	\$ 19,998,384	\$	18,983,252	\$	17,247,026
\$ 35,762,008	\$ 34,580,812	\$ 33,760,170	\$ 31,929,725	\$	29,481,705	\$	24,329,835
4,798,458	3,750,266	2,861,878	5,396,277		5,466,359		2,917,185
15,059,264	14,329,328	 13,097,502	9,535,955		6,846,525		8,776,613
\$ 55,619,730	\$ 52,660,406	\$ 49,719,550	\$ 46,871,957	\$	41,794,589	\$	36,023,633

CHANGES IN NET POSITION

Last Ten Years (Accrual Basis of Accounting) (Unaudited)

	2023		2022			2021	2020			2019
Expenses										
Governmental Activities:										
General Government	\$	1,384,180	\$	1,210,334	\$	1,151,684	\$	1,276,560	\$	1,096,507
Public Safety	4	3,777,849	*	3,257,026	*	2,716,928	4	2,611,453	4	2,621,361
Public Works		2,305,963		1,874,263		1,711,774		1,481,315		1,423,456
Development Services		454,262		468,122		402,852		354,169		426,705
Parks and Recreation		227,599		203,629		176,297		163,110		194,196
Community Development		-		-		-		-		-
Interest and Fiscal Charges		370,715		409,035		499,818		552,910		535,381
Total Governmental Activities		8,520,568		7,422,409		6,659,353		6,439,518		6,297,606
Business-type Activities:										
Utility Fund		5,671,429		4,876,552		4,421,855		4,529,286		4,247,590
Total Business-type Activities	-	5,671,429		4,876,552		4,421,855		4,529,286		4,247,590
Total Submess type neuvines		0,0,1,12,		1,070,002		1,121,000		1,023,200		1,217,670
Total Primary Government	\$	14,191,997	\$	12,298,961	\$	11,081,208	\$	10,968,804	\$	10,545,196
Program Revenues										
Governmental Activities:										
Charges for Services										
General Government	\$	213,918	\$	196,951	\$	-	\$	-	\$	-
Public Safety		681,863		640,535		630,944		528,717		509,862
Public Works		202,747		409,571		451,516		232,881		341,597
Development Services		558,548		841,396		496,675		494,826		904,825
Parks and Recreation		-		-		-		-		-
Capital Grants and Contributions		1,549,258		-		2,173,436		437,074		342,372
Operating Grants and Contributions		73,467		18,483		712,345		-		
Total Governmental Activities		3,279,801		2,106,936		4,464,916		1,693,498		2,098,656
Business-type Activities:										
Charges for Services										
Water and Sewer		7,660,420		7,095,074		5,602,448		4,775,275		5,314,349
Capital Grants and Contributions		542,768		410,000		1,386,276		368,375		37,419
Total Business-type Activities		8,203,188		7,505,074		6,988,724		5,143,650		5,351,768
Total Primary Government	\$	11,482,989	\$	9,612,010	\$	11,453,640	\$	6,837,148	\$	7,450,424
Net (Expense)/Revenue										
Governmental Activities	\$	(5,240,767)	\$	(5,315,473)	\$	(2,194,437)	\$	(4,604,108)	\$	(4,176,436)
Business-type Activities		2,531,759		2,628,522		2,566,869		896,060		1,108,401
Total Primary Government	\$	(2,709,008)	\$	(2,686,951)	\$	372,432	\$	(3,708,048)	\$	(3,068,035)

