



Control Number: 48660



Item Number: 1

Addendum StartPage: 0



PURSUANT TO PUC CHAPTER 24, SUBSTANTIVE RULES APPLICABLE TO WATER AND SEWER
SERVICE PROVIDERS, SUBCHAPTER G: CERTIFICATES OF CONVENIENCE AND NECESSITY

Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

Docket Number: 486 60

(this number will be assigned by the Public Utility Commission after your application is filed)

7 copies of the application, including the original, shall be filed with

Public Utility Commission of Texas

Attention: Filing Clerk

1701 N. Congress Avenue

P.O. Box 13326

Austin, Texas 78711-3326

If submitting digital map data, two copies of the portable electronic storage medium (such as CD or DVD) are required.

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Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

Purpose of Application

| | | |
|---------------------------------|--|--|
| <input type="checkbox"/> Obtain | <input type="checkbox"/> New Water CCN | <input type="checkbox"/> New Sewer CCN |
| <input type="checkbox"/> Amend | <input checked="" type="checkbox"/> Water CCN# (s) | 10193 |
| <input type="checkbox"/> Amend | <input type="checkbox"/> Sewer CCN#(s) | |

1. Applicant Information

Applicant

Utility name: City of Lucas

Certificate number: 430054

Street address (City/ST/ZIP/Code): 665 Country Club Rd. Lucas, TX 75002

Mailing address(City/ST/ZIP/Code): 665 Country Club Rd. Lucas, TX 75002

Utility Phone Number and Fax: (972) 912-1208

Contact information

Please provide information about the person(s) to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant manager, or other title related to the applicant.

Name: Stanton Foerster

Title: Public Works Dir/ City Engineer

Mailing address: 665 Country Club Rd. Lucas, TX 75002

Email: sfoerster@lucastexas.us

Phone and Fax: (972) 912-1208

List all counties in which service is proposed:

Collin

A. Check the appropriate box and provide information regarding the legal status of the applicant:

- ☐ Investor Owned Utility ☐ Individual ☐ Partnership
- ☐ Home or Property Owners Association ☐ For-profit Corporation
- ☐ Non-profit, member-owned, member-controlled cooperative corporation
(Water Code Chapter 67, Water Supply or Sewer Service Corporation)
- ☒ Municipality ☐ District ☐ Other - Please explain:

B. If the applicant is a For-Profit business or corporation, please include the following information:

- i. A copy of the corporation's "Certification of Account Status" from the Texas State Comptroller of Public Accounts.
- ii. The corporation's charter number as recorded with the Office of the Texas Secretary of State: _____
- iii. A listing of all stockholders and their respective percentages of ownership.
- iv. A copy of the company's organizational chart, if available.
- v. A list of all directors and disclose the title of each individual.
- vi. A list of all affiliated organizations (if any) and explain the affiliate's business relationship with the applicant.

C. If the applicant is a Texas Water Code (TWC) Chapter 67 water supply or sewer service corporation please provide:

- i. A copy of the Articles of Incorporation and By-Laws.
- ii. The corporation's charter number as recorded with the Office of the Texas Secretary of State.
- iii. Identification of all board members including name, address, title, and telephone number.
- iv. A copy of the corporation's *Certificate of Account Status* from the Texas Comptroller of Public Accounts.

2. Location Information

- A. Are there people already living in the proposed area?** ☒ Yes ☐ No
- If YES, are any currently receiving utility service?** ☐ Yes ☐ No
- If YES, from WHOM?** City of Lucas

B. Demonstrate the Need for Service by providing the following:

Have you received any requests for service in the requested service area?

☐ Yes ☒ No

If YES, provide the following:

- i. Describe the service area and circumstances driving the need for service in the requested area. Indicate the name(s) and address(es) of landowner(s), prospective landowner(s), tenant(s), or resident(s) that have requested service; and/or
- ii. Describe the economic need(s) for service in the requested area (i.e. plat approvals, recent annexation(s) or annexation request(s), building permits, septic tank permits, hospitals, etc.); and/or
- iii. Discuss in detail the environmental need(s) for service in the requested area (i.e. failing septic tanks in the requested area, fueling wells, etc.); and/or
- iv. Provide copies of any written application(s) or request(s) for service in the requested area; and/or
- v. Provide copies of any reports and/or market studies demonstrating existing or anticipated growth in the requested area.
- vi. If none of these items exist or are available, please justify the need for service in the proposed area in writing.

Note: Failure to demonstrate a need for additional service in the proposed service area may result in the delay and /or possible denial of the application.

C. Is any portion of the proposed service area inside an incorporated city or district?

☒ Yes ☐ No

If YES, within the corporate limits of: City of Lucas

Provide a copy of any franchise, permit, or consent granted by the city or district. If not available please explain:

D. Is any portion of the proposed service area inside another utility's CCN area?

☐ Yes ☒ No

If YES, has the current CCN holder agreed to decertify the proposed area?

If NO, are you seeking dual or single certification of the area? Explain why decertification of the area is in the public interest:

Seeking a single certification.

3. Map Requirements

Attach the following hard copy maps with each copy of the application:

- A. A location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county.
- B. A map showing only the proposed area by:
 - i. metes and bounds survey certified by a licensed state or register professional land surveyor; or
 - ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled). Also, a data disk labeled with the applicant's name must be provided; or
 - iii. following verifiable natural and man-made landmarks; or
 - iv. a copy of recorded plat map with metes and bounds.
- C. A written description of the proposed service area.
- D. Provide separate and additional maps of the proposed area(s) to show the following:
 - i. all facilities, illustrating separately facilities for production, transmission, and distribution of the applicant's service(s); and
 - ii. any facilities, customers or area currently being served outside the applicant's certificated area(s).

Note: Failure to provide adequate mapping information may result in the delay or possible denial of your application.

Digital data submitted in a format other than ArcView shape file or Arc/Info E00 file may result in the delay or inability to review applicant's mapping information.

For information on obtaining a CCN base map or questions about sending digital map data, please visit the Water Utilities section of the PUC website for assistance.

4. New System Information or Utilities Requesting a CCN for the First Time

- A. Please provide the following information:
 - i. a list of public drinking water supply system(s) or sewer system(s) within a 2 mile radius of the proposed system;
 - ii. copies of written requests seeking to obtain service from each of the public drinking water systems or sewer systems listed in a. 1 above or documentation that it is not economically feasible to obtain service from each entity;
 - iii. copies of written responses from each system or evidence that they did not reply; and
 - iv. for sewer utilities, documentation showing that you have obtained or applied for a wastewater discharge permit.
- B. Were your requests for service denied? ☐ Yes ☒ No

- i. If yes, please provide documentation of the denial of service and go to c.
- ii. If no, please provide a detailed analysis which justifies your reasons for not accepting service. A separate analysis must be prepared and submitted for each utility that granted your request for service.

C. Please summarize how the proposed utility system will be constructed and describe each projected construction phase, if any:

Infrastructure has been in place for 15 - 20 years. Proper CCN updates were never filed previously.

D. Date of plat approval, if required: _____
 Approved by: N/A

E. Date Plans & Specifications submitted to the TCEQ for approval:
N/A Attach copy of approval letter, if available. If the letter is not available by the time your CCN application is submitted, please supplement your application with a copy of the letter once you receive it from the TCEQ.

F. Date construction is scheduled to commence: _____

G. Date service is scheduled to commence: _____

5. Existing System Information

A. Please provide the following information for each water and/or sewer system, attach additional sheets if necessary.

i. Water system(s): TCEQ Public Water System identification number(s):

| | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| 0 | 4 | 3 | 0 | 0 | 5 | 4 | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | |

ii. Sewer system(s): TCEQ Discharge Permit number(s)

- iii. Date of last TCEQ water and/or sewer system inspection(s): 3/1/2016
- iv. Attach a copy of the most recent TCEQ water and/or sewer inspection report letter(s).
- v. For each system deficiency listed in the TCEQ inspection report letter; attach a brief explanation listing the actions taken or being taken by the utility to correct the listed deficiencies, including the proposed completion dates.

| TCEQ Water System | | | TCEQ Sewer System | | |
|-------------------|--|--|-------------------|--|--|
| Other: | | | Other: | | |
| Total Water | | | Total Sewer | | |

- E. If this application is for a water CCN only, please explain how sewer service is or will be provided:

Sewer service is taken care of by the individual property owners with septic systems. Commercial buildings utilize existing sewer.

- F. If this application is for a sewer CCN only, please explain how water service is or will be provided:

N/A

- G. Effect of Granting a Certificate Amendment.

Explain in detail the effect of granting of a certificate or an amendment, including, but not limited to regionalization, compliance and economic effects on the following:

- i. the applicant,
- ii. any retail public utility of the same kind already serving the proximate area; and
- iii. any landowner(s) in the requested area.

- H. Do you currently purchase or plan to purchase water or sewer treatment capacity from another source?

i. ☐ No, (skip the rest of this question and go to #6)

ii. ☒ Yes, Water

Purchased on a ☒ Regular ☐ Seasonal ☐ Emergency basis?

| Water Source | % of Total Treatment |
|-----------------------------|----------------------|
| North Texas Municipal Water | 100.00% |

| Water Source | % of Total Treatment |
|--------------|----------------------|
| | 0.00% |
| | 0.00% |

iii. ☐ Yes, Sewer treatment capacity

Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency basis?

| Sewer Source | % of Total Treatment |
|--------------|----------------------|
| | 0.00% |
| | 0.00% |
| | 0.00% |

iv. Provide a signed and dated copy of the most current water or sewer treatment capacity purchase agreement or contract.

I. Ability to Provide Adequate Service.

Describe the ability of the applicant to provide adequate service, including meeting the standards of the commission, taking both of the following items into consideration:

- i. the current and projected density; and
- ii. the land use of the requested area.

J. Effect on the Land. Explain the effect on the land to be included in the certificated area.

Area within the CCN update is residential and has been receiving water for 15 - 20 years.

6. Financial Information

A. For new water and/or sewer systems and for applicants with existing CCNs who are constructing a new stand-alone water and/or sewer system:

- i. the applicant must provide an analysis of all necessary costs for constructing, operating, and maintaining the system, and the source of that capital (such as a financial statement for the developing entity) for which the CCN is requested for at least the first five years. In addition, if service has been offered by an existing retail water service provider as stated in #4.A., but the applicant has determined that the cost of service as finally offered renders the project not economically feasible, the applicant must provide a comparison analysis of all necessary costs for acquiring and continuing to receive service from the existing system for the same period.
- ii. Attach projected profit and loss statements, cash flow worksheets, and balance sheets (projected five year financial plan worksheet is attached) for each of the first five years of operation. Income from rates

should correlate to the projected growth in connections, shown on the projected profit and loss statement.

- iii. Attach a proposed rate schedule or tariff. Describe the procedure for determining the rates and fees and indicate the date of last change, if applicable. Attach copies of any cost of service studies or rate analysis worksheets.

B. For existing water and/or sewer systems:

- i. Attach a profit and loss statement and current balance sheet for existing businesses (end of last fiscal year is acceptable). Describe sources and terms for borrowed capital such as loans, bonds, or notes (profit and loss and balance sheet worksheets are attached, if needed).
- ii. Attach a proposed rate schedule or tariff.

❖ **Note: An existing water and/or sewer system may be required to provide the information in 6.A.i. above during the technical review phase if necessary for staff to completely evaluate the application**

C. Identify any funds you are required to accumulate and restrict by lenders or capital providers.

- D. In lieu of the information in #6.A. thru #6.C., you may provide information concerning loan approvals within the last three (3) years from lending institutions or agencies including the most recent financial audit of the applicant.

