OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM

and

PRELIMINARY OFFICIAL STATEMENT

CITY OF LUCAS, TEXAS

(A Political Subdivision of the State of Texas Located in Collin County, Texas)

$2,980,000*

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

(THE "BONDS")

To be Designated by the City as **"QUALIFIED TAX-EXEMPT OBLIGATIONS"**

Bids due
Thursday, November 5, 2020
at
11:00 A.M., Central Time

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*Preliminary, subject to change based on bid structures. See "THE BONDS - MATURITY SCHEDULE" and "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" in the Official Notice of Sale relating to the Bonds.

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This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Bonds defined and described herein. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

The Issuer will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

OFFICIAL NOTICE OF SALE

$2,980,000*
CITY OF LUCAS, TEXAS
(A political subdivision of the State of Texas located in Collin County, Texas)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

BONDS OFFERED FOR SALE AT COMPETITIVE BID: The City Council (the "City Council") of the City of Lucas, Texas (the "City" or the "Issuer") is offering for sale at competitive bid its $2,980,000 General Obligation Refunding Bonds, Series 2020 (the "Bonds").

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on Thursday, November 5, 2020. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on Thursday, November 5, 2020 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

OPENING OF BIDS: Bids will be opened and publicly read at 11:00 A.M., Central Time, on Thursday, November 5, 2020, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the "Financial Advisor") and the City Council shall provide final approval of the award at a City Council meeting later that evening. The Mayor of the City or his representative shall award the Bonds as described in the section entitled "AWARD AND SALE OF THE BONDS" below.

AWARD AND SALE OF THE BONDS: By 12:00 P.M. Noon Central Time, on the date set for receipt of bids, the Mayor of the City or his representative shall award the Bonds to the **low qualified bidder (the "Winning Bidder"), as described in the section entitled "CONDITIONS OF SALE – Basis of Award" herein subject to final approval of the City Council which will take action to adopt an ordinance (the "Ordinance")** authorizing the issuance and awarding sale of the Bonds or will reject all bids promptly at a scheduled meeting to commence at 7:00 P.M. Central Time on Thursday, November 5, 2020. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

*Preliminary, subject to change based on bid structures. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.

THE BONDS

DESCRIPTION OF CERTAIN TERMS OF THE BONDS: The Bonds will be dated November 15, 2020 (the "Dated Date") with interest to accrue from the Dated Date and be payable initially on August 1, 2021, and semiannually on each August 1 and February 1 thereafter until the earlier of stated maturity or prior redemption. The Bonds will be issued as fully registered Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.) The Bonds will be stated to mature on February 1 in each of the following years in the following amounts:

MATURITY SCHEDULE
(Due February 1)

Stated Maturity	Principal Amount*	Stated Maturity	Principal Amount*
2022	$ 255,000	2027	$ 305,000
2023	260,000	2028	315,000
2024	275,000	2029	325,000
2025	280,000	2030	335,000
2026	295,000	2031	335,000

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Bonds shall not exceed $2,980,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

OPTIONAL REDEMPTION: The City reserves the right, at its option, to redeem the Bonds maturing on or after February 1, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described in the Preliminary Official Statement.

SECURITY FOR PAYMENT: The Bonds are direct obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "TAX RATE LIMITATIONS" herein.)

OTHER TERMS AND COVENANTS: Other terms of the Ordinance and the various covenants of the City contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

SUCCESSOR PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Bonds.

In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the City, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

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*Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS".

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Bonds from the Dated Date of the Bonds to the date of Initial Delivery (defined herein) of the Bonds. **No bid producing a cash premium on the Bonds that results in a dollar price of less than 110% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Bonds (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Bonds of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest True Interest Cost (defined herein) rate to the City. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Bonds on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Bonds plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") to the date of initial delivery of the Bonds, relating to the excludability of interest on the Bonds from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (on or before the date of initial delivery of the Bonds) a certification as to their initial offering prices of the Bonds (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale (see "ESTABLISHMENT OF ISSUE PRICE" herein).

ESTABLISHMENT OF ISSUE PRICE:

(a) The Winning Bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City by the Delivery Date an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the City, and Norton Rose Fulbright US LLP, the City's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Bonds under applicable federal regulations). All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's Financial Advisor and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) the City shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the Winning Bidder. In such event, the City intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"). The City shall promptly advise the Winning Bidder, at or before the time of award of the Bonds, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Bonds. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies**. In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5^{th}) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(e) The City acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

(1) "public" means any person other than an underwriter or a related party,

(2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the public),

(3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date that the Bonds are awarded by the City to the Winning Bidder.

<u>ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS</u>: See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" for a description of the City's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities.

<u>GOOD FAITH DEPOSIT</u>: A bank cashier's check payable to the order of "City of Lucas, Texas" in the amount of $59,600, which is 2% of the par value of the Bonds (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the City until the Bonds are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Bonds; however, should the Purchaser fail or refuse to take up and pay for the Bonds, said Good Faith Deposit is to be cashed by the City and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

<u>ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM</u>:

<u>It is the obligation of the City to receive information from Winning Bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder").</u> Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Bonds to a Winning Bidder which is a Privately Held Bidder unless such party submits a Bond of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Bonds is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

<u>Process for completing the Disclosure Form.</u> Reference should be made to the Disclosure Form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Lucas, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Lucas GORB2020 – Bid Form) and description of the goods or services (Purchase of the City of Lucas, Texas General Obligation Refunding Bonds, Series 2020). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at https://www.ethics.state.tx.us/filinginfo/1295, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City. The executed Disclosure Form must be sent by email to the City's financial advisor at mmccliney@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Jeff Kuhn, c/o Norton Rose Fulbright US LLP, 111 W. Houston Street, Suite 1800 San Antonio, Texas 78205, along with a PDF executed version sent to w.jeffrey.kuhn@nortonrosefulbright.com.