Source: City of Lucas Financial Services Annual Financials

	2018		2017		2016	2015			2014
\$	935,150	\$	961,459	\$	955,548	\$	934,322	\$	840,998
	2,223,061		2,082,243		1,866,920		1,693,535		1,469,546
	2,189,754		971,612		883,514		1,091,137		867,243
	408,654		345,336		279,699		352,718		257,331
	126,327		113,916		159,565		78,233		132,379
	-		-		-		-		-
	392,146		373,570		263,690		331,834		232,858
	6,275,092		4,848,136		4,408,936		4,481,779		3,800,355
	4,243,367		3,840,280		3,593,006		3,237,288		2,891,141
	4,243,367		3,840,280		3,593,006		3,237,288		2,891,141
_		_	0.400.444	_		_		_	
\$	10,518,459	\$	8,688,416	\$	8,001,942	\$	7,719,067	\$	6,691,496
\$		\$		\$		\$	2,501	\$	10.251
Ф	448,607	Ф	413,588	Ф	227745	Ф	252,949	Ф	10,351
	356,940		402,068		327,745 335,163		74,050		184,020 319,402
	713,554		658,708		707,807		553,264		545,526
	713,334		030,700		707,007		15,000		67,000
	_		37,600		196,000		1,804,078		2,297,740
	126,168		1,824,487		2,470,277		1,004,070		2,277,740
_	1,645,269		3,336,451		4,036,992		2,701,842		3,424,039
	1,013,207		3,330,131		1,030,772		2,701,012		3,121,037
	4,403,061		4,332,497		3,879,602		3,832,078		3,608,367
	417,020		418,089		1,299,604		512,011		1,300,659
	4,820,081		4,750,586		5,179,206		4,344,089		4,909,026
							· · · ·		
\$	6,465,350	\$	8,087,037	\$	9,216,198	\$	7,045,931	\$	8,333,065
\$	(3,202,867)	\$	(1,072,485)	\$	(444,787)	\$	(1,098,513)	\$	134,178
	979,801		1,157,580		1,941,918		1,452,948		1,939,049
	777,001		1,137,300		1,711,710		1,102,710		_,, ,

CHANGES IN NET POSITION (CONTINUED)

Last Ten Years (Accrual Basis of Accounting) (Unaudited)

	2023	2022	2021	2020
General Revenues				
Governmental Activities:				
Property Taxes	\$ 5,089,979	\$ 4,547,710	\$ 4,393,105	\$ 4,241,420
Sales Tax	2,558,589	2,432,430	2,114,433	1,827,798
Franchise Tax	471,540	447,706	391,599	391,893
Investment Earnings	769,680	124,210	37,869	202,167
Other Revenues	-	-	156,826	88,672
Intergovernmental	-	-	-	-
Transfers, Net	380,975	365,050	284,355	294,753
Total Governmental Activities	9,270,763	7,917,106	7,378,187	7,046,703
Business-type Activities:				
Investment Earnings	486,369	62,517	9,968	114,429
Other Income	-	4,000	-	1,200
Transfers, Net	(380,975)	(365,050)	(284,355)	(294,753)
Total Business-type Activities	105,394	(298,533)	(274,387)	(179,124)
Total Primary Government	\$ 9,376,157	\$ 7,618,573	\$ 7,103,800	\$ 6,667,372
Change in Net Position				
Governmental Activities	4,029,996	2,601,633	6,956,098	2,096,452
Business-type Activities	2,637,153	2,329,989	999,633	862,872
Total Primary Government	\$ 6,667,149	\$ 4,931,622	\$ 7,955,731	\$ 2,959,324

Source: City of Lucas Financial Services Annual Financials

2019	2019 2018		2017	 2016	 2015	2014	
\$ 3,920,086	\$	3,534,633	\$ 3,176,863	\$ 2,988,174	\$ 2,500,042	\$	2,430,447
1,576,882		1,454,670	1,407,216	1,349,475	1,180,171		814,033
413,713		410,594	318,056	420,003	333,591		319,026
334,467		195,398	80,081	31,531	25,026		18,681
217,025		309,452	64,651	183,261	120,443		122,164
-		-	-	-	-		-
238,387		274,498	158,865	160,926	 320,244		275,834
6,700,560		6,179,245	5,205,732	5,133,370	4,479,517		3,980,185
		_	_				
205,199		104,144	33,792	8,478	3,342		4,321
-		-	-	-	111,210		-
(238,387)		(274,498)	(158,865)	(160,926)	(320,244)		(275,834)
(33,188)		(170,354)	(125,073)	(152,448)	(205,692)		(271,513)
\$ 6,008,891	\$	5,080,659	\$ 4,980,922	\$ 4,273,825	\$ 3,708,672	\$	16,338,407
2,002,809		2,002,865	4,060,885	4,034,730	2,881,672		3,541,450
938,047		854,728	 1,005,132	1,736,226	 1,181,435		1,757,578
\$ 2,940,856	\$	2,857,593	\$ 5,066,017	\$ 5,770,956	\$ 4,063,107	\$	5,299,028

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years (Modified Accrual Basis of Accounting) (Unaudited)