❖ **Note: Failure to provide adequate financial information may result in the delay or possible denial of your application.**

7. Notice Requirements

- A. All proposed notice forms must be completed and submitted with the application. Do not mail or publish the notices until you receive written approval from the commission to do so.
- B. The commission cannot grant a CCN until proper notice of the application has been given. Commission rules do not allow a waiver of notice requirements for CCN applicants.
- C. It is the applicant's responsibility to ensure that proper notice is given to all entities that are required to receive notice.
- D. Recommended notice forms for publication, neighboring cities and systems, landowners with 25 acres or more, and customers are included with this application for use in preparing proposed notices. (Notice forms are available in Spanish upon request.)
- E. After reviewing and, if necessary, modifying the proposed notice, the commission will send the notice to the applicant after the application is accepted for filing along with instructions for publication and/or mailing. Please review the notice carefully before providing the notice.
- F. **Notice For Publication:**
The applicant shall publish the notice in a newspaper with general circulation in the county(ies) where a CCN is being requested. The notice must be published once each week for two consecutive weeks beginning with the week after the notice is received from the commission. Proof of publication in the form of a publisher's affidavit shall be submitted to the commission within 30 days of the last publication date. The affidavit shall state with specificity each county in which the newspaper is of general circulation.
- G. **Notice To Neighboring Utilities:**
 - i. List all neighboring retail public utilities and cities providing the same utility service within the following vicinities of the applicant's proposed certificate area.
 - ii. For applications for the issuance of a NEW CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within five (5) miles of the requested service area.

- iii. For applications for the AMENDMENT of a CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within two (2) miles of the requested service area.
- H. Notice to Customers:
Investor Owned Utilities (IOUs) that are currently providing service without a CCN must provide individual mailed notice to all current customers. The notice must contain the current rates, the date those rates were instituted and any other information required in the application.
- I. The commission may require the applicant to deliver notice to other affected persons or agencies.

Do not publish or send copies of the proposed notices to anyone at the time you submit the application to the commission. Wait until you receive written authorization to do so. Authorization occurs after the commission has reviewed the notices for completeness, and your application has been accepted for filing. Once the application is accepted for filing, you will receive written authorization to provide notice. Please check the notices for accuracy before providing them to the public. It is the applicant's burden to ensure that correct and accurate notice is provided.

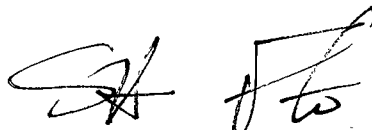
OATH

STATE OF Texas
COUNTY OF Collin

I, Stanton Foerster, being duly sworn,
file this application as City Engineer (indicate relationship to Applicant,
that is, owner, member of partnership, title as officer of corporation, or other authorized
representative of Applicant); that, in such capacity, I am qualified and authorized to file
and verify such application, am personally familiar with the maps and financial information
filed with this application, and have complied with all the requirements contained in this
application; and, that all such statements made and matters set forth therein are true and
correct. I further state that the application is made in good faith and that this application
does not duplicate any filing presently before the Public Utility Commission of Texas.

I further represent that the application form has not been changed, altered or amended
from its original form.

**I further represent that the Applicant will provide continuous and adequate
service to all customers and qualified applicants for service within its certificated
service area.**



AFFIANT

(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the
Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas,
This day 27 of August 20 18

SEAL



NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS



PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 9-10-2019

[illegible]

Notice for Publication

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE IN

Collin COUNTY(IES), TEXAS

Name of Applicant City of Lucas has filed an application for a CCN to obtain or amend CCN No. (s) 10193 and to decertify a portion(s) of _____ with the _____
(Name of Decertified Utility)

Public Utility commission of Texas to provide Water
(specify 1) water or 2) sewer or 3) water & sewer)

utility service in Collin County
(ies).

The proposed utility service area is located approximately 6 miles East
[direction] of downtown ALLEN, [City or Town] Texas, and is generally bounded on the north by FAIRVIEW; on the east by WYLIE; on the south by WYLIE/PARKER; and on the west by ALLEN

The total area being requested includes approximately 4,593 acres and _____ current customers.

A copy of the proposed service area map is available at (Utility Address and Phone Number): 665 Country Club Rd. Lucas, TX 75002

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Persons who wish to intervene or comment should file with the PUC at the following address:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

within thirty (30) days from the date of this publication or notice. A public hearing will be held only if a legally sufficient hearing request is received or if the commission on its own motion requests a hearing. Only those individuals who submit a written hearing request or a written request to be notified if a hearing is set will receive notice if a hearing is scheduled.

If a public hearing is requested, the commission will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

If you are a landowner with a tract of land at least 25 acres or more, that is partially or wholly located within the proposed area, you may request to be excluded from the proposed area (or "opt out") by providing written notice to the commission within (30) days from the date that notice was provided by the applicant. All requests to opt out of the requested service area must include a scaled, general location map and a metes and bounds description of the tract of land.

Persons who meet the requirements to opt out, and wish to request this option should file the required documents with the:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

A copy of the request to opt out of the proposed area must also be sent to the applicant. Staff may request additional information regarding your request.

Si desea informacion en Espanol, puede llamar al 1-888-782-8477

Notice to Neighboring Systems, Landowners and Cities

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE IN

Collin COUNTY(IES), TEXAS

To: CITY OF ALLEN Date Notice Mailed TBD 20 18/19
(Neighboring System, Landowner or City)

700 EAST STACY ROAD

(Address)

ALLEN TX 75002
City State Zip

Name of Applicant City of Lucas has filed an application for a CCN to obtain or amend CCN No. (s) 10193 and to decertify a portion(s) of N/A with the
(Name of Decertified Utility)

Public Utility Commission of Texas to provide Water
(specify 1) water or 2) sewer or 3) water & sewer)
utility service in Collin County(ies).

The proposed utility service area is located approximately 6 miles WEST
[direction] of downtown ALLEN, [City or Town] Texas, and is generally bounded on the north by FAIRVIEW; on the east by WYLIE; on the south by WYLIE/PARKER; and on the west by ALLEN

See enclosed map of the proposed service area.

The total area being requested includes approximately 4,593 acres and _____ current customers.

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

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If a public hearing is requested, the commission will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

If you are a landowner with a tract of land at least 25 acres or more, that is partially or wholly located within the proposed area, you may request to be excluded from the proposed area (or "opt out") by providing written notice to the commission within (30) days from the date that notice was provided by the applicant. All requests to opt out of the requested service area must include a scaled, general location map and a metes and bounds description of the tract of land.

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Si desea informacion en Espanol, puede llamar al 1-888-782-8477

Notice to Customers of IOUs in Proposed Area

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE IN

Collin COUNTY(IES), TEXAS

Dear Customer: _____ Date Notice Mailed TBD 20 18/19

Name of Applicant City of Lucas has filed an application for a CCN to obtain or amend CCN No. (s) 10193 and to decertify a portion(s) of N/A with the _____
(Name of Decertified Utility)

Public Utility commission of Texas to provide Water
(specify 1) water or 2) sewer or 3) water & sewer)
utility service in Collin County(ies).

The proposed utility service area is located approximately 3 miles West
[direction] of downtown LUCAS ,[City or Town] Texas.

A copy of the proposed service area map is available at (Utility Address and Phone Number): 665 Country Club Rd. Lucas, TX 75002

The current utility rates which were first effective on October 1 2018

Monthly Flat Rate of \$ _____ Per connection

-OR-

Monthly Base Rate Including per 1,000 gallons connection for:

| | |
|--------------|----------|
| 5/8" meter | \$ 22.50 |
| 1" meter | \$ 35.33 |
| 1 1/2" meter | \$ 42.97 |
| 2" meter | \$ 78.44 |

Other\$ _____

Gallonage charge of \$ _____ Per 1,000
Gallons above minimum (same for all meters sizes)

Miscellaneous Fees

Regulatory Assessment

Tap Fee (Average Actual Cost) \$ 500.00

Reconnecting fee:

- Non Payment (\$25.00 max) \$ 25.00
- Transfer \$ 0.00
- Customer's request \$ 25.00

Late fee

Returned Check charge

Customer Deposit (\$50.00 max) \$ 100.00

Meter test fee

(Actual Cost not Exceed \$25.00) \$ 25.00

Other Fees

| 1% |
|----------------|
| \$ 500.00 |
| \$ 25.00 |
| \$ 25.00 |
| \$ 0.00 |
| \$ 25.00 |
| \$ 5.00 or 10% |
| \$ 25.00 |
| \$ 100.00 |
| \$ 25.00 |
| \$ |

Your utility service rates and fees cannot be changed by this application. If you are currently paying rates, those rates must remain in effect unchanged. Rates may only be increased if the utility files and gives notice of a separate rate change application.

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

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within thirty (30) days from the date of this publication or notice. A public hearing will be held only if a legally sufficient hearing request is received or if the commission on its own motion requests a hearing. Only those individuals who submit a written hearing request or a written request to be notified if a hearing is set will receive notice if a hearing is scheduled.

If a public hearing is requested, the Commission will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

IF A HEARING IS HELD, it is important that you or your representative attend to present your concerns. Your request serves only to cause a hearing to be held and is not used during the hearing.

If you are a landowner with a tract of land at least 25 acres or more, and is partially or wholly located within the proposed area, you may request to be excluded from the proposed area (or "opt out") by providing written notice to the commission within (30) days from the date that notice was provided by the applicant. All requests to opt out of the requested service area must include a scaled, general location map and a metes and bounds description of the tract of land.

Persons who meet the requirements to opt out, and wish to request this option should file the required documents with the:

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Si desea informacion en Espanol, puede llamar al 1-888-782-8477

HISTORICAL BALANCE SHEETS

| | CURRENT YEAR (A) | A-1 YEAR | A-2 YEAR | A-3 YEAR | A-4 YEAR | A-5 YEAR |
|--|---------------------|-------------|-------------|-------------|-------------|-------------|
| CURRENT ASSETS | | | | | | |
| Cash | | | | | | |
| Accounts Receivable | | | | | | |
| Inventories | | | | | | |
| Income Tax Receivable | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| FIXED ASSETS | | | | | | |
| Land | | | | | | |
| Collection/Distribution System | | | | | | |
| Buildings | | | | | | |
| Equipment | | | | | | |
| Other | | | | | | |
| Less: Accum. Depreciation or Reserves | | | | | | |
| Total | | | | | | |
| TOTAL ASSETS | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts Payable | | | | | | |
| Notes Payable, Current | | | | | | |
| Accrued Expenses | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| LONGTERM LIABILITIES | | | | | | |
| Notes Payable, Long-term | | | | | | |
| Other | | | | | | |
| TOTAL LIABILITIES | | | | | | |
| OWNER'S EQUITY | | | | | | |
| Paid in Capital | | | | | | |
| Retained Equity | | | | | | |
| Other | | | | | | |
| Current Period Profit or Loss | | | | | | |
| TOTAL OWNER'S EQUITY | | | | | | |
| TOTAL LIABILITIES AND EQUITY | | | | | | |
| WORKING CAPITAL | | | | | | |
| CURRENT RATIO | | | | | | |
| DEBT TO EQUITY RATIO | | | | | | |
| EQUITY TO TOTAL ASSETS | | | | | | |