<u>Preparations for completion, and the significance of, the reported information</u>. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Bonds until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/filinginfo/1295.

<u>ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE:</u> Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

Each bidder, through submittal of an executed Official Bid Form, represents that neither it nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf; https://comptroller.texas.gov/purchasing/docs/iran-list.pdf, or https://comptroller.texas.gov/purchasing/docs/fto-list.pdf. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law and excludes our company and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the City and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE: The City has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the City deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the City of the initial offering yields of the Bonds.

The City agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The City consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The City will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The City does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the City intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the City makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds.

FINAL OFFICIAL STATEMENT: In addition to delivering the Official Statement in a "designated electronic format", the City will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Bonds, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Bonds. The Purchaser will be responsible for providing information concerning the City and the Bonds to subsequent purchasers of the Bonds, and the City will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The City agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The City consents to the distribution of such documents in a "designated electronic format". Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The City's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Bonds to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Bonds have been sold to ultimate customers.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY", the City will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the City to do so will terminate when the City delivers the Bonds to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Bond (the "Delivery Date"), the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the initial delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last financial statements of the City appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the City Council of the City on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the City.

CONTINUING DISCLOSURE AGREEMENT: The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: During the past five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BONDS: The initial delivery of the Bonds to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Bond in the total principal amount of $2,980,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Bond for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Bond"), signed by manual or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Bonds will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Bond, they shall be immediately canceled and one Bond for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Bond must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery of the Initial Bond can be made on or about December 2, 2020, but if for any reason the City is unable to make delivery by December 16, 2020, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Bonds. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the City's reasonable control.

EXCHANGE OF INITIAL BONDS FOR DEFINITIVE BONDS: Upon payment for the Initial Bond at the time of such delivery, the Initial Bond is to be canceled by the Paying Agent/Registrar and registered definitive Bonds delivered in lieu thereof, in multiples of $5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Bonds shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Bond, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Bond and delivery of registered definitive Bonds may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the City; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Bond, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE", all as described below. In addition, if the City fails to comply with its obligations described under "OFFICIAL

STATEMENT- FINAL OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the City within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligation of the Purchaser to take up and pay for the Bonds, and of the City to deliver the Initial Bond, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Bond, there shall have been no material adverse change in the affairs of the City subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Bonds are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

CHANGE IN TAX-EXEMPT STATUS: At any time before the Bonds are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Bonds shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

QUALIFIED TAX-EXEMPT OBLIGATIONS: The City will designate the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions (see discussion under “TAX MATTERS – Qualified Tax-Exempt Obligations” in the Preliminary Official Statement).

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: The Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and interest rate as the Bonds surrendered for exchange or transfer.

RECORD DATE: The record date ("Record Date") for determining the party to whom the semiannual interest on the Bonds is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

RATING: S&P Global Ratings (“S&P”) has assigned an unenhanced, underlying rating of “AA+” to the Bonds. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SALE OF ADDITIONAL OBLIGATIONS: The City has called a bond election for November 5, 2020 in the aggregate principal amount of $19,190,000 for the purpose of creating a city-wide fiber optic broadband internet service. If the bond election is successful, it is anticipated that these bonds will be issued in one or more series over the next few years.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE: No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended (the “Act”), in reliance upon exemptions provided in such Act. The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Bonds are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from www.samcocapital.com.

On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Bonds, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

/s/

Mayor,
City of Lucas, Texas

ATTEST:

/s/

City Secretary,
City of Lucas, Texas

October 29, 2020

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OFFICIAL BID FORM

Honorable Mayor and City Council
City of Lucas
665 Country Club Road
Lucas, Texas 75002

November 5, 2020

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated October 29, 2020, which terms are incorporated by reference to this proposal (and which are agreed to as evidenced by our submission of this bid), we hereby submit the following bid for $2,980,000 (preliminary, subject to change) CITY OF LUCAS, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020, dated November 15, 2020 (the "Bonds").

For said legally issued Bonds, we will pay you $__________. (being a price of no less than 110% of the par value) plus accrued interest from their date to the date of delivery to us for Bonds maturing February 1 and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2022	$ 255,000		2027	$ 305,000	
2023	260,000		2028	315,000	
2024	275,000		2029	325,000	
2025	280,000		2030	335,000	
2026	295,000		2031	335,000	

Our calculation (which is not part of this bid) of the True Interest Cost from the above is: __________________%

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Bonds, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Bonds shall not exceed $2,980,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

The Initial Bond shall be registered in the name of ____, which will, upon payment for the Bonds, be cancelled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the ____ Bank, ______________________, Texas, in the amount of $59,600, which represents our Good Faith Deposit [is attached hereto] or [has been made available to you prior to the opening of this Bid], and is submitted in accordance with the terms as set forth in the Official Notice of Sale. Upon delivery of the Bonds, said check is to be returned to the Purchaser.