	2023			2022		2021		2020
General Fund:								
Restricted								
	φ	1 001 660	ф	1 740 012	ф	1 417 222	ф	2 115 002
Impact Fees	\$	1,881,660	\$	1,748,913	\$	1,417,322	\$	2,115,802
Pensions		284,802		280,509		279,043		252,407
Municipal Court		94,872		84,760		75,515		77,594
Capital Improvements		-		500,448		-		613,590
Cable Fees		39,751		37,228		34,707		31,834
Street Maintenance		31,464		31,464		-		385,528
Project Management		-		-		-		70,853
CARES Funding		-		-		-		89,755
Capital Outlay (Other)		2,719,600		861,682		300,000		250,000
Capital Outlay (Ambulance)		-		-		-		-
Capital Outlay (Playground E&P)		1,132		1,132		1,132		1,132
Fire Protection		-		13,130		16,379		-
Water Rescue		-		-		120,000		-
Records management		5,779		13,903		-		-
Unassigned		9,375,288		9,831,538		10,085,127		8,524,465
Total General Fund	\$	14,434,348	\$	13,404,707	\$	12,329,225	\$	12,412,960
All Other Governmental Funds:								
Restricted For:								
Debt Service	\$	1,413,890	\$	1,360,643	\$	1,326,101	\$	1,324,819
Fire Protection		120,492		108,766		105,439		79,527
Capital Improvement		9,029,160		8,741,047		9,591,973		6,884,024
Total All Other Governmental Funds	\$	10,563,542	\$	10,210,456	\$	11,023,513	\$	8,288,370

Source: City of Lucas Financial Services Annual Financials

2019	 2018	 2017	2016		2015			2014
\$ 1,785,286	\$ 1,572,405	\$ 1,254,213	\$	1,116,079	\$	867,279	\$	770,508
252,407	233,592	216,615	•	-		_	·	-
70,355	62,899	55,688		51,623		45,612		35,473
1,385,000	1,385,000	-		-		-		-
28,582	25,318	21,843		17,670		12,773		8,256
285,878	245,054	204,594		-		-		_
358,290	-	-		-		-		-
-	-	-		-		-		-
200,000	150,000	-		2,382		-		-
-	100,000	-		-		-		-
1,132	1,132	-		-		-		-
-	-	-		-		-		-
-	-	-		-		-		-
-	-	-		-		-		-
7,442,323	 7,380,496	8,774,909		7,834,423		6,203,973		5,867,875
\$ 11,809,253	\$ 11,155,896	\$ 10,527,862	\$	9,022,177	\$	7,129,637	\$	6,682,112
\$ 1,156,232	\$ 969,611	\$ 833,062	\$	704,397	\$	560,000	\$	391,905
74,308	67,868	56,277		53,135		50,075		-
8,220,098	 4,892,086	 6,866,803		2,901,186		3,575,719		3,480,905
\$ 9,450,638	\$ 5,929,565	\$ 7,756,142	\$	3,658,718	\$	4,185,794	\$	3,872,810

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(Modified Accrual Basis of Accounting)

(Unaudited)

	2023		2022	_	2021		2020
REVENUES:							
Property Taxes	\$ 5,023,335	\$	4,555,904	\$	4,392,506	\$	4,237,072
Sales Tax	2,558,589	Ψ	2,432,430	Ψ	2,114,433	Ψ	1,827,798
Franchise Taxes	471,540		447,706		391,599		391,893
Fines and Forfeitures	-		-		-		90,281
Licenses and Permits	558,548		841,396		993,084		496,675
Fire Service Agreements	666,148		624,820		585,092		540,663
Grants	73,467		18,483		17,380		712,345
Donations	-		-		-		-
Impact Fees	202,747		409,571		459,118		451,516
Intergovernmental	-		-		4,182,590		-
Investment Income	769,681		124,210		37,869		202,167
Other Revenue	229,633		212,666		156,825		145,416
Total Revenues	10,553,688		9,667,186		13,330,496		9,095,826
			1,001,200				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
EXPENDITURES:							
General Government	1,322,844		1,185,761		1,128,717		1,220,744
Public Works	863,384		639,503		484,418		711,839
Parks and Recreation	193,438		169,128		144,106		130,564
Public Safety	3,378,429		2,970,097		2,450,541		2,310,128
Development Services	444,264		469,995		409,058		338,684
Debt Service							
Principal	920,000		1,115,000		3,145,000		915,000
Interest	440,608		480,099		605,440		585,398
Bond Issuance Costs	-		-		-		-
Capital Outlay	2,080,548		2,740,228		4,785,459		3,736,780
Total Expenditures	9,643,515		9,769,811		13,152,739		9,949,138
-							
EXCESS (DEFICIENCY) OF REVENUES OVER							
(UNDER) EXPENDITURES	910,173		(102,625)		177,757		(853,312)
OTHER FINANCING SOURCES (USES):							
Transfers In (Out)	380,975		365,050		284,355		294,753
Debt Issued	-		-		1,745,000		-
Premium on Bonds Issued	-		-		193,382		-
Insurance Proceeds	-		-		-		-
Sale of Capital Assets	91,579				250,914		_
Total Other Financing Sources (Uses)	472,554		365,050	_	2,473,651		294,753
NET CHANGE IN FUND BALANCES	\$ 1,382,727	\$	262,425	\$	2,651,408	\$	(558,559)
Ratio of total Debt Service Expenditures to					e		
Noncapital Expenditures ¹	18.0%		22.7%		21.7%		24.2%