HISTORICAL INCOME STATEMENT

| | CURRENT YEAR (A) | A-1 YEAR | A-2 YEAR | A-3 YEAR | A-4 YEAR | A-5 YEAR |
|-----------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|
| METER NUMBER | | | | | | |
| Existing Number of Taps | | | | | | |
| New Taps per Year | | | | | | |
| Total Meters at Year End | | | | | | |
| METER REVENUE | | | | | | |
| Fees Per Meter | | | | | | |
| Cost Per Meter | | | | | | |
| Operating Revenue Per Meter | | | | | | |
| GROSS WATER REVENUE | | | | | | |
| Fees | | | | | | |
| Other | | | | | | |
| Gross Income | | | | | | |
| OPERATING EXPENSES | | | | | | |
| General & Administrative | | | | | | |
| Interest | | | | | | |
| Other | | | | | | |
| NET INCOME | | | | | | |

HISTORICAL EXPENSES STATEMENT

| | CURRENT YEAR (A) | A-1 YEAR | A-2 YEAR | A-3 YEAR | A-4 YEAR | A-5 YEAR |
|--|---------------------|-------------|-------------|-------------|-------------|-------------|
| GENERAL/ADMINISTRATIVE EXPENSES | | | | | | |
| Salaries | | | | | | |
| Office Expense | | | | | | |
| Computer Expense | | | | | | |
| Auto Expense | | | | | | |
| Insurance Expense | | | | | | |
| Telephone Expense | | | | | | |
| Utilities Expense | | | | | | |
| Depreciation Expense | | | | | | |
| Property Taxes | | | | | | |
| Professional Fees | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| % Increase Per Year | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| OPERATIONAL EXPENSES | | | | | | |
| Salaries | | | | | | |
| Auto Expense | | | | | | |
| Utilities Expense | | | | | | |
| Depreciation Expense | | | | | | |
| Repair & Maintenance | | | | | | |
| Supplies | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| % Increase Per Year | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ASSUMPTIONS | | | | | | |
| Interest Rate/Terms | | | | | | |
| Utility Cost/gal. | | | | | | |
| Depreciation Schedule | | | | | | |
| Other | | | | | | |

PROJECTED BALANCE SHEETS

| | START UP | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
|---------------------------------------|----------|--------|--------|--------|--------|--------|
| CURRENT ASSETS | | | | | | |
| Cash | | | | | | |
| Accounts Receivable | | | | | | |
| Inventories | | | | | | |
| Income Tax Receivable | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| FIXED ASSETS | | | | | | |
| Land | | | | | | |
| Collection/Distribution System | | | | | | |
| Buildings | | | | | | |
| Equipment | | | | | | |
| Other | | | | | | |
| Less: Accum. Depreciation or Reserves | | | | | | |
| Total | | | | | | |
| TOTAL ASSETS | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts Payable | | | | | | |
| Notes Payable, Current | | | | | | |
| Accrued Expenses | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| LONGTERM LIABILITIES | | | | | | |
| Notes Payable, Long-term | | | | | | |
| Other | | | | | | |
| TOTAL LIABILITIES | | | | | | |
| OWNER'S EQUITY | | | | | | |
| Paid in Capital | | | | | | |
| Retained Equity | | | | | | |
| Other | | | | | | |
| Current Period Profit or Loss | | | | | | |
| TOTAL OWNER'S EQUITY | | | | | | |
| TOTAL LIABILITIES AND EQUITY | | | | | | |
| WORKING CAPITAL | | | | | | |
| CURRENT RATIO | | | | | | |
| DEBT TO EQUITY RATIO | | | | | | |
| EQUITY TO TOTAL ASSETS | | | | | | |

PROJECTED INCOME STATEMENT

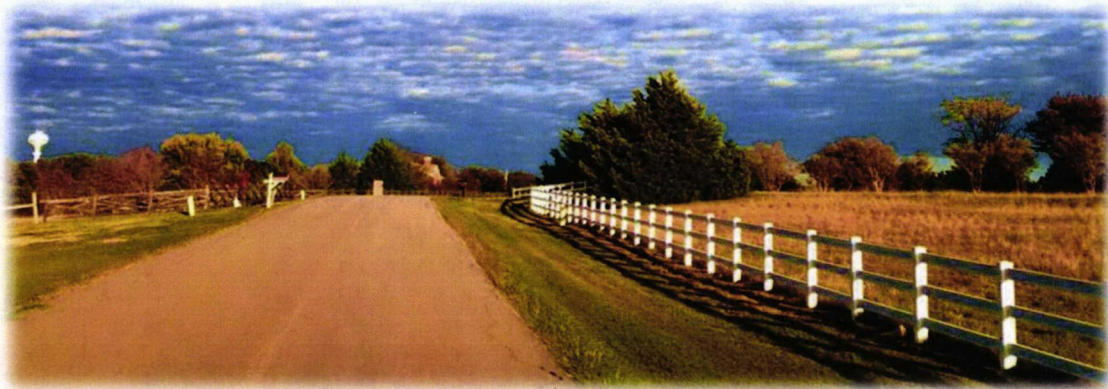
| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | TOTALS |
|-----------------------------|--------|--------|--------|--------|--------|--------|
| METER NUMBER | | | | | | |
| Existing Number of Taps | | | | | | |
| New Taps per Year | | | | | | |
| Total Meters at Year End | | | | | | |
| METER REVENUE | | | | | | |
| Fees Per Meter | | | | | | |
| Cost Per Meter | | | | | | |
| Operating Revenue Per Meter | | | | | | |
| GROSS WATER REVENUE | | | | | | |
| Fees | | | | | | |
| Other | | | | | | |
| Gross Income | | | | | | |
| OPERATING EXPENSES | | | | | | |
| General & Administrative | | | | | | |
| Interest | | | | | | |
| Other | | | | | | |
| NET INCOME | | | | | | |

PROJECTED EXPENSES STATEMENT

| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | TOTALS |
|--|--------|--------|--------|--------|--------|--------|
| GENERAL/ADMINISTRATIVE EXPENSES | | | | | | |
| Salaries | | | | | | |
| Office Expense | | | | | | |
| Computer Expense | | | | | | |
| Auto Expense | | | | | | |
| Insurance Expense | | | | | | |
| Telephone Expense | | | | | | |
| Utilities Expense | | | | | | |
| Depreciation Expense | | | | | | |
| Property Taxes | | | | | | |
| Professional Fees | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| % Increase Per Year | | | | | | |
| OPERATIONAL EXPENSES | | | | | | |
| Salaries | | | | | | |
| Auto Expense | | | | | | |
| Utilities Expense | | | | | | |
| Depreciation Expense | | | | | | |
| Repair & Maintenance | | | | | | |
| Supplies | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| % Increase Per Year | | | | | | |
| ASSUMPTIONS | | | | | | |
| Interest Rate/Terms | | | | | | |
| Utility Cost/gal. | | | | | | |
| Depreciation Schedule | | | | | | |
| Other | | | | | | |

PROJECTED SOURCES AND USES OF CASH STATEMENTS

| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | TOTALS |
|------------------------------------|--------|--------|--------|--------|--------|--------|
| SOURCES OF CASH | | | | | | |
| Net Income | | | | | | |
| Depreciation (if Funded) | | | | | | |
| Loan Proceeds | | | | | | |
| Other | | | | | | |
| Total Sources | | | | | | |
| USES OF CASH | | | | | | |
| Net Loss | | | | | | |
| Principle Portion of Pmts. | | | | | | |
| Fixed Asset Purchase | | | | | | |
| Reserve | | | | | | |
| Other | | | | | | |
| TOTAL USES | | | | | | |
| NET CASH FLOW | | | | | | |
| DEBT SERVICE COVERAGE | | | | | | |
| Cash Available for Debt | | | | | | |
| Service (CADS) | | | | | | |
| Net Income (Loss) | | | | | | |
| Depreciation , or Reserve | | | | | | |
| Interest | | | | | | |
| TOTAL | | | | | | |
| REQUIRED DEBT SERVICE (RDS) | | | | | | |
| Principle Plus Interest | | | | | | |
| DEBT SERVICE COVERAGE RATIO | | | | | | |
| CADS Divided by RDS | | | | | | |



Photos by Tricia Millsap



COMPREHENSIVE ANNUAL FINANCIAL REPORT **FISCAL YEAR ENDED SEPTEMBER 30, 2017**





City of Lucas, Texas

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INTRODUCTORY SECTION





City of Lucas

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

February 23, 2018

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

It is our pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Lucas, Texas for the fiscal year ended September 30, 2017. Responsibility for both the accuracy and completeness of the presented data and the creation of transparency between the local government and the community in which it serves rests with the City.

The goal of the independent audit, conducted by BrooksWatson & Co., is to provide reasonable assurance that the financial statements of the City for fiscal year ended September 30, 2017 were free of material misstatement. The independent auditor's report is located in the beginning of the financial section of the CAFR and we are pleased to report the issuance of an unmodified ("clean") opinion on the City of Lucas' financial statements for the year ended September 30, 2017.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements.

Our City

The City of Lucas was incorporated in February 1959 and adopted its Home-Rule Charter on May 15, 2008. The City of Lucas operates under the Council-Manager form of government. The City Council is the legislative body of the City government, and it is composed of seven members, including the Mayor and six council members elected at-large and is responsible for enacting local legislation, adopting the annual budget and serving as policy-makers. The City Council appoints a City Manager who serves as the chief executive officer of the City and is responsible for the City's proper administration and daily operations including the implementation of the policies adopted by the City Council.

The citizens of Lucas enjoy a unique quality of life that incorporates a rural lifestyle, family-friendly atmosphere and natural beauty which is preserved through zoning that requires homes to be built on 1, 1.5 or 2 acre lot minimums.



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Our Economy

With an estimated population 7,395, the population of Lucas is expected to grow steadily as people leave the more urban areas of the metroplex, and seek the higher quality of life that Lucas offers its residents. Most Lucas residents work outside of the Lucas city limits, and commute within the Dallas area.

Lucas enjoys a stable economy and has benefited from a robust economy in the Metropolitan area.

Given Lucas's convenient location, proximity to higher population density areas, and the high quality of home sites available, the City continues to prosper economically. Highlights include:

- 128 new homes were permitted annually with an average taxable market value of \$555,451.
- Commercial development included preliminary plat completion for a 7,000 square foot Lucas Plaza retail space and O'Reilly's auto parts store on Angel Parkway.
- Lovejoy independent school district completed a new addition at the high school.
- Neptune meter replacement program was twenty percent complete with the installation of 505 meters.
- East Winningkoff Trailhead project was completed the end of 2017.
- East and West bridges at Blondy Jhune were completed May of 2017.
- One of thirteen Texas cities awarded Scenic City Certification in 2017 for implementing high quality standards for public infrastructure, parks and open spaces, and sign regulation.
- Debt Capacity analysis and the issuance of nine million dollars in certificates of obligation to fund future infrastructure projects was completed in July of 2017.