We agree to accept delivery of the Bonds utilizing the Book-Entry-Only System through DTC and make payment for the Initial Bond in immediately available funds at the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 A.M., Central Time, on Wednesday, December 2, 2020, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Bonds to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the City. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it does not and will not "boycott Israel" and is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE".

For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM", complete an electronic form of the Bond of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the City's financial advisor at mmcliney@samcocapital.com and Bond Counsel at w.jeffrey.kuhn@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

By: ______________________________

____
Authorized Representative

____
Telephone Number

____
E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Lucas, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 5th day of November 2020.

/s/______________________________
Mayor,
City of Lucas, Texas

ATTEST:

/s/______________________________
City Secretary,
City of Lucas, Texas

$2,980,000*
CITY OF LUCAS, TEXAS
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2020

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of ____________________, ________________, _____________ (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Obligations") of the City of Lucas, Texas (the "Issuer").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by ____________________ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Obligations used by the "Purchaser" in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by the "Purchaser" to purchase the Obligations.

(b) ______________________ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by ______________________ constituted a firm offer to purchase the Obligations.

2. ***Defined Terms***.

(a) *Maturity* means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is November 5, 2020.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

____

By: _________________________________

Name: _________________________________

Title: _________________________________

Dated: November 5, 2020

*Preliminary, subject to change.

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SCHEDULE A

EXPECTED OFFERING PRICES

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SCHEDULE B

COPY OF UNDERWRITER'S BID

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NEW ISSUE - BOOK-ENTRY-ONLY

Ratings: S&P: "AA+"
(See: "OTHER PERTINENT INFORMATION-Ratings" herein)

PRELIMINARY OFFICIAL STATEMENT
October 29, 2020

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Bonds under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Bonds and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" herein.)

The Issuer will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

$2,980,000*
CITY OF LUCAS, TEXAS
(A political subdivision of the State of Texas located in Collin County, Texas)

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

Dated Date: November 15, 2020 **Due: February 1, as shown on inside cover**

The $2,980,000* City of Lucas, Texas General Obligation Refunding Bonds, Series 2020 (the "Bonds") are being issued pursuant to the Constitution and laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended, an ordinance (the "Ordinance") to be adopted on November 5, 2020 by the City Council of the City of Lucas, Texas (the "City" or "Issuer"), and the City's Home Rule Charter. (See "THE BONDS - Authority for Issuance" herein.)

The Bonds are direct obligations of the Issuer payable from the proceeds of an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Bonds will accrue from November 15, 2020 (the "Dated Date"), as shown above and will be payable on February 1 and August 1 of each year, commencing August 1, 2021, until the earlier of stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of (1) to refund a portion of the City's outstanding Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 described in SCHEDULE I to this Official Statement (the "Refunded Obligations") for debt service savings and (2) to pay the costs of issuance relating to the Bonds. (See "THE BONDS - Use of Bond Proceeds" herein.)

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS

The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Bonds. (See "LEGAL MATTERS Legal Opinions and No-Litigation Certificate" and "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Bonds will be available for initial delivery through DTC on or about December 2, 2020.

BIDS DUE THURSDAY, NOVEMBER 5, 2020, BY 11:00 A.M., CENTRAL TIME

* Preliminary, subject to change

$2,980,000*
CITY OF LUCAS, TEXAS
(A political subdivision of the State of Texas located in Collin County, Texas)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

MATURITY SCHEDULE*
(Due February 1)

CUSIP Prefix No. 549380 [(a)]

Stated Maturity February 1	Principal Amount*	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[(a)]
2022	$ 255,000			
2023	260,000			
2024	275,000			
2025	280,000			
2026	295,000			
2027	305,000			
2028	315,000			
2029	325,000			
2030	335,000			
2031	335,000			

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on or after February 1, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Bonds to be grouped together as a "Term Bond" and such "Term Bonds" would also be subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

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* Preliminary, subject to change.

[(a)] CUSIP numbers are included solely for the convenience of the owner of the Bonds. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF LUCAS TEXAS

665 Country Club
Lucas, Texas 75002
Telephone: (972) 727-8999

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
Jim Olk Mayor	9	2021	Building Official
Kathleen Peele Mayor Pro-Tem	14	2022	Senior Vice President Program Management
Wayne Millsap Councilmember	13	2020	Managing Partner
Tim Baney Councilmember	5	2020	Business Owner
Steve Duke Councilmember	8	2021	Automotive Restoration
Philip Lawrence Councilmember	10	2021	Loss Prevention and Security Manager
Debbie Fisher Councilmember	16	2022	Retired Educator

ADMINISTRATION

Name	Position	Length of Service (Years)
Joni Clarke	City Manager	6 years
Liz Exum	Director of Finance	11 years
Stacy Henderson	City Secretary	5 years

CONSULTANTS AND ADVISORS

Bond Counsel	Norton Rose Fulbright US LLP San Antonio, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	LaFollett and Company PLLC Tom Bean, Texas

For Additional Information Please Contact:

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City of Lucas
665 Country Club
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lexum@lucastexas.us

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Mr. Andrew Friedman
Managing Director
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San Antonio, Texas 78209
(210)-832-9760
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USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"), and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the Issuer with respect to the Bonds that has been "deemed final" by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING EITHER THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM as such information is provided by DTC.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the Purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THIS SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

The cover page, subsequent pages hereof, schedule and appendices attached hereto, are part of this Official Statement.