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

Source: City of Lucas Financial Services Annual Financials

 $^{^2}$ 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.

	2019		2018	2017		2016	2015			2014
\$	3,954,237	\$	3,518,185	\$ 3,199,118	\$	2,964,421	\$	2,492,526	\$	2,430,447
	1,576,882		1,454,670	1,407,216		1,349,475		1,180,171		814,033
	413,713		410,594	318,056		420,003		333,591		319,026
	32,340		35,037	88,342		90,522		137,842		91,059
	463,900		871,480	627,675		568,630		571,932		483,163
	527,303		508,170	446,144		413,144		325,778		231,991
	181,400		342,372	126,168		-		-		-
	-		-	-		37,600		55,000		101,400
	232,881		341,597	356,940		402,068		335,163		89,050
	-		-	-		-		141,000		1,000,000
	334,467		195,398	80,081		31,531		25,026		18,681
_	210,307		306,219	 136,307		140,006		120,443		122,164
	7,927,430		7,983,722	 6,786,047		6,417,400		5,718,472		5,701,014
	995,991		947,731	886,212		882,248		817,532		770,722
	515,752		1,071,172	446,562		479,430		548,519		416,843
	152,485		134,568	69,247		106,408		78,233		129,207
	2,341,313		2,294,878	1,713,980		1,640,309		1,412,056		1,282,562
	417,978		405,016	340,270		279,243		328,126		248,613
	860,930		844,218	597,555		615,940		444,367		439,703
	374,100		415,842	248,082		273,287		227,132		235,196
	153,693		-	111,007		-		85,771		-
	5,889,556		3,357,629	 3,101,568		1,172,535		3,422,242		1,612,063
	11,701,798		9,471,054	 7,514,483		5,449,400		7,363,978		5,134,909
	(2.554.2(0)		(4.405.222)	(500 406)		0.60.000		(1 (45 506)		E C C 4.0E
	(3,774,368)		(1,487,332)	 (728,436)		968,000		(1,645,506)		566,105
	00000		25.400	450.065		460.006		222244		000
	238,387		274,498	158,865		160,926		320,244		275,833
	7,215,000		-	5,855,000		43,255		2,000,000		345,000
	488,693		-	256,007		-		85,771		-
	-		-	60,401		-		-		-
_	6,718		14,291	 1,272		-	_		_	2,501
_	7,948,798	ф.	288,789	 6,331,545	_	204,181	_	2,406,015	_	623,334
\$	4,174,430	\$	(1,198,543)	\$ 5,603,109	\$	1,172,181	\$	760,509	\$	1,189,439
	-114.3%		20.6%	-122.4%		19.8%		-36.7%		9.4%
	-114.5%		20.0%	-144.4%		19.6%		-30.7%		7.4%

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Years (Unaudited)

	Estimated Ma	arket Value	Less:	
Fiscal Year	Real Property	Personal Property	Tax-Exempt Property	Total Taxable Assessed Value
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
2022	1,880,283,886	167,965,774	420,318,958	1,627,930,702
2023	2,532,866,696	179,700,139	782,644,429	1,929,922,406

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
0.355620	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%
0.303216	1,688,686,983	77.50%
0.303216	1,827,706,239	78.66%
0.299795	1,890,469,152	79.28%
0.288397	2,048,249,660	79.48%
0.268016	2,712,566,835	71.15%