Our Operational Efficiencies

The City of Lucas made improvements to operational efficiencies, internal and external communication and emergency management planning. The City also added two full-time positions, increased a position from part-time to full time, and promoted three staff members to support continued growth within the city. Improvements made included the following:



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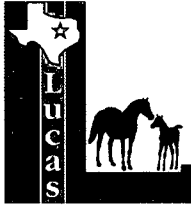
- Development Services department promoted Code Enforcement Officer to Building Inspector and hired replacement Code Enforcement Officer Position.
- Public Works department hired a new Specialist I and promoted Crew Chief to Supervisor and Specialist I to a Specialist II position.
- Part-time Special Projects Coordinator position was changed to full-time position.
- Electronic payment import for customer check processing.
- Remodeled Fire Station conference room, operations area, and refinished bay floors.
- Utility rate study was completed to formulate the City's five year water and wastewater rate structure.
- Comprehensive Plan Update was completed and approved by city council in March 2017.
- Transparency Star in Traditional Finances for enhancements made to website by adding summaries, downloadable data, and visualizations.
- Fire-Rescue facilitated the improvements of the city's ISO rating from a 3 to a 2.
- Launched Nixle (emergency notification system)
- Emergency operations plan was completed and reviewed by the departments.

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, reliable, and free of material misstatements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of cost and benefits requires estimates and judgments by management. The objective of internal control is to provide reasonable rather than absolute assurance, that the financial statements are free from material misstatement.

Our Future

At the end of September 2017, the City of Lucas is working on the following:



City of Lucas

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-
- The addition of 3 Firefighter/Paramedics and 1 EMS Officer position for Fiscal Year 2017-2018.
 - Parker Road 12 inch Water Line is in the construction phase and estimated to be completed January 2018.
 - Parker Road Waterline Phase 2 and Phase 3T are currently in the design phase and estimated to be completed in 2018.
 - 500,000-gallon elevated storage tank at the North Pump Station is currently under design with estimated completion December 2018.
 - Winningkoff Reverse Curve is under construction and estimated to be completed June of 2018.
 - West Lucas Road Widening and Overlay is under construction and estimated to be complete early 2018.
 - Stinson/West Lucas Road Intersection design ninety percent complete/projected construction 2018.
 - Blondy Jhune Road currently under design/estimated to have the plans ready for project bidding by August of 2018.

Additional projects identified in the debt capacity analysis and \$9 million Certificates of Obligation funding included:

- Winningkoff Road (Reverse curve to Snider Lane) had notice to proceed for design work to begin October 2017 and estimated to have plans ready for project bidding by July 2018.
- Country Club Road/Estates Parkway had notice to proceed for design work to begin October 2017 and estimated to have plans ready for project bidding by April 2018.
- Stinson Road (Parker Road to Bristol Park) had notice to proceed for design work to begin November 2017 and estimated to have plans ready for project bidding by July 2018.

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



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liabilities are incurred. Accounting records for the City's water and sewer utility, and other proprietary activities are maintained on the accrual basis.

Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. In compliance with GASB 54, the City's financial practice requires a General Fund reserve equal to at least six months of working capital, which equates to 50% of expenditures. The current reserve in the general fund is at 20 months with funds equaling 170% 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 13 months with current funds equaling 108% of this year's expenditures.

Our Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lucas for its Comprehensive Annual Financial Report ("CAFR") for the fiscal years ended September 30, 2016, 2015, 2014, 2013, 2012, 2011 and 2010.

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

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



City of Lucas

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Our Appreciation

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

Respectfully submitted,

Joni Clarke
City Manager

Liz Exum
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lucas
Texas**

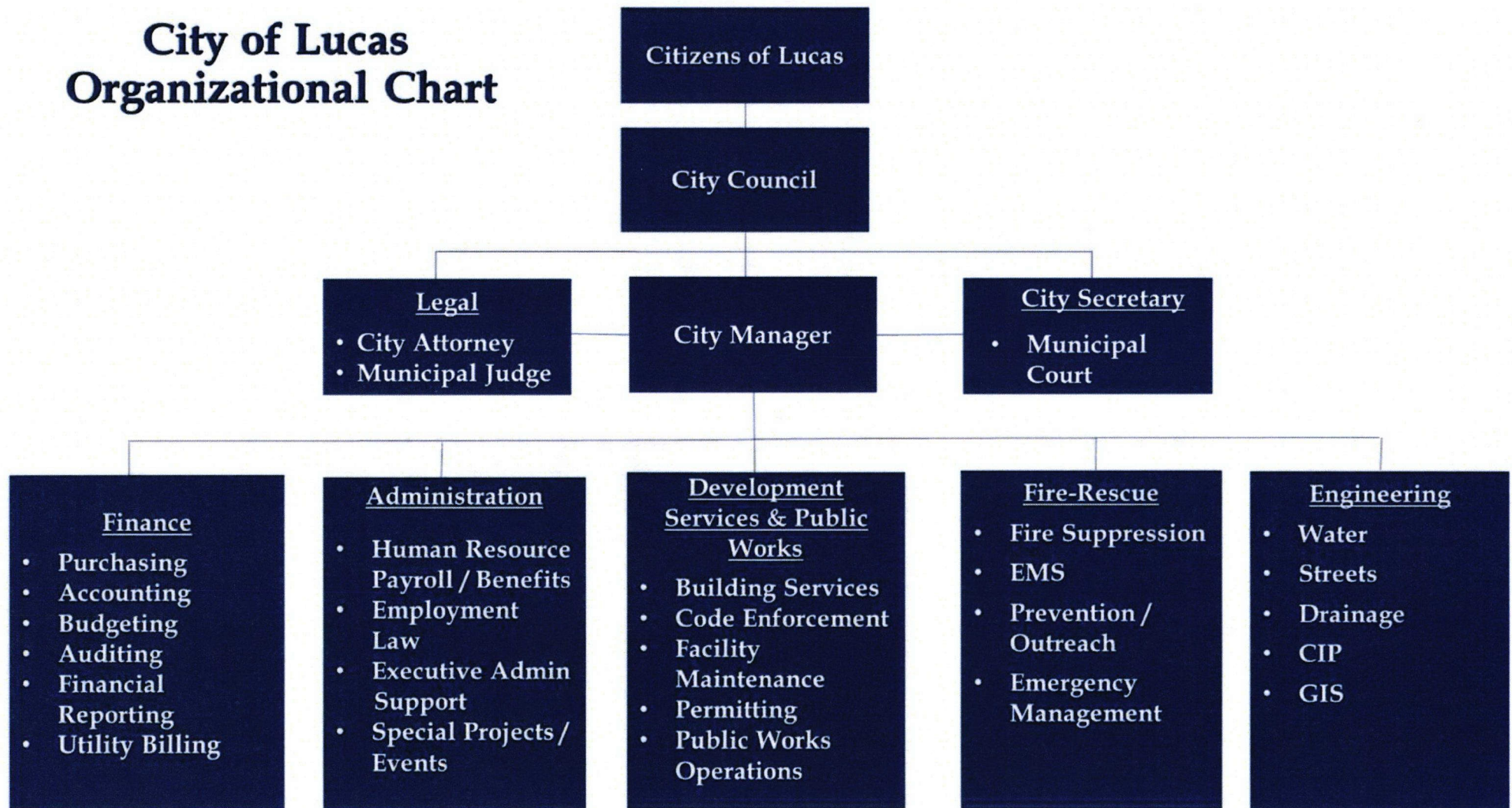
**For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended**

September 30, 2016

Christopher P. Morill

Executive Director/CEO

City of Lucas Organizational Chart



**CITY OF LUCAS, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE
OFFICERS SEPTEMBER 30, 2017**

City Council:

| | |
|-----------------|-----------------------|
| Jim Olk | Mayor |
| Kathleen Peele | Mayor Pro Tem, Seat 6 |
| Wayne Millsap | Seat 1 |
| Tim Baney | Seat 2 |
| Steve Duke | Seat 3 |
| Philip Lawrence | Seat 4 |
| Debbie Fisher | Seat 5 |

Administrative Officers:

| | |
|------------------|-------------------------------------|
| Joni Clarke | City Manager |
| Liz Exum | Finance Director |
| Stanton Foerster | City Engineer/Public Works Director |
| Ted Stephens | Fire Chief |
| Joe Hilbourn | Development Services Director |



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.D. to the financial statements, the City restated the beginning net position of governmental activities and the beginning fund balance of the general fund due to accounting error occurring in the prior year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions to pension plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, budgetary comparison information, and statistical sections are presented for additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements noted above are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
February 23, 2018



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



City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities (net position) at September 30, 2017 by \$49,760,266. Of this amount, \$13,138,218 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,898,309. 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 \$18,284,004 at September 30, 2017, an increase of \$5,603,109 from the prior fiscal year; this includes an increase of \$128,665 in the debt service fund, an increase of \$3,965,617 in the capital improvement fund, an increase of \$3,142 in the nonmajor Lucas Fire District fund, and an increase of \$1,505,685 in the general fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$8,774,909 or 214% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2017

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and community development. The business-type activities of the City include water and sewer operations.

The government-wide financial statements only include the City itself (known as the *primary government*), and does not include any other legally separate entities for which the City is financially accountable.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2017

doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. The Lucas fire district fund is considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, capital projects fund, and fire district fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund since it is considered a major fund of the City.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2017

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Lucas, assets exceed liabilities by \$49,760,266 as of September 30, 2017 in the primary government.

The largest portion of the City's net position, \$33,760,170, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2017

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

| | 2017 | | | 2016 | | |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Governmental | Business-Type | | Governmental | Business-Type | |
| | Activities | Activities | Total | Activities | Activities | Total |
| Current and | | | | | | |
| other assets | \$ 19,750,732 | \$ 9,632,649 | \$ 29,383,381 | \$ 13,596,163 | \$ 6,430,357 | \$ 20,026,520 |
| Capital assets, net | 24,212,241 | 18,378,860 | 42,591,101 | 22,152,645 | 18,034,289 | 40,186,934 |
| Total Assets | 43,962,973 | 28,011,509 | 71,974,482 | 35,748,808 | 24,464,646 | 60,213,454 |
| Total Deferred | | | | | | |
| Outflows | 299,934 | 100,628 | 400,562 | 327,886 | 112,965 | 440,851 |
| Other liabilities | 2,402,707 | 890,728 | 3,293,435 | 1,549,367 | 836,410 | 2,385,777 |
| Long-term liabilities | 12,948,640 | 6,368,518 | 19,317,158 | 7,581,763 | 3,752,817 | 11,334,580 |
| Total Liabilities | 15,351,347 | 7,259,246 | 22,610,593 | 9,131,130 | 4,589,227 | 13,720,357 |
| Total Deferred | | | | | | |
| Inflows | 4,185 | - | 4,185 | 71,991 | - | 71,991 |
| Net Position: | | | | | | |
| Net investment | | | | | | |
| in capital assets | 18,969,607 | 14,790,563 | 33,760,170 | 17,817,626 | 14,112,099 | 31,929,725 |
| Restricted | 2,425,677 | 436,201 | 2,861,878 | 5,021,277 | 375,000 | 5,396,277 |
| Unrestricted | 7,512,091 | 5,626,127 | 13,138,218 | 4,034,670 | 5,501,285 | 9,535,955 |
| Total Net Position | \$ 28,907,375 | \$ 20,852,891 | \$ 49,760,266 | \$ 26,873,573 | \$ 19,988,384 | \$ 46,861,957 |

During the current year, the City's current assets and long-term liabilities increased. These changes are a direct result of the \$8,775,000 issuance of 2017 Certificates of Obligation bonds in the current year, as cash on hand increased and outstanding long-term maturities have increased. The City's total capital assets increased \$2,404,167. This increase is mainly caused by the City's investments in infrastructure assets in the current year.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2017

Statement of Activities:

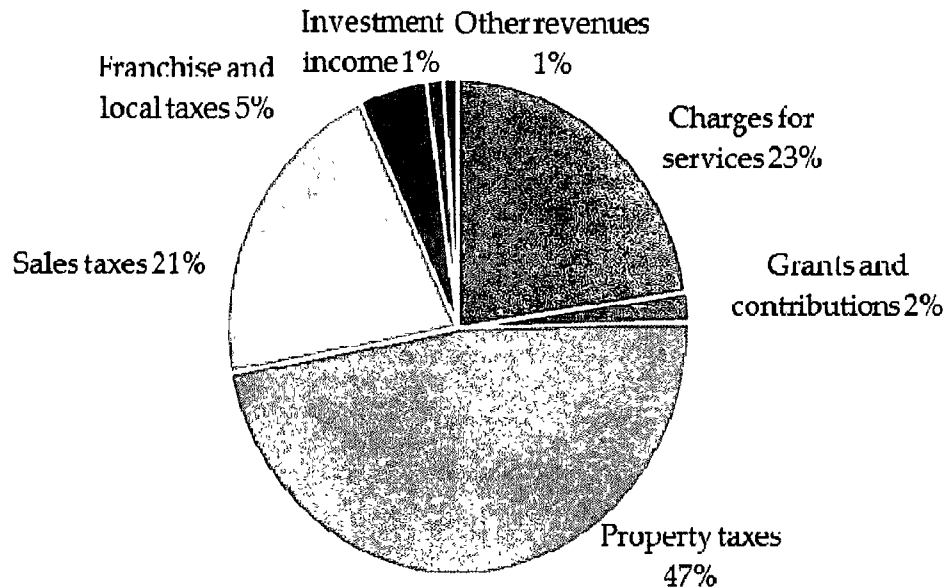
The following table provides a summary of the City's changes in net position:

| | For the Year Ended September 30, 2017 | | | For the Year Ended September 30, 2016 | | |
|------------------------------------|---------------------------------------|-----------------------------|--------------------------------|---------------------------------------|-----------------------------|--------------------------------|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Governmental Activities | Business-Type Activities | Total Primary Government |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,519,101 | \$ 4,403,061 | \$ 5,922,162 | \$ 1,474,364 | \$ 4,332,497 | \$ 5,806,861 |
| Operating grants and contributions | 126,168 | - | 126,168 | 1,824,487 | - | 1,824,487 |
| Capital grants and contributions | - | 417,020 | 417,020 | 37,600 | 418,089 | 455,689 |
| General revenues: | | | | | | |
| Property taxes | 3,176,863 | - | 3,176,863 | 2,988,174 | - | 2,988,174 |
| Sales taxes | 1,407,216 | - | 1,407,216 | 1,349,475 | - | 1,349,475 |
| Franchise and local taxes | 318,056 | - | 318,056 | 420,003 | - | 420,003 |
| Investment income | 80,081 | 33,792 | 113,873 | 31,531 | 8,478 | 40,009 |
| Other revenues | 64,651 | - | 64,651 | 183,261 | - | 183,261 |
| Total Revenues | 6,692,136 | 4,853,873 | 11,546,009 | 8,308,895 | 4,759,064 | 13,067,959 |
| Expenses | | | | | | |
| General government | 954,117 | - | 954,117 | 955,548 | - | 955,548 |
| Public safety | 2,066,271 | - | 2,066,271 | 1,866,920 | - | 1,866,920 |
| Public works | 968,651 | - | 968,651 | 883,514 | - | 883,514 |
| Parks and recreation | 113,916 | - | 113,916 | 159,565 | - | 159,565 |
| Development services | 340,674 | - | 340,674 | 279,699 | - | 279,699 |
| Interest and fiscal charges | 373,570 | 157,412 | 530,982 | 263,690 | 153,351 | 417,041 |
| Utility | - | 3,673,089 | 3,673,089 | - | 3,439,655 | 3,439,655 |
| Total Expenses | 4,817,199 | 3,830,501 | 8,647,700 | 4,408,936 | 3,593,006 | 8,001,942 |
| Change in Net Position | | | | | | |
| Before Transfers | 1,874,937 | 1,023,372 | 2,898,309 | 3,899,959 | 1,166,058 | 5,066,017 |
| Transfers | 158,865 | (158,865) | - | 160,926 | (160,926) | - |
| Total | 158,865 | (158,865) | - | 160,926 | (160,926) | - |
| Change in Net Position | 2,033,802 | 864,507 | 2,898,309 | 4,060,885 | 1,005,132 | 5,066,017 |
| Beginning Net Position | 26,873,573 | 19,988,384 | 46,861,957 | 22,812,688 | 18,983,252 | 41,795,940 |
| Ending Net Position | \$ 28,907,375 | \$ 20,852,891 | \$ 49,760,266 | \$ 26,873,573 | \$ 19,988,384 | \$ 46,861,957 |

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2017

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

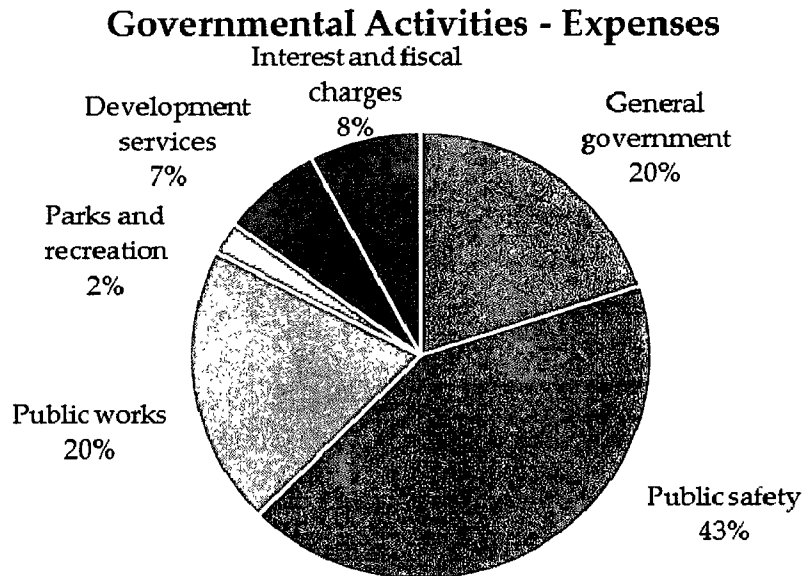
Governmental Activities - Revenues



For the year ended September 30, 2017, revenues from governmental activities totaled \$6,692,136. Property tax, sales tax and charges for services are the City's largest general revenue sources. Overall revenue decreased \$1,616,759 which is primarily due to the decrease in grants and contributions received. Grants and contributions decreased by \$1,698,319, which is attributed to fewer capital asset contributions compared to the prior year. Other revenues decreased by \$118,610 as a result of the write down incurred on the demolition of the old city hall and public works building in the current year. All other revenues remained relatively stable when compared to the previous year.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2017

This graph shows the governmental function expenses of the City:

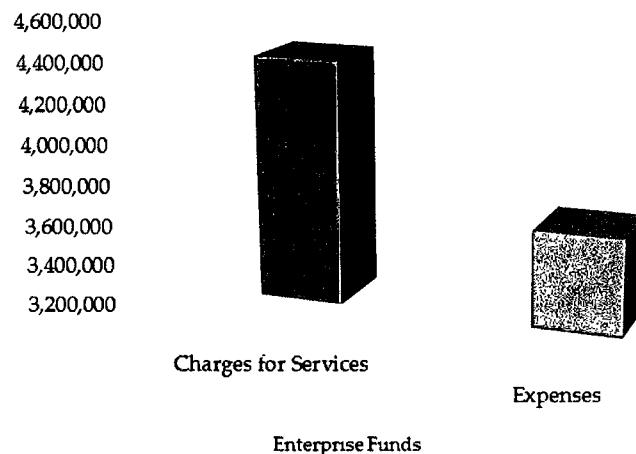


For the year ended September 30, 2017, expenses for governmental activities totaled \$4,817,199. This represents an increase of \$408,263 or 9% from the prior year. The City's largest functional expense is public safety of \$2,066,271. Public safety increased by \$199,351 or 11%, which is mainly attributable to personnel related costs. Public works increased \$85,137 or 10% and development services increased \$60,975 or 22% due to increased personnel and maintenance expenses. In addition, interest and fiscal charges increased \$109,880 or 42%. This category increased due to bond issuance costs incurred in the current year.

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2017

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, 2017, charges for services by business-type activities totaled \$4,403,061. This is an increase of \$70,564, or 2%, from the previous year. This variance is relatively consistent with the prior year.

Total expenses increased \$237,495 or 7% to a total of \$3,830,501, due primarily to an increase in the North Texas Municipal Water District contract, the City's source of water.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

At September 30, 2017, the City's governmental funds reported combined fund balances of \$18,284,004, an increase of \$5,603,109 in comparison with the prior year. Approximately 48% of this amount \$8,774,909 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *restricted*.

As of the end of the year the general fund reflected a total fund balance of \$10,527,862. 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 257% of total general fund expenditures. The unassigned

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2017

(the amount available for spending) fund balance of the general fund of \$8,774,909 is 214% of total general fund expenditures. The general fund increased by \$1,505,685 compared to the prior year. This increase is mainly attributed to less than anticipated capital outlay and other expenditures.

The debt service fund had an ending fund balance of \$833,062 at September 30, 2017 compared to the previous year's balance of \$704,397. Principal payments amounted to \$540,000 and interest payments totaled \$242,948 in the current year.

The capital projects fund ending fund balance is \$6,866,803. During the year, the City expended \$2,529,122 on various projects and recorded the 2017 Certificates of Obligation bond issuance of \$5,855,000.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the utility fund totaled \$20,852,891. Unrestricted net position of the enterprise fund at the close of the fiscal year amounted to \$5,626,127. Total net position increased \$864,507. The fund had an investment in capital assets, net of related debt of \$14,790,563. The City operates and maintains a water and sewer distribution system with force mains and lift stations. The City has six water storage facilities with a total capacity of approximately 2.6 million gallons. The following are additional comments regarding operations of the enterprise fund:

- The City received capital contributions of \$417,020 consisting of water infrastructure.
- Operational expenses excluding depreciation and amortization were \$3,005,270.
- Cash and cash equivalents in the utility fund were \$5,548,487 at fiscal year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were several budget amendments approved during the fiscal year, and increased budgeted expenditures by \$125,083. The amendment also increased budgeted revenues by \$238,306. The following are additional comments regarding appropriations:

- There was a total positive variance of \$140,483 in budgeted revenue compared to actual.
- \$1,218,363 is the surplus of revenues over expenditures before transfers.
- There was a net positive change in fund balance of \$1,505,685.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$24,212,241 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$18,378,860 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2017

improvements, and infrastructure. The City's total investment in capital assets increased by \$2,404,167, net of depreciation.

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

- Contribution of water infrastructure assets of \$417,020 by a developer.
- Investment in water utility equipment of \$248,975.
- Purchase of FM 1378/3286 land assets of \$300,000.
- Investment in new infrastructure totaling \$2,187,387.
- New fire department radio equipment totaling \$175,093.
- Purchase of two fire department vehicles amounting to \$129,312.

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 \$19,522,082 including premiums. Of this amount, \$6,613,006 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 2017-2018:

- This budget will raise more total property taxes than last year's budget by \$334,230, or 11.70%, and of that amount, \$160,649 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2017-2018 reflects total anticipated revenues of \$11,238,406 and total anticipated expenditures of \$10,981,279.
- The City tax rate is set each fall and is enacted via ordinance. The rate for fiscal year 2017-2018 was enacted by Ordinance #2017-09-00868 and is set to \$0.317948 cents per \$100 of valuation.