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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Lucas, Texas (the "City" or "Issuer") is near SH 190 to the south and conveniently located by the City of Allen, City of Plano and the City of Richardson, Texas. The City's Home Rule Charter was adopted May 15, 2008. The City operates under a 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. (See "APPENDIX B - General Information Regarding the City of Lucas and Collin County, Texas" herein.)
The Bonds	The Bonds are being issued pursuant to the Constitution and laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended, an ordinance (the "Ordinance") to be adopted on November 5, 2020 by the City Council of the City of Lucas, Texas (the "City" or "Issuer"), and the City's Home Rule Charter. (See "THE BONDS - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas.
Security	The Bonds are direct obligations of the Issuer payable from the proceeds of an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature on or after February 1, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Purchaser may select certain consecutive maturities of the Bonds to be grouped together as a "Term Bond" and such "Term Bonds" would also be subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "Tax MATTERS" and will not be included in calculating the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein.)
Qualified Tax-Exempt Obligations	The Issuer will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of: (1) to refund a portion of the City's outstanding Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 described in SCHEDULE I to this Official Statement (the "Refunded Obligations") for debt service savings and (2) to pay the costs of issuance relating to the Bonds.
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner the Bonds may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Ratings	S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Bonds. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Issuance of Additional Debt	The City has called a bond election for November 5, 2020 in the aggregate principal amount of $19,190,000 for the purpose of creating a city-wide fiber optic broadband internet service. If the bond election is successful, it is anticipated that these bonds will be issued in one or more series over the next few years.
Payment Record	The City has never defaulted on the payment of either its revenue or general obligation debt.
Delivery	It is anticipated the Bonds will be available for delivery through DTC on or about December 2, 2020.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, San Antonio, Texas.

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PRELIMINARY OFFICIAL STATEMENT
relating to

$2,980,000*
CITY OF LUCAS, TEXAS
(A political subdivision of the State of Texas located in Collin County, Texas)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Lucas, Texas (the "City" or the "Issuer") of its $2,980,000* General Obligation Refunding Bonds, Series 2020 (the "Bonds") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State of Texas and the City's Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 Northeast Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

Infectious Disease Outbreak – COVID -19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic which has been subsequently extended and remains in effect. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include executive orders which have, among other things, imposed limitations on social gatherings and established occupancy limits for most businesses in Texas. Business establishments including restaurants, retail establishments, manufacturers, and office buildings are subject to a 75 percent occupancy limit. Additionally, such orders required every person in Texas to wear a face covering over the nose and mouth while inside a commercial entity, building, or space open to the public, or in an outdoor public space when it is not feasible to maintain six feet of social distance, subject to certain exceptions. In a separate order, the Governor has required that every hospital reserve at least 10 percent of its hospital capacity for treatment of COVID- 19 patients, and further imposed a moratorium on elective surgeries in any "Trauma Service Area" that has had seven consecutive days in which the number of COVID- 19 hospitalized patients as a percentage of all hospitalized patients exceeds 15 percent. The Governor retains the authority to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

In addition to the actions by the State and federal officials, certain local officials, including the City and Collin County, Texas, have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

*Preliminary, subject to change.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Obligations. The City, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the City.

The City collects a sales and use tax on all taxable transactions within the City's boundaries and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes and utility franchise and other fees and charges may negatively impact the City's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

PLAN OF FINANCING

Purpose of Bonds

The Bonds are being issued to refund a portion of the City's outstanding Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 described in SCHEDULE I to this Official Statement (the "Refunded Obligations"). The refunding is being undertaken to realize debt service savings for the City.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with BOKF, NA, Dallas, Texas, a national banking association (the "Escrow Agent") pursuant to an escrow deposit letter dated as of November 5, 2020 (the "Escrow Agreement") between the City and the Escrow Agent.

The Ordinance provides that the City will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the City (if any), with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled date of early redemption (the "Redemption Date"). Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the City, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Obligations, when due, on the Redemption Date (the "Sufficiency Certificate"). Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose, be (i) held uninvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Ordinance was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA". Cash and investments, if any, held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate provided by SAMCO Capital Markets, Inc., that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt. The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payment.

THE BONDS

General Description of the Bonds

The Bonds will be dated November 15, 2020 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Bonds will be registered and issued in denominations of $5,000 or any integral multiple thereof. The Bonds will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing August 1, 2021, until stated maturity or prior redemption. Principal of and interest on the Bonds are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Bonds payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Bonds will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1207, Texas Government Code, as amended, the Ordinance, and the City's Home Rule Charter.

Security for Payment

The Bonds are direct obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

Redemption Provisions of the Bonds

The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature, on or after February 1, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Two or more consecutive maturities of the Bonds maturing in or after 2030 may be grouped together as a "Term Bond" by the Purchaser, and such "Term Bonds" would also be subject to mandatory sinking fund redemption. If less than all of the Bonds within a stated maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Selection of Bonds to be Redeemed

The Bonds of a denomination larger than $5,000 may be redeemed in part (in increments of $5,000 or any integral multiple thereof). The Bonds to be partially redeemed must be surrendered in exchange for one or more new Bonds for the unredeemed portion of the principal. If less than all of the Bonds are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) to select, at random and by lot, the particular Bonds, or portion thereof, to be redeemed. If a Bond (or any portion of the principal sum thereof) will have been called for redemption and notice or such redemption will have been given, such Bond (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used for the purpose of (1) to refund the Refunded Obligations for debt service savings and (2) to pay the costs of issuance relating to the Bonds.