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Years (Unaudited)

_	2023	2022	2021	2020	2019
Direct Rates:					
City of Lucas - Operating	0.195821	0.185743	0.190846	0.18452	0.20235
City of Lucas - Debt Service	0.072195	0.102654	0.108949	0.11870	0.10087
Total Direct Rate_	0.268016	0.288397	0.299795	0.303216	0.303216
Overlapping Rates:					
Lovejoy Independent School District	1.44290	1.50500	1.55470	1.56800	1.67000
Allen Independent School District	1.33040	1.40680	1.43250	1.45800	1.55000
McKinney Independent School District	1.31290	1.37670	1.47470	1.48800	1.59000
Plano Independent School District	1.25975	1.32075	1.32370	1.33700	1.43900
Princeton Independent School District	1.44290	1.46030	1.46980	1.56800	1.62000
Wylie Independent School District	1.39790	1.45980	1.52050	1.53800	1.64000
Collin County	0.15244	0.168087	0.17253	0.17400	0.18000
Collin County Community College	0.08122	0.081222	0.08122	0.08100	0.08100

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.

2018	2017	2016	2015	2014
0.19870	0.23037	0.21551	0.23307	0.25401
0.11925	0.08758	0.10515	0.08759	0.10161
0.317948	0.317948	0.320661	0.320661	0.355616
1.67000	1.67000	1.56000	1.56000	1.53500
1.57000	1.59000	1.61000	1.64000	1.67000
1.62000	1.62000	1.67000	1.67000	1.67000
1.43900	1.43900	1.43900	1.44800	1.45300
1.62000	1.62000	1.62000	1.62000	1.51000
1.64000	1.64000	1.64000	1.64000	1.64000
0.19225	0.20840	0.22500	0.23500	0.23750
0.07981	0.08122	0.08196	0.08196	0.08364



PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago (Unaudited)

		Fis	cal Year 2023			Fiscal Year 2014				
Property Taxpayer	As	Taxable ssessed Value	Rank	Percentage of Total City Taxable Assessed Value	As	Taxable sessed Value	Rank	Percentage of Total City Taxable Assessed Value		
Wal-Mart Real Estate	\$	13,992,000	1	0.73%						
Lucas Plaza YSR		7,641,283	2	0.40%						
Texas Henderson LLC		6,518,373	3	0.34%						
Wal-Mart Stores Texas LLC		6,510,356	4	0.34%						
Partners in Building LP		6,466,535	5	0.34%						
Wendy Farm LLC		6,430,380	6	0.33%						
Dahlia ARR LLC		6,310,785	7	0.33%						
GFO Home LLC		5,630,153	8	0.29%						
Smith Rusell Tyler		4,792,362	9	0.25%						
Cooper Amari		4,774,460	10	0.25%						
Wal-Mart Real Estate					\$	15,718,115	1	2.37%		
Wal-Mart Stores Texas LLC					\$	10,377,346	2	1.56%		
DR Horton Real State -Texas LTD					\$	8,003,940	3	1.21%		
M Christopher Custom Homes LLC					\$	2,928,534	4	0.44%		
M Christopher Investment					\$	2,794,831	5	0.42%		
Lucas Real Estate LLC					\$	1,902,859	6	0.29%		
Paul Taylor Homes Limited					\$	1,860,233	7	0.28%		
Scarborough Forest R. Develooment					\$	1,814,400	8	0.27%		
Bank of America National Assoc.					\$	1,626,397	9	0.25%		
Russell Jason					\$	1,350,368	10	0.20%		
Tota	al \$	69,066,687		3.58%	\$	48,377,023		7.29%		
Total Assessed Value	e: \$	1,929,922,406		100%	\$	663,672,428		100%		

Source: Tax Office

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

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years (Unaudited)

	2	2023	2022	2021		2020
Tax levy	\$ 5,0	008,367	\$ 4,535,324	\$ 4,369,607	\$ 4	,214,364
Current tax collected	\$ 4,9	973,893	\$ 4,531,877	\$ 4,359,330	\$ 4	,214,364
Percent of current tax collections		99.3%	99.9%	99.8%		100.0%
Delinquent tax collections	\$	34,474	\$ 3,447	\$ 10,277	\$	-
Total tax collections	\$ 5,0	008,367	\$ 4,535,324	\$ 4,369,607	\$ 4	,214,365
Total collections as a percentage of Levy	-	100.00%	100.00%	100.00%		100.00%

Source: Dallas and Collin County reports.