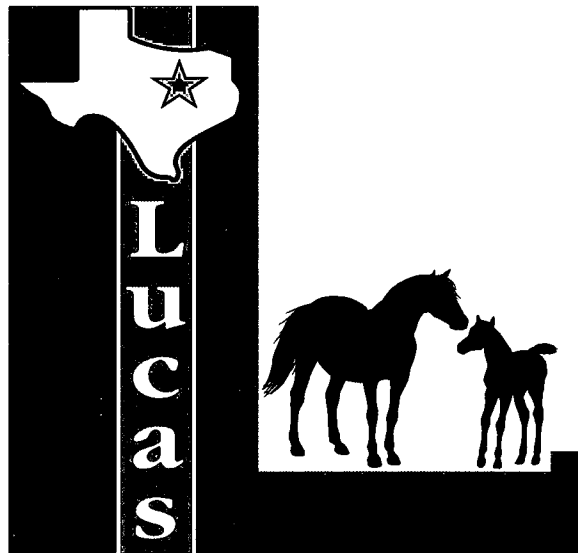
CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City of Lucas, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2017

information, contact the Department of Finance at 665 Country Club Rd., Lucas, Texas 75002 or call (972) 727-8999.

FINANCIAL STATEMENTS



City of Lucas, Texas
STATEMENT OF NET POSITION
September 30, 2017

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>Assets</u> | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 8,773,940 | \$ 5,548,487 | \$ 14,322,427 |
| Restricted cash | 10,392,972 | 3,439,679 | 13,832,651 |
| Restricted investments | 216,615 | - | 216,615 |
| Receivables, net | 367,205 | 644,483 | 1,011,688 |
| Total Current Assets | 19,750,732 | 9,632,649 | 29,383,381 |
| Capital assets: | | | |
| Non-depreciable | 1,456,191 | 590,190 | 2,046,381 |
| Net depreciable capital assets | 22,756,050 | 17,788,670 | 40,544,720 |
| | 24,212,241 | 18,378,860 | 42,591,101 |
| Total Assets | 43,962,973 | 28,011,509 | 71,974,482 |
| <u>Deferred Outflows of Resources</u> | | | |
| Pension contributions | 174,668 | 47,950 | 222,618 |
| Pension investment earnings | 68,219 | 19,247 | 87,466 |
| Pension gain on investments | 20,507 | 6,456 | 26,963 |
| Pension assumption changes | 6,944 | 5,740 | 12,684 |
| Deferred charge on refunding | 29,596 | 21,235 | 50,831 |
| Total Deferred Outflows of Resources | 299,934 | 100,628 | 400,562 |
| <u>Liabilities</u> | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 903,074 | 163,182 | 1,066,256 |
| Unearned revenue | 506,317 | - | 506,317 |
| Accrued interest payable | 73,125 | 39,968 | 113,093 |
| Customer deposits | 19,800 | 245,600 | 265,400 |
| Long term debt due within one year | 900,391 | 441,978 | 1,342,369 |
| | 2,402,707 | 890,728 | 3,293,435 |
| Noncurrent liabilities: | | | |
| Due in more than one year | 12,064,859 | 6,188,006 | 18,252,865 |
| Net pension liabilities | 883,781 | 180,512 | 1,064,293 |
| Total Liabilities | 15,351,347 | 7,259,246 | 22,610,593 |
| <u>Deferred Inflows of Resources</u> | | | |
| Pension proportion changes | 4,185 | - | 4,185 |
| Total Deferred Inflows of Resources | 4,185 | - | 4,185 |
| <u>Net Position</u> | | | |
| Net investment in capital assets | 18,969,607 | 14,790,563 | 33,760,170 |
| Restricted for: | | | |
| Impact fees | 1,254,213 | - | 1,254,213 |
| Debt service | 833,062 | 436,201 | 1,269,263 |
| Municipal court | 55,688 | - | 55,688 |
| Fire protection | 56,277 | - | 56,277 |
| Cable fees | 21,843 | - | 21,843 |
| Street maintenance | 204,594 | - | 204,594 |
| Unrestricted | 7,512,091 | 5,626,127 | 13,138,218 |
| Total Net Position | \$ 28,907,375 | \$ 20,852,891 | \$ 49,760,266 |

See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General government | \$ 954,117 | \$ - | \$ - | \$ - |
| Public safety | 2,066,271 | 448,607 | - | - |
| Public works | 968,651 | 356,940 | 126,168 | - |
| Parks and recreation | 113,916 | - | - | - |
| Development services | 340,674 | 713,554 | - | - |
| Interest and fiscal charges | 373,570 | - | - | - |
| Total Governmental Activities | 4,817,199 | 1,519,101 | 126,168 | - |
| Business-Type Activities | | | | |
| Utility fund | 3,830,501 | 4,403,061 | - | 417,020 |
| Total Business-Type Activities | 3,830,501 | 4,403,061 | - | 417,020 |
| Total Primary Government | \$ 8,647,700 | \$ 5,922,162 | \$ 126,168 | 417,020 |

General Revenues:

Taxes
Property taxes
Sales taxes
Franchise and local taxes
Investment income
Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | |
|------------------------------------|-------------------------------------|----------------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (954,117) | \$ - | \$ (954,117) |
| (1,617,664) | - | (1,617,664) |
| (485,543) | - | (485,543) |
| (113,916) | - | (113,916) |
| 372,880 | - | 372,880 |
| (373,570) | - | (373,570) |
| (3,171,930) | - | (3,171,930) |
| - | 989,580 | 989,580 |
| - | 989,580 | 989,580 |
| (3,171,930) | 989,580 | (2,182,350) |
| 3,176,863 | - | 3,176,863 |
| 1,407,216 | - | 1,407,216 |
| 318,056 | - | 318,056 |
| 80,081 | 33,792 | 113,873 |
| 64,651 | - | 64,651 |
| 158,865 | (158,865) | - |
| 5,205,732 | (125,073) | 5,080,659 |
| 2,033,802 | 864,507 | 2,898,309 |
| 26,873,573 | 19,988,384 | 46,861,957 |
| <u>\$ 28,907,375</u> | <u>\$ 20,852,891</u> | <u>\$ 49,760,266</u> |

City of Lucas, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2017

| | General | Debt Service | Capital Improvement | Nonmajor Lucas Fire District |
|--|----------------------|-------------------|------------------------|------------------------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 8,769,121 | \$ - | \$ - | \$ 4,819 |
| Receivables, net | 304,595 | 11,152 | - | 51,458 |
| Cash and cash equivalents - restricted | 1,737,041 | 833,062 | 7,822,869 | - |
| Restricted investments | 216,615 | - | - | - |
| Total Assets | \$ 11,027,372 | \$ 844,214 | \$ 7,822,869 | \$ 56,277 |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | \$ 133,072 | \$ - | \$ 770,002 | \$ - |
| Unearned revenue | 320,253 | - | 186,064 | - |
| Customer deposits | 19,800 | - | - | - |
| Total Liabilities | 473,125 | - | 956,066 | - |
| <u>Deferred Inflows of Resources</u> | | | | |
| Unavailable revenue - Property taxes | 26,385 | 11,152 | - | - |
| Total Deferred Inflows | 26,385 | 11,152 | - | - |
| <u>Fund Balances</u> | | | | |
| Restricted for: | | | | |
| Impact fees | 1,254,213 | - | - | - |
| Pensions | 216,615 | - | - | - |
| Debt service | - | 833,062 | - | - |
| Capital improvements | - | - | 6,866,803 | - |
| Municipal court | 55,688 | - | - | - |
| Fire protection | - | - | - | 56,277 |
| Cable fees | 21,843 | - | - | - |
| Street maintenance | 204,594 | - | - | - |
| Unassigned | 8,774,909 | - | - | - |
| Total Fund Balances | 10,527,862 | 833,062 | 6,866,803 | 56,277 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 11,027,372 | \$ 844,214 | \$ 7,822,869 | \$ 56,277 |

See Notes to Financial Statements.

| Total Governmental Funds | |
|---|-------------------|
| <hr/> | |
| \$ | 8,773,940 |
| | 367,205 |
| | 10,392,972 |
| | 216,615 |
| \$ | <u>19,750,732</u> |

| | |
|----|------------------|
| \$ | 903,074 |
| | 506,317 |
| | 19,800 |
| | <u>1,429,191</u> |

| | |
|--|---------------|
| | <u>37,537</u> |
| | <u>37,537</u> |

| | |
|----|-------------------|
| | 1,254,213 |
| | 216,615 |
| | 833,062 |
| | 6,866,803 |
| | 55,688 |
| | 56,277 |
| | 21,843 |
| | 204,594 |
| | 8,774,909 |
| | <u>18,284,004</u> |
| \$ | <u>19,750,732</u> |



City of Lucas, Texas
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2017

| | |
|---|---------------|
| Fund Balances - Total Governmental Funds | \$ 18,284,004 |
|---|---------------|

Adjustments for the Statement of Net Position:

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

| | |
|----------------------------------|------------|
| Capital assets - non-depreciable | 1,456,191 |
| Capital assets - net depreciable | 22,756,050 |

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

| | |
|-------------------------|--------|
| Property tax receivable | 37,537 |
|-------------------------|--------|

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

| | |
|------------------------------|---------|
| Pension contributions | 174,668 |
| Pension investment earnings | 68,219 |
| Pension gains | 20,507 |
| Pension assumption changes | 6,944 |
| Pension proportion changes | (4,185) |
| Deferred charge on refunding | 29,596 |

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

| | |
|---|--------------|
| Accrued interest | (73,125) |
| Bond premium | (363,928) |
| Non-current liabilities due in one year | (900,391) |
| Non-current liabilities due in more than one year | (11,700,931) |
| Net pension liability - TMRS | (571,109) |
| Net pension liability - LOSAP | (234,097) |
| Net pension liability - TESRS | (78,575) |

| | |
|--|----------------------|
| Net Position of Governmental Activities | \$ 28,907,375 |
|--|----------------------|

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2017

| | General | Debt Service | Capital Improvement | Nonmajor Lucas Fire District |
|--|----------------------|-------------------|------------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Property tax | \$ 2,316,540 | \$ 882,578 | \$ - | \$ - |
| Sales tax | 1,089,074 | - | - | 318,142 |
| Franchise and local taxes | 318,056 | - | - | - |
| Licenses and permits | 627,675 | - | - | - |
| Impact fees | 356,940 | - | - | - |
| Fire department agreements | 446,144 | - | - | - |
| Grants and contributions | 61,595 | - | 64,573 | - |
| Fines and forfeitures | 88,342 | - | - | - |
| Investment income | 39,437 | 29,035 | 11,609 | - |
| Other revenue | 136,307 | - | - | - |
| Total Revenues | 5,480,110 | 911,613 | 76,182 | 318,142 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| General government | 886,212 | - | - | - |
| Public safety | 1,777,743 | - | - | - |
| Public works | 446,562 | - | - | - |
| Development services | 340,270 | - | - | - |
| Parks and recreation | 69,247 | - | - | - |
| Debt Service: | | | | |
| Principal | 57,555 | 540,000 | - | - |
| Interest and fiscal charges | 5,134 | 242,948 | - | - |
| Bond issuance costs | - | - | 111,007 | - |
| Capital outlay | 508,683 | - | 2,529,122 | - |
| Total Expenditures | 4,091,406 | 782,948 | 2,640,129 | - |
| Revenues | | | | |
| Over (Under) Expenditures | 1,388,704 | 128,665 | (2,563,947) | 318,142 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers in | 547,441 | - | 431,732 | - |
| Transfers (out) | (431,732) | - | (73,576) | (315,000) |
| Sale of capital assets | 1,272 | - | - | - |
| Insurance proceeds | - | - | 60,401 | - |
| Bond issuance | - | - | 5,855,000 | - |
| Bond premium | - | - | 256,007 | - |
| Total Other | | | | |
| Financing Sources (Uses) | 116,981 | - | 6,529,564 | (315,000) |
| Net Change in Fund Balances | 1,505,685 | 128,665 | 3,965,617 | 3,142 |
| Beginning fund balances | 9,022,177 | 704,397 | 2,901,186 | 53,135 |
| Ending Fund Balances | \$ 10,527,862 | \$ 833,062 | \$ 6,866,803 | \$ 56,277 |

See Notes to Financial Statements.