Sources and Uses

Sources	
Par Amount of the Bonds	$
Issuer's Contribution	
Accrued Interest on the Bonds	
[Net] Reoffering Premium	
Total Sources of Funds	$
Uses	
Escrow Fund Deposit	$
Purchaser's Discount	
Bond Fund Deposit	
Costs of Issuance	
Total Uses	$

Payment Record

The Issuer has never defaulted on the payment of its ad valorem tax-backed indebtedness.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds; (ii) give any preference to any Bond over any other Bond; or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission.

Defeasance

The Ordinance provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. City officials are authorized to restrict such eligible securities as deemed appropriate. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. As noted above, the Ordinance provides that Bond holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds affected by the change by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Bond on any interest payment date means the fifteenth (15^{th}) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transfer of Bonds

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Bonds and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

INVESTMENT POLICIES

The City invests its investable funds in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the City Council of the City. Both State law and the City's investment policies are subject to change.

Legal Investments

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City's investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments [(1)] **TABLE 1**

As of July 31, 2020, the City held investments as follows:

Type of Security	Market Value	Percentage of Total
Cash, Money Markets, and CD's	**$ 7,155,486.61**	**21.92%**
Investment Pools	**25,483,797.23**	**78.08%**
	$ 32,639,283.84	**100.00%**

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

(1) Unaudited.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors *are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Collin County Appraisal District ("Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see "CITY APPLICATION OF PROPERTY TAX CODE" herein.

City and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY'S APPLICATION OF THE PROPERTY TAX CODE

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $50,000.00.

The City has granted an additional exemption of 8% of the market value of residence homesteads; minimum exemption of $5,000.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does tax nonbusiness personal property; and Collin County collects taxes for the City.

The City does not permit split payments, and discounts are not allowed.

The City does not tax freeport property.

The City does not collect an additional one-quarter of one percent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy and does not have existing tax abatement agreements.

The City does not participate in tax increment financing zones.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion is reproduced as APPENDIX C.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Issuer made in a certificate of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Ordinance by the Issuer subsequent to the issuance of the Bonds. The Ordinance contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Issuer may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Bond holders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable Bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable Bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable Bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity Bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The City will designate the Bonds as "qualified tax-exempt obligations" and will certify its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information".

Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 180 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The Issuer will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in Table 1 of the Official Statement and in Tables 1-13 of APPENDIX A to this Official Statement and in APPENDIX D. The Issuer will update and provide this information within six months after the end of each fiscal year in or after 2020. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances;(10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes;(12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Bonds nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Bonds. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchasers from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Agreements

During the past five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Bonds. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE BONDS" (except under the subcaptions "Use of Bond Proceeds", "Sources and Uses" "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Bonds for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and initial delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

In the opinion of various officials of the City, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the City.

At the time of the initial delivery of the Bonds, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Bonds are negotiable instruments governed by Chapter 8, as amended, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Bonds must have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "OTHER PERTINENT INFORMATION – Ratings" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Bonds have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

Ratings

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Bonds. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Bonds.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Winning Bidder

After requesting competitive bids for the Bonds, the City accepted the bid of ____________ (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a [net] reoffering premium of $___________, less a Purchaser's discount of $ ___________, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Bonds, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d)except as otherwise set forth in this Official Statement there has been no material adverse change in the financial condition of the City, since September 30, 2019, the date of the last financial statements of the City appearing in the Official Statement.

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

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Concluding Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The Ordinance authorizing the issuance of the Bonds will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Bonds by the Purchaser.

This Official Statement will be approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF LUCAS, TEXAS

/s/

Mayor
City of Lucas, Texas

ATTEST:

/s/

City Secretary
City of Lucas, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

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SCHEDULE I
SCHEDULE OF REFUNDED OBLIGATIONS

CITY OF LUCAS, TEXAS

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011
(Redemption Date 02-01-21 @ par)

	Current Interest Bonds				
Original Dated Date	Original Maturity (February 1)	Original Principal Amount		Principal Being Refunded	Interest Rate
June 1, 2011	2022	$ 285,000.00		$ 285,000.00	3.000%
	2023	295,000.00		295,000.00	3.500%
	2024	310,000.00		310,000.00	4.000%
	2025	325,000.00	(a)	325,000.00	4.000%
	2026	340,000.00	(a)	340,000.00	4.000%
	2027	355,000.00	(b)	355,000.00	4.000%
	2028	370,000.00	(b)	370,000.00	4.000%
	2029	385,000.00	(c)	385,000.00	4.000%
	2030	405,000.00	(c)	405,000.00	4.000%
	2031	420,000.00	(c)	420,000.00	4.000%
		$ 3,490,000.00		$ 3,490,000.00	

[a] *Represents a sinking fund redemption of a term bond that matures February 1, 2026.*
[b] *Represents a sinking fund redemption of a term bond that matures February 1, 2028.*
[c] *Represents a sinking fund redemption of a term bond that matures February 1, 2031.*

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APPENDIX A

FINANCIAL INFORMATION RELATING TO THE CITY OF LUCAS, TEXAS

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION — TABLE 1

2020 Market Value of Taxable Property (100% of Market Value)	$	1,906,289,493	
Less Exemptions:			
Optional Over-65 or Disabled Homestead		24,750,000	
Veterans Exemptions		7,381,755	
Productivity Loss		115,187,568	
Loss to 10% HO Cap		16,175,362	
Exemptions/Other		229,572,623	
TOTAL EXEMPTIONS		393,067,308	
2020 Assessed Value of Taxable Property	$	1,324,453,248	*

** Includes freeze value of $188,768,937.*

Source: Collin Central Appraisal District.