2019	2018	2017	2016	2015	2014
\$ 3,919,539	\$ 3,494,617	\$ 3,166,220	\$ 2,916,026	\$ 2,468,541	\$ 2,466,765
\$ 3,872,364	\$ 3,476,119	\$ 3,117,732	\$ 2,796,734	\$ 2,426,661	\$ 2,321,282
98.8%	99.5%	98.5%	95.9%	98.3%	94.1%
\$ 47,176	\$ -	\$ 44,816	\$ 112,841	\$ 35,951	\$ 140,331
\$ 3,919,539	\$ 3,476,119	\$ 3,162,548	\$ 2,909,575	\$ 2,462,612	\$ 2,461,613
100.00%	99.47%	99.88%	99.78%	99.76%	99.79%

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Years (Unaudited)

	2023	 2022	2021	 2020
Governmental activities:			 	
General Obligations Bonds	\$ 1,575,367	\$ 1,749,706	\$ 2,164,044	\$ 480,000
Certificates of Obligations	\$ 12,853,729	\$ 13,663,266	\$ 14,427,804	\$ 17,420,223
Capital Leases	\$ -	\$ -	\$ -	\$ -
Business-type activities:				
General Obligations Bonds	\$ 1,055,096	\$ 1,172,967	\$ 1,385,837	\$ 210,000
Certificates of Obligations	\$ 4,057,887	\$ 4,373,932	\$ 4,679,977	\$ 6,490,242
Total primary government	\$ 19,542,079	\$ 20,959,871	\$ 22,657,662	\$ 24,600,465
Percentage of personal income (1)	2.70%	3.10%	3.76%	4.36%
Per capita (1)	\$ 2,129	\$ 2,324	\$ 2,625	\$ 2,950

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 Demographic and Economic Statistics.

 2019	 2018	2017	 2016	 2015	 2014
\$ 705,000	\$ 920,000	\$ 1,125,000	\$ 1,325,000	\$ 1,515,000	\$ 1,695,000
\$ 18,158,549	\$ 11,061,892	\$ 11,663,928	\$ 5,914,957	\$ 6,293,421	\$ 4,336,840
\$ -	\$ 60,930	\$ 120,148	\$ 177,703	\$ 233,643	\$ 288,008
\$ 320,000	\$ 425,000	\$ 525,000	\$ 695,000	\$ 865,000	\$ 1,002,839
\$ 6,893,709	\$ 5,754,189	\$ 6,088,006	\$ 3,253,733	\$ 3,450,982	\$ 3,638,232
\$ 26,077,258	\$ 18,222,011	\$ 19,522,082	\$ 11,366,393	\$ 12,358,046	\$ 10,960,919
4.90%	3.70%	4.32%	2.82%	3.23%	2.97%
\$ 3,227	\$ 2,293	\$ 2,640	\$ 1,610	\$ 1,817	\$ 1,652

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years (Unaudited)

		2023		2022		2021		2020
NET TAXABLE ASSESSED VALUE All Property	\$ 1	,929,922,406	\$ 1	,627,930,702	\$ 1	,498,761,068	\$ 1,	437,720,074
NET BONDED DEBT (1) Gross bonded debt Less debt services funds Net Bonded Debt	\$	19,542,079 (1,413,890) 18,128,189	\$	20,959,871 (1,360,643) 19,599,228	\$	22,657,662 (1,326,100) 21,331,562	\$	24,600,465 (1,321,951) 23,278,514
RATIO OF NET BONDED DEBT TO ASSESSED VALUE		0.94%		1.20%		1.42%		1.62%
POPULATION		9,181		9,020		8,631		8,338
NET BONDED DEBT PER PERSON	\$	1,975	\$	2,173	\$	2,472	\$	2,792