**Total
Governmental
Funds**

| | |
|----|-----------|
| \$ | 3,199,118 |
| | 1,407,216 |
| | 318,056 |
| | 627,675 |
| | 356,940 |
| | 446,144 |
| | 126,168 |
| | 88,342 |
| | 80,081 |
| | 136,307 |
| | <hr/> |
| | 6,786,047 |
| | <hr/> |

| |
|-----------|
| 886,212 |
| 1,777,743 |
| 446,562 |
| 340,270 |
| 69,247 |

| |
|-----------|
| 597,555 |
| 248,082 |
| 111,007 |
| 3,037,805 |
| <hr/> |
| 7,514,483 |
| <hr/> |

(728,436)

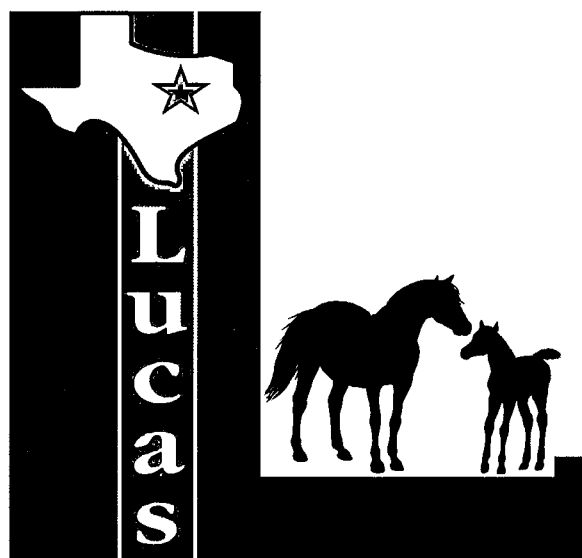
| |
|-----------|
| 979,173 |
| (820,308) |
| 1,272 |
| 60,401 |
| 5,855,000 |
| 256,007 |
| <hr/> |

6,331,545

5,603,109

12,680,895

| | |
|----|------------|
| \$ | 18,284,004 |
| | <hr/> |
| | <hr/> |



City of Lucas, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

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

| | |
|---|---------------------|
| Net changes in fund balances - total governmental funds | \$ 5,603,109 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Capital outlay | 3,101,568 |
| Depreciation expense | (908,643) |
| The net effect of capital asset disposals during the current year. | (133,329) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (22,255) |
| 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 | (2,231) |
| Accrued interest | (29,117) |
| Pension expense | (76,484) |
| The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | |
| Proceeds from bond issuance | (5,855,000) |
| Bond premium | (256,007) |
| Amortization of deferred charges on refunding | (7,400) |
| Amortization of debt premium | 22,036 |
| Debt payments | 597,555 |
| Change in Net Position of Governmental Activities | \$ 2,033,802 |

See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2017

| | <u>Utility</u> |
|--|----------------------|
| <u>Assets</u> | |
| <u>Current Assets</u> | |
| Cash and cash equivalents | \$ 5,548,487 |
| Restricted cash | 3,439,679 |
| Receivables, net | 644,483 |
| Total Current Assets | <u>9,632,649</u> |
| <u>Noncurrent Assets</u> | |
| Capital assets: | |
| Non-depreciable | 590,190 |
| Net depreciable capital assets | 17,788,670 |
| Total Noncurrent Assets | <u>18,378,860</u> |
| Total Assets | <u>28,011,509</u> |
| <u>Deferred Outflows of Resources</u> | |
| Pension contributions | 47,950 |
| Pension investment earnings | 19,247 |
| Pension gain on investments | 6,456 |
| Pension assumption changes | 5,740 |
| Deferred charge on refunding | 21,235 |
| Total Deferred Outflows of Resources | <u>100,628</u> |
| <u>Liabilities</u> | |
| <u>Current Liabilities</u> | |
| Accounts payable and accrued liabilities | 163,182 |
| Accrued interest | 39,968 |
| Customer deposits | 245,600 |
| Current portion of long term debt | 441,978 |
| Total Current Liabilities | <u>890,728</u> |
| <u>Noncurrent Liabilities</u> | |
| Noncurrent portion of long term debt | 6,188,006 |
| Net pension liability | 180,512 |
| Total Liabilities | <u>7,259,246</u> |
| <u>Net Position</u> | |
| Net investment in capital assets | 14,790,563 |
| Restricted for: | |
| Debt service | 436,201 |
| Unrestricted | 5,626,127 |
| Total Net Position | <u>\$ 20,852,891</u> |

See Notes to Financial Statements.

City of Lucas, Texas

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

For the Year Ended September 30, 2017

| | |
|--|-----------------------------|
| | <u>Utility</u> |
| <u>Operating Revenues</u> | |
| Charges for services | \$ 4,034,128 |
| Impact fees | 368,933 |
| Total Operating Revenues | <u>4,403,061</u> |
| <u>Operating Expenses</u> | |
| Personnel | 639,267 |
| Contractual services | 1,818,357 |
| Trash services | 407,958 |
| Supplies and materials | 27,260 |
| Maintenance and repair | 112,430 |
| Depreciation | 620,636 |
| Total Operating Expenses | <u>3,625,908</u> |
| Operating Income | <u>777,153</u> |
| <u>Non-Operating Revenues (Expenses)</u> | |
| Amortization expense | 937 |
| Bond issuance costs | (48,118) |
| Investment income | 33,792 |
| Interest expense | (157,412) |
| Total Non-Operating Revenues (Expenses) | <u>(170,801)</u> |
| Income Before Capital Contributions and Transfers | 606,352 |
| Contributed capital | 417,020 |
| Transfers in | 73,576 |
| Transfers (out) | (232,441) |
| Change in Net Position | <u>864,507</u> |
| Beginning net position | 19,988,384 |
| Ending Net Position | <u><u>\$ 20,852,891</u></u> |

See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 1 of 2)
For the Year Ended September 30, 2017

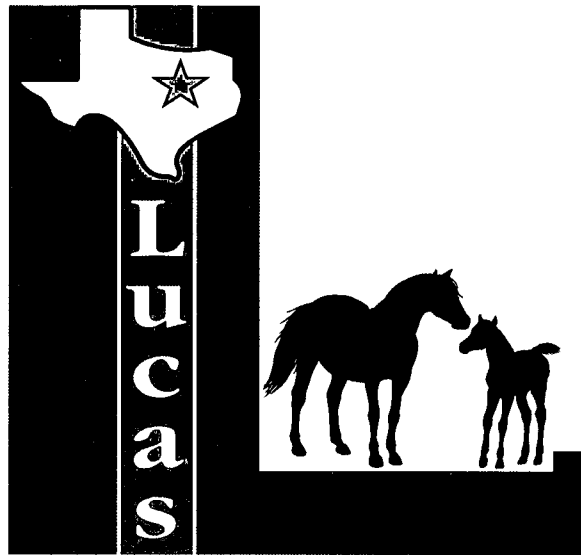
| | <u>Utility</u> |
|--|----------------------------|
| <u>Cash Flows from Operating Activities</u> | |
| Receipts from customers | \$ 4,240,539 |
| Payments to suppliers | (2,382,283) |
| Payments to employees | (631,343) |
| Net Cash (Used for) Operating Activities | <u>1,226,913</u> |
| <u>Cash Flows from Noncapital Financing Activities</u> | |
| Transfer in | 73,576 |
| Transfer (out) | (232,441) |
| Net Cash (Used for) Noncapital Financing Activities | <u>(158,865)</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Capital purchases | (548,187) |
| Proceeds from bond issuance | 3,047,918 |
| Principal paid on debt | (375,000) |
| Bond issuance costs | (48,118) |
| Interest paid on debt | (145,033) |
| Net Cash Provided by Capital and Related Financing Activities | <u>1,931,580</u> |
| <u>Cash Flows from Investing Activities</u> | |
| Interest on investments | 33,792 |
| Net Cash Provided by Investing Activities | <u>33,792</u> |
| Net Increase in Cash and Cash Equivalents | 3,033,420 |
| Beginning cash and cash equivalents | <u>5,954,746</u> |
| Ending Cash and Cash Equivalents | <u><u>\$ 8,988,166</u></u> |

See Notes to Financial Statements.

City of Lucas, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 2 of 2)
For the Year Ended September 30, 2017

| | <u>Utility</u> |
|--|---------------------|
| <u>Reconciliation of Operating Income</u> | |
| <u>to Net Cash Provided by Operating Activities</u> | |
| Operating Income | \$ 777,153 |
| Adjustments to reconcile operating income to net cash provided: | |
| Depreciation | 620,636 |
| Changes in Operating Assets and Liabilities: | |
| (Increase) Decrease in: | |
| Accounts receivable | (168,872) |
| Increase (Decrease) in: | |
| Accounts payable and accrued liabilities | (16,278) |
| Compensated absences | (533) |
| Customer deposits | 6,350 |
| Deferred outflows - pension contributions | (2,637) |
| Deferred outflows - investment earnings | 7,845 |
| Deferred outflows - pension (gains) losses | 7,561 |
| Deferred outflows - pension assumption changes | (5,740) |
| Net pension liability | 1,428 |
| Net Cash Provided by Operating Activities | \$ 1,226,913 |
| <u>Schedule of Non-cash Capital and Related Financing Activities:</u> | |
| Capital contributions | \$ 417,020 |

See Notes to Financial Statements.



City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Blended Component Unit

Lucas Fire District

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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

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

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

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

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

The government reports the following governmental funds:

General Fund

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

Debt Service Fund

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

Capital Improvements Fund

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

Lucas Fire District Fund

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

The government reports the following major enterprise fund:

Utility Fund

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

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

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

C. Measurement focus and basis of accounting

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

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

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

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

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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

1. Deposits and Investments

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

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

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

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

2. Fair Value Measurement

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

3. Receivables and Interfund Transactions

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

4. Inventories and Prepaid Items

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

5. Capital Assets

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

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

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

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

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

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

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

8. Fund Balance Policies

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

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

City of Lucas, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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 fund.

9. Long-Term Obligations

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

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

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

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

10. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position and additions to/deductions from Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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3. Compensated Absences

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

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

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, capital improvements, Lucas Fire District, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriation was made during the year.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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:

| Investment Type | Total | Weighted Average Maturity (Days) | Credit Rating |
|---------------------------|----------------------|---|----------------------|
| Group annuity | \$ 216,615 | 0.00 | AA+ |
| External investment pools | | | |
| TexPool | 813,084 | 37 | AAAm |
| LOGIC | 10,565,222 | 43 | AAAm |
| Lone Star | 2,691,795 | 21 | AAAm |
| Total fair value | <u>\$ 14,286,716</u> | | |
| Total portfolio | | 34 | |

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2017, the City's investment in TexPool, LOGIC, and the Lone Star Investment Pool were rated AAAm by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies

City of Lucas, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2017, the market values of pledged securities and FDIC exceeded bank balances.