GENERAL OBLIGATION BONDED DEBT

(as of September 1, 2020)

General Obligation Debt Principal Outstanding			
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007	$	1,555,000	
General Obligation Refunding Bonds, Series 2007		690,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011		280,000	(a)
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015		1,390,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017		7,760,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019		8,465,000	
The Bonds		2,980,000	*
Total Gross General Obligation Debt	$	23,120,000	*
Less: Self Supporting Debt			
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 (56.27% Utility Fund)	$	875,000	
General Obligation Refunding Bonds, Series 2007 (30.43% Utility Fund)		210,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 (41.07% Utility Fund)		115,000	(a)
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017 (33.31% Utility Fund)		2,585,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (10.51% Utility Fund)		890,000	*
The Bonds (40.10% Utility Fund)		1,195,000	*
Total Self-Supporting Debt	$	5,870,000	*
Total Net General Obligation Debt Outstanding	$	17,250,000	*
2020 Net Assessed Valuation	$	1,324,453,248	
Ratio of Total Gross General Obligation Debt Principal to 2020 Net Taxable Assessed Valuation		1.75%	*
Ratio of Net General Obligation Debt to 2020 Net Taxable Assessed Valuation		1.30%	*

Population: 1990 - 2,205; 2000 - 2,890; 2010 - 5,166; est. 2020 - 8,338
Per Capita Net Taxable Assessed Valuation - $158,845.44
Per Capita Gross General Obligation Debt Principal - $2,772.85
Per Capita Net General Obligation Debt Principal - $2,068.84

[a] Excludes the Refunded Obligations

** Preliminary, subject to change.*

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE — TABLE 2

(As of September 30, 2019)

Note Payable

NONE

Source: The Issuer's Annual Financial Report for the fiscal year ended September 30, 2019 and information from the City.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending (9/30)	Current Total Outstanding Debt [1]	Less Refunded Obligations Debt Service	The Bonds* Principal	The Bonds* Interest	The Bonds* Total	Total Combined Debt Service*	Less: Self Supporting Debt Service*	Total Net Debt Service *
2021	$ 2,299,496	$ -	$ -	$ 56,498	$ 56,498	$ 2,355,994	$ 635,570	$ 1,720,424
2022	2,356,061	416,000	255,000	75,625	330,625	2,270,686	674,985	1,595,701
2023	2,014,519	416,563	260,000	67,900	327,900	1,925,856	568,323	1,357,533
2024	2,005,844	420,200	275,000	59,875	334,875	1,920,519	563,211	1,357,308
2025	1,999,506	422,500	280,000	51,550	331,550	1,908,556	557,749	1,350,807
2026	1,991,169	424,200	295,000	42,925	337,925	1,904,894	556,861	1,348,033
2027	1,985,706	425,300	305,000	33,925	338,925	1,899,331	550,549	1,348,782
2028	1,757,775	425,800	315,000	24,625	339,625	1,671,600	421,493	1,250,107
2029	1,754,375	425,700	325,000	16,650	341,650	1,670,325	421,443	1,248,882
2030	1,759,875	429,900	335,000	10,050	345,050	1,675,025	422,643	1,252,382
2031	1,600,113	428,400	335,000	3,350	338,350	1,510,063	423,405	1,086,658
2032	1,170,088	-	-	-	-	1,170,088	285,305	884,783
2033	1,167,763	-	-	-	-	1,167,763	283,405	884,358
2034	1,169,675	-	-	-	-	1,169,675	286,293	883,382
2035	1,165,825	-	-	-	-	1,165,825	283,968	881,857
2036	1,166,213	-	-	-	-	1,166,213	286,430	879,783
2037	1,170,563	-	-	-	-	1,170,563	283,659	886,904
2038	587,509	-	-	-	-	587,509	93,544	493,965
2039	582,547	-	-	-	-	582,547	91,181	491,366
Total	$ 29,704,620	$ 4,234,563	$ 2,980,000	$ 442,973	$ 3,422,973	$ 28,893,030	$ 7,690,017	$ 21,203,013

[1] Includes self-supporting debt. Includes the Refunded Obligations.

* *Preliminary, subject to change. Interest calculations based on an assumed rate.*

TAX ADEQUACY (Includes Self-Supporting Debt)

2020 Freeze Adjusted Net Taxable Assessed Valuations	$	1,135,684,311
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021*)	$	2,355,994 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$	0.2033 *

* *Preliminary, subject to change. Includes the Bonds and excludes the Refunded Obligations.*

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest.

TAX ADEQUACY (Excludes Self-Supporting Debt)

2020 Freeze Adjusted Net Taxable Assessed Valuations	$	1,135,684,311
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021*)	$	1,720,424 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$	0.1485 *

* *Preliminary, subject to change. Includes the Bonds and excludes the Refunded Obligations.*

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest.

INTEREST AND SINKING FUND MANAGEMENT INDEX

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2019	$ 1,156,232
2020 Anticipated Interest and Sinking Fund Tax Levy at 98% Collections Produce [1]	1,293,698
Total Available for General Obligation Debt	$ 2,449,930
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/20	1,499,938
Estimated Surplus at Fiscal Year Ending 9/30/2020 [1]	$ 949,992

[1] Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

	Principal Repayment Schedule				Principal	Percent of
Fiscal Year Ending 9-30	Currently Outstanding[a]	Less Refunded Obligations	The Bonds	Total*	Principal Unpaid at End of Year*	Principal Retired (%)*
2021	$ 1,535,000		$ -	$ 1,535,000	$ 21,585,000	6.64%
2022	1,650,000	$ 285,000	255,000	1,620,000	19,965,000	13.65%
2023	1,365,000	295,000	260,000	1,330,000	18,635,000	19.40%
2024	1,410,000	310,000	275,000	1,375,000	17,260,000	25.35%
2025	1,460,000	325,000	280,000	1,415,000	15,845,000	31.47%
2026	1,510,000	340,000	295,000	1,465,000	14,380,000	37.80%
2027	1,565,000	355,000	305,000	1,515,000	12,865,000	44.36%
2028	1,395,000	370,000	315,000	1,340,000	11,525,000	50.15%
2029	1,440,000	385,000	325,000	1,380,000	10,145,000	56.12%
2030	1,490,000	405,000	335,000	1,420,000	8,725,000	62.26%
2031	1,375,000	420,000	335,000	1,290,000	7,435,000	67.84%
2032	980,000	-	-	980,000	6,455,000	72.08%
2033	1,005,000	-	-	1,005,000	5,450,000	76.43%
2034	1,035,000	-	-	1,035,000	4,415,000	80.90%
2035	1,060,000	-	-	1,060,000	3,355,000	85.49%
2036	1,090,000	-	-	1,090,000	2,265,000	90.20%
2037	1,125,000	-	-	1,125,000	1,140,000	95.07%
2038	565,000	-	-	565,000	575,000	97.51%
2039	575,000	-	-	575,000	-	100.00%
Total	$ 23,630,000	$ 3,490,000	$ 2,980,000	$ 23,120,000		

[a] *Includes self-supporting debt.*

** Preliminary, subject to change.*

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2010-2020 **TABLE 3**

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year Amount ($)	Change From Preceding Year Percent
2010-11	$ 551,310,764	---	---
2011-12	567,043,409	15,732,645	2.85%
2012-13	589,607,007	22,563,598	3.98%
2013-14	663,672,428	74,065,421	12.56%
2014-15	768,920,713	105,248,285	15.86%
2015-16	878,616,542	109,695,829	14.27%
2016-17	1,001,187,477	122,570,935	13.95%
2017-18	1,123,948,354	122,760,877	12.26%
2018-19	1,308,714,124	184,765,770	16.44%
2019-20	1,437,720,074	129,005,950	9.86%
2020-21	1,513,222,185	75,502,111	5.25%

Source: Collin Central Appraisal District.

PRINCIPAL TAXPAYERS 2019 **TABLE 4**

Name	Type of Business/Property	2019 Net Taxable Assessed Valuation	2019 Assessed Valuation
Liberty Bankers Life Insurance Company	Insurance	$ 16,037,907	1.12%
Wal-Mart Real Estate Business Trust	Retail	15,857,564	1.10%
Wal-Mart Stores Texas LLC	Retail	5,901,784	0.41%
Dahlia Arr LLC	Construction	5,127,560	0.36%
Megatel Homes	Home Builder	4,041,868	0.28%
Texas Henderson LLC	Construction	3,984,045	0.28%
Larsen Brandon & Heather	Residential	3,415,802	0.24%
Mentone Partners LLC	Construction	3,402,633	0.24%
Grayson Collin Elec Co-op	Utility	3,262,818	0.23%
Williams Karl	Residential	2,957,981	0.21%
		$ 63,989,962	4.45%

Source: Collin Central Appraisal District.
2020 Taxpayer Information Unavailable at this time.

TAX RATE DISTRIBUTION **TABLE 5**

	2020	2019	2018	2017	2016
General Fund	$ 0.190846	$ 0.202346	$ 0.202346	$ 0.198695	$ 0.230371
Interest and Sinking Fund	0.108949	0.100870	0.100870	0.119253	0.087577
Total	$ 0.299795	$ 0.303216	$ 0.303216	$ 0.317948	$ 0.317948

Source: Collin Central Appraisal District.

TAX DATA **TABLE 6**

Taxes are due October 1 and become delinquent after January 31. Current collections are those taxes collected through August 31, applicable to the current year's tax levy. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 20% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Year Ended
2010	$ 551,310,764	$ 0.374177	$ 2,062,878	97.44%	98.06%	9/30/2011
2011	567,043,409	0.374177	2,121,746	99.22%	99.49%	9/30/2012
2012	589,607,007	0.374177	2,206,174	97.76%	99.95%	9/30/2013
2013	663,672,428	0.374177	2,483,310	94.10%	100.00%	9/30/2014
2014	768,920,713	0.320661	2,465,629	98.42%	100.11%	9/30/2015
2015	878,616,542	0.317948	2,793,544	99.27%	103.50%	9/30/2016
2016	1,001,187,477	0.317948	3,183,256	98.47%	101.56%	9/30/2017
2017	1,123,948,354	0.303216	3,407,991	99.34%	100.60%	9/30/2018
2018	1,308,714,124	0.303220	3,968,283	99.11%	100.83%	9/30/2019
2019	1,437,720,074	0.303220	4,149,694	101.62%	101.65%	9/30/2020
2020	1,513,222,185	0.299795	4,536,564	(in process of collection)		9/30/2021

Source: Collin Central Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION **TABLE 7**

	2020	**% of Total**	**2019**	**% of Total**	**2018**	**% of Total**
Real, Residential, Single-Family	$ 1,416,363,637	74.30%	$ 1,345,455,652	73.61%	$ 1,246,763,913	73.83%
Real, Vacant Lots/Tracts	25,698,636	1.35%	30,588,360	1.67%	31,999,921	1.89%
Real, Acreage (Land Only)	116,503,554	6.11%	114,986,818	6.29%	106,904,564	6.33%
Real, Farm and Ranch Improvements	105,291,237	5.52%	93,757,025	5.13%	85,157,714	5.04%
Real, Commercial and Industrial	57,361,535	3.01%	42,161,041	2.31%	37,674,833	2.23%
Real & Tangible, Personal Utilities	8,657,470	0.45%	7,843,020	0.43%	7,002,816	0.41%
Tangible Personal Business	15,143,765	0.79%	14,306,853	0.78%	14,368,285	0.85%
Tangible Personal, Mobile Homes	68,334	0.00%	74,150	0.00%	72,919	0.00%
Real Property, Inventory	35,164,284	1.84%	50,281,938	2.75%	30,851,921	1.83%
Totally Exempt Property	126,037,041	6.61%	128,251,382	7.02%	127,890,097	7.57%
Total Market Value	$ 1,906,289,493	100.00%	$ 1,827,706,239	100.00%	$ 1,688,686,983	100.00%
Less:						
Homestead	$ 24,750,000		$ 23,233,098		$ 21,858,900	
Veteran's Exemptions	7,381,755		6,385,207		4,767,876	
Productivity Loss	115,187,568		113,804,190		105,667,384	
Loss to 10% HO Cap	16,175,362		21,109,210		29,914,407	
Exemptions/Other	229,572,623		225,454,460		217,764,292	
Net Taxable Assessed Valuation	$ 1,513,222,185		$ 1,437,720,074		$ 1,308,714,124	

Source: Collin Central Appraisal District.

MUNICIPAL SALES TAX COLLECTIONS **TABLE 8**

The Issuer has adopted the provisions of Chapter 321, Texas Tax Code, as amended, and pursuant thereto levies a sales and use tax at the rate of 1% on the retail sales of taxable items sold within the Issuer. In addition, some issuers, including the City, are eligible to levy a sales tax of up to ½ of 1% for property tax relief and/or an additional sales tax of up to ½ of 1% for economic development. State law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including municipal street maintenance and repair, sports and community venues, and funding certain projects through municipal development districts created by the City pursuant to Chapter 377, Texas Local Government Code. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

The Issuer has authorized the 1/2 of 1% sales tax for fire protection and an additional 1/2 of 1% sales tax for street maintenance. The figures below represent collections from the combined 2.00% sales tax.

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Lucas Fire Control
2010	$ 158,601	7.88%	$ 0.029	
2011	188,417	9.13%	0.034	
2012 [(1)]	187,174	8.82%	0.033	
2013	622,002	28.19%	0.105	
2014 [(2)]	827,251	33.31%	0.125	$ 18,107
2015	936,954	38.00%	0.122	260,367
2016 [(3)]	1,049,924	37.58%	0.119	302,062
2017	1,095,490	34.41%	0.109	320,187
2018	1,105,455	32.44%	0.098	359,192
2019	1,198,445	30.20%	0.092	396,443
2020 [(4)]	1,041,638	25.10%	0.072	340,792

(1) On May 12, 2012 the voters authorized 1/4 of 1% for property tax relief and 1/4 of 1% for street maintenance and repair.

(2) On May 6, 2014 the voters approved 1/2 of 1% sales tax for fire protection. On May 7, 2019, the voters approved a 10-year extension of the Fire Control Sales Tax.

(3) On May 7, 2016 the voters abolished 1/4 of 1% for property tax relief and increased the sales tax for street maintenance and repair to 1/2 of 1%.

(4) As of September 2020.

Source: State Comptroller's Office of the State of Texas.

OVERLAPPING DEBT INFORMATION

(As of August 31, 2020)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt (As of 8/31/20)	% Overlapping	Amount Overlapping	
Allen ISD	$ 551,873,446	0.84%	$ 4,635,737	
Collin County	487,405,000	0.94%	4,581,607	
Collin County CCD	531,590,000	0.94%	4,996,946	
Lovejoy ISD	157,942,326	34.33%	54,221,601	
McKinney ISD	509,840,000	0.48%	2,447,232	
Plano ISD	753,090,000	0.13%	979,017	
Princeton ISD	216,430,781	0.16%	346,289	
Wylie ISD	446,291,921	0.25%	1,115,730	
Total Gross Overlapping Debt			$ 73,324,159	
Lucas, City of			$ 23,120,000	*
Total Gross Direct and Overlapping Debt			$ 96,444,159	*
Ratio of Direct and Overlapping Debt to Net Assessed Valuation			6.71%	*
Per Capita Direct and Overlapping Debt			$11,566.82	*

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

**Includes the Bonds and excludes the Refunded Obligations