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

	2019		2018		2017	 2016	 2015	 2014
\$ 1	1,308,714,124	\$ 1	1,123,948,354	\$ 1	,001,187,477	\$ 878,616,542	\$ 768,920,713	\$ 663,672,428
\$	26,077,258 (1,156,232) 24,921,026	\$	18,161,081 (969,611) 17,191,470	\$	19,401,934 (833,062) 18,568,872	\$ 11,188,690 (704,397) 10,484,293	\$ 12,124,403 (560,000) 11,564,403	\$ 10,672,911 (391,905) 10,281,006
	1.90% 8,080		1.53% 7,947		1.85% 7,395	1.19% 7,061	1.50% 6,800	1.55% 6,636
\$	3,084	\$	2,163	\$	2,511	\$ 1,485	\$ 1,701	\$ 1,549

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT As of September 30, 2023 (Unaudited)

Governmental Unit	Gross Bonded Debt Outstanding	Estimated Percentage Applicable	Estimated Share of erlapping Tax Rate
Debt repaid with property taxes			
Allen ISD	\$ 630,131,098	0.84%	\$ 5,293,101
Collin County	721,825,000	0.94%	\$ 6,785,155
Collin County Community College	480,350,000	0.94%	\$ 4,515,290
Lovejoy ISD	133,285,000	34.33%	\$ 45,756,741
McKinney ISD	492,835,000	0.48%	\$ 2,365,608
Plano ISD	992,285,000	0.13%	\$ 1,289,971
Princeton ISD	440,285,384	0.16%	\$ 704,457
Wylie ISD (Collin)	403,108,753	0.41%	\$ 1,652,746
Subtotal, overlapping debt			68,363,068
City direct debt			14,429,096
Total direct and overlapping debt			\$ 82,792,164

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

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years (Unaudited)

Fiscal Year	Estimated Population	Personal Income	Per Capita Personal Income	Average Age	School Enrollment	Unemployment Rate
2014	6,636	368,662,980	55,555	40	1,517	5.0%
2015	6,800	382,948,800	56,316	41	1,887	3.0%
2016	7,061	403,585,577	57,157	40	1,890	3.4%
2017	7,395	452,418,705	61,179	41	1,959	3.5%
2018	7,947	492,801,417	62,011	40	1,981	3.2%
2019	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	8,695	601,917,309	69,739	41	1,914	5.0%
2022	9,020	675,137,980	74,849	42	1,864	3.3%
2023	9,181	722,618,148	78,708	45	1,718	3.9%

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.



FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION Last Ten Years

(Unaudited)

Function/Program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Government and Administration	5	5	4	4	4	4	4	3	3	4
Finance	3	3	4	4	4	4	4	4	4	4
Development Services	6	6	5	5	5	5	5	4	4	4
Fire/EMS	19	19	16	16	16	16	12	12	8	8
Public Works/Water Engineering	11	10	10	10	9	9	9	9	8	9
Total	44	43	39	39	38	38	34	32	27	29

Source: Various City departments.

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Years (Unaudited)

Function/Program	2023	2022	2021	2020
P. 11. G. C.				
Public Safety				
Municipal Court				
Number of Cases Filed	81	7	4	1
Fire/EMS				
Number of Calls Answered	1032	993	941	848
Number of Gans Answered	1032	773	711	040
Public Works				
Streets Maintained (miles)	80	80	80	80
Development Services				
Building Permits	785	946	859	771
Water and Sewer				
New Connections	81	101	138	93
Annual Gallons Pumped (thousands)	638,823	607,313	456,998	457,649
Miles of Water Mains Maintained	106	106	105	105

Source: Various City departments.

2019	2018	2017	2016	2015	2014
14	6	13	2	4	30
757	773	596	532	504	499
77	76	75	75	71	69
714	1028	818	777	663	621
87 439,653 105	106 506,758 104	81 424,082 104	105 421,738 104	84 499,963 100	71 458,360 98

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years (Unaudited)

Function/Program	2023	2022	2021	2020
Public Safety Fire Stations	1	1	1	1
Public Works				
Streets-paved	236	236	236	236
Parks	3	3	3	3
Parks (acres)	11	11	11	11
Water and Sewer				
Water Mains (miles)	106	106	105	105
Storm Mains (miles)	3	3	3	3
Storm Drainage (miles)	2.5	2.5	2.5	2.5

Source: Various City departments.

2019	2018	2017	2016	2015	2014
1	1	1	1	1	1
1	1	1	1	1	1
235	234	233	231	228	223
3	3	3	3	3	3
11	11	11	11	11	11
105	104	104	104	100	98
3	3	3	3	3	3
2.5	2.5	2.5	2.5	2.5	2.5