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

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

LOGIC

LOGIC is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for the joint investments of participant's public funds and funds under their control. LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. Standard & Poor's rates Local Government Investment Cooperative (LOGIC) 'AAAm'. This is Standard & Poor's highest principal stability fund rating and is based on an analysis of the pool's investment portfolio and guidelines, market price exposure, and management. The rating demonstrates that the pool has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. LOGIC has a conservative investment policy and invests in only authorized investments under the Texas Public Funds Investment Act.

City of Lucas, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

To ensure an accurate and current rating, Standard & Poor's monitors pertinent pool information, including the fund's portfolio holdings, on a weekly basis.

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.

A. Fair Value Measurement

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

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

The City's financial instruments consist of cash and cash equivalents, investments in certificates of deposits maturing in greater than three months, and accounts receivable. The estimated fair value of cash, cash equivalents, investments, and accounts receivable approximate their carrying amounts due to the short-term nature of these instruments.

The following table sets forth by level, within the fair value hierarchy, the City's fair value measurements at September 30, 2017.

| | <u>Fair Value</u> | <u>Level 1 Inputs</u> | <u>Level 2 Inputs</u> | <u>Level 3 Inputs</u> |
|----------------------------|-------------------|-----------------------|-----------------------|-----------------------|
| Group Annuity | \$ 216,615 | \$ 216,615 | \$ - | \$ - |
| Total Assets at fair value | <u>\$ 216,615</u> | <u>\$ 216,615</u> | <u>\$ -</u> | <u>\$ -</u> |

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

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

B. Receivables

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

| | Lucas | | | | |
|----------------|-------------------|------------------|------------------|-------------------|---------------------|
| | General | Debt Service | Fire District | Utility | Total |
| Property taxes | \$ 26,384 | \$ 11,152 | \$ - | \$ - | \$ 37,536 |
| Sales tax | 183,465 | - | 51,458 | - | 234,923 |
| Franchise tax | 94,746 | - | - | - | 94,746 |
| Accounts | - | - | - | 605,130 | 605,130 |
| Other | - | - | - | 42,633 | 42,633 |
| Allowance | - | - | - | (3,280) | (3,280) |
| | <u>\$ 304,595</u> | <u>\$ 11,152</u> | <u>\$ 51,458</u> | <u>\$ 644,483</u> | <u>\$ 1,011,688</u> |

C. Capital Assets

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

| | Beginning Balances | Increases | Decreases/ Reclassifications | Ending Balances |
|--|-----------------------------|----------------------------|---------------------------------|-----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 916,447 | \$ 300,000 | \$ - | \$ 1,216,447 |
| Construction in progress | 643,791 | 86,080 | (490,127) | 239,744 |
| Total capital assets not being depreciated | <u>1,560,238</u> | <u>386,080</u> | <u>(490,127)</u> | <u>1,456,191</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 4,843,114 | 180,740 | (166,857) | 4,856,997 |
| Furniture and equipment | 1,538,872 | 218,048 | - | 1,756,920 |
| Vehicles | 1,675,567 | 129,313 | (6,000) | 1,798,880 |
| Infrastructure | 18,170,163 | 2,187,387 | 423,076 | 20,780,626 |
| Total capital assets being depreciated | <u>26,227,716</u> | <u>2,715,488</u> | <u>250,219</u> | <u>29,193,423</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (633,154) | (130,179) | 100,579 | (662,754) |
| Furniture and equipment | (1,147,645) | (130,552) | - | (1,278,197) |
| Vehicles | (1,026,480) | (121,047) | 6,000 | (1,141,527) |
| Infrastructure | (2,828,030) | (526,865) | - | (3,354,895) |
| Total accumulated depreciation | <u>(5,635,309)</u> | <u>(908,643)</u> | <u>106,579</u> | <u>(6,437,373)</u> |
| Net capital assets being depreciated | 20,592,407 | 1,806,845 | 356,798 | 22,756,050 |
| Total Capital Assets | <u><u>\$ 22,152,645</u></u> | <u><u>\$ 2,192,925</u></u> | <u><u>\$ (133,329)</u></u> | <u><u>\$ 24,212,241</u></u> |

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

Depreciation was charged to governmental functions as follows:

| | |
|---|-------------------|
| General government | \$ 57,568 |
| Public safety | 231,043 |
| Public works | 581,684 |
| Parks and recreation | 38,348 |
| Total Governmental Activities Depreciation Expense | \$ 908,643 |

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

| | Beginning Balances | Increases | Decreases/ Reclassifications | Ending Balances |
|--|-------------------------------|-------------------|---|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 378,257 | \$ - | \$ - | \$ 378,257 |
| Construction in progress | 57,682 | 154,251 | - | 211,933 |
| Total capital assets not being depreciated | 435,939 | 154,251 | - | 590,190 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 734,067 | - | (20,678) | 713,389 |
| Infrastructure | 20,875,295 | 544,127 | - | 21,419,422 |
| Furniture and equipment | 1,196,660 | 266,829 | - | 1,463,489 |
| Vehicles | 76,747 | - | - | 76,747 |
| Total capital assets being depreciated | 22,882,769 | 810,956 | (20,678) | 23,673,047 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (251,834) | (32,758) | 20,678 | (263,914) |
| Infrastructure | (4,149,309) | (507,200) | - | (4,656,509) |
| Furniture and equipment | (821,591) | (73,477) | - | (895,068) |
| Vehicles | (61,685) | (7,201) | - | (68,886) |
| Total accumulated depreciation | (5,284,419) | (620,636) | 20,678 | (5,884,377) |
| Net capital assets being depreciated | 17,598,350 | 190,320 | - | 17,788,670 |
| Total Capital Assets | \$ 18,034,289 | \$ 344,571 | \$ - | \$ 18,378,860 |

Depreciation was charged to business-type activities as follows:

| | |
|--|-------------------|
| Utility | \$ 620,636 |
| Total Business-Type Activities Depreciation Expense | \$ 620,636 |

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|--------------------------------------|------------------------------|---------------------|---------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Bonds, notes and other payables: | | | | | |
| General Obligation Bonds | \$ 1,325,000 | \$ - | \$ (200,000) | \$ 1,125,000 | \$ 205,000 |
| Certificates of Obligation | 5,785,000 | 5,855,000 | (340,000) | 11,300,000 | 580,000 |
| Premium | 129,957 | 256,007 | (22,036) | 363,928 | - |
| Other liabilities: | | | | | |
| Capital lease | 177,703 | - | (57,555) | 120,148 | 59,217 |
| Compensated absences | 53,943 | 67,020 | (64,789) | 56,174 | 56,174 |
| Total Governmental Activities | <u>\$ 7,471,603</u> | <u>\$ 6,178,027</u> | <u>\$ (684,380)</u> | <u>\$ 12,965,250</u> | <u>\$ 900,391</u> |

Long-term liabilities due in more than one year

\$ 12,064,859

Business-Type Activities:

Bonds, notes and other

payables:

| | | | | | |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| General Obligation Bonds | \$ 695,000 | \$ - | \$ (170,000) | \$ 525,000 | \$ 100,000 |
| Certificates of Obligation | 3,220,000 | 2,920,000 | (205,000) | 5,935,000 | 325,000 |
| Premium | 33,733 | 127,918 | (8,645) | 153,006 | - |
| Other liabilities: | | | | | |
| Compensated absences | 17,511 | - | (533) | 16,978 | 16,978 |
| Total Business-Type Activities | <u>\$ 3,966,244</u> | <u>\$ 3,047,918</u> | <u>\$ (384,178)</u> | <u>\$ 6,629,984</u> | <u>\$ 441,978</u> |

Long-term liabilities due in more than one year

\$ 6,188,006

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The business-type long-term debt will be repaid, plus accrued interest, from operating revenues of the water and sewer fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

The City issued \$8,775,000 of Series 2017 Certificates of Obligation bonds in August 2017. Principal payments are due in annual installments through February 2037. The bonds bear an interest rate of 3% due February 1 and August 1.

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

| Description | Interest Rates | Original Balance | Current Balance |
|---|----------------|----------------------|----------------------|
| Governmental Activities: | | | |
| 2007 General obligation refunding bonds | 3.76% | \$ 1,790,000 | \$ 1,125,000 |
| 2007 Certificates of obligation | 4.25% | 2,500,000 | 950,000 |
| 2011 Certificates of obligation | 3.60% | 3,500,000 | 2,755,000 |
| 2015 Certificates of obligation | 3.00% | 2,000,000 | 1,740,000 |
| 2017 Certificates of obligation | 3.00% | 5,855,000 | 5,855,000 |
| Total Governmental Activities | | <u>15,645,000</u> | <u>12,425,000</u> |
| Business-type Activities: | | | |
| 2007 General obligation refunding bonds | 3.76% | \$ 1,455,000 | \$ 525,000 |
| 2007 Certificates of obligation | 4.25% | 2,500,000 | 1,235,000 |
| 2011 Certificates of obligation | 3.60% | 2,250,000 | 1,780,000 |
| 2017 Certificates of obligation | 3.00% | 2,920,000 | 2,920,000 |
| Total Business-Type Activities | | <u>\$ 9,125,000</u> | <u>\$ 6,460,000</u> |
| Total Long-Term Debt | | | |
| 2007 General obligation refunding bonds | 3.76% | \$ 3,245,000 | \$ 1,650,000 |
| 2007 Certificates of obligation | 4.25% | 5,000,000 | 2,185,000 |
| 2011 Certificates of obligation | 3.60% | 5,750,000 | 4,535,000 |
| 2015 Certificates of obligation | 3.00% | 2,000,000 | 1,740,000 |
| 2017 Certificates of obligation | 3.00% | 8,775,000 | 8,775,000 |
| Total | | <u>\$ 24,770,000</u> | <u>\$ 18,885,000</u> |

City of Lucas, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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

| Governmental Activities | | | | |
|--------------------------------------|---------------------------------|-------------------|-----------------------------------|---------------------|
| Year ending September 30, | General Obligation Bonds | | Certificates of Obligation | |
| | Principal | Interest | Principal | Interest |
| 2018 | \$ 205,000 | \$ 38,446 | \$ 580,000 | \$ 373,125 |
| 2019 | 215,000 | 30,550 | 585,000 | 341,038 |
| 2020 | 225,000 | 22,278 | 600,000 | 322,713 |
| 2021 | 235,000 | 13,630 | 610,000 | 303,438 |
| 2022 | 245,000 | 4,606 | 635,000 | 283,638 |
| 2023 | - | - | 660,000 | 262,575 |
| 2024 | - | - | 680,000 | 239,825 |
| 2025 | - | - | 700,000 | 215,925 |
| 2026 | - | - | 720,000 | 191,350 |
| 2027 | - | - | 745,000 | 166,025 |
| 2028 | - | - | 670,000 | 141,975 |
| 2029 | - | - | 690,000 | 119,275 |
| 2030 | - | - | 715,000 | 95,800 |
| 2031 & After | - | - | 2,710,000 | 271,725 |
| Total | \$ 1,125,000 | \$ 109,510 | \$ 11,300,000 | \$ 3,328,425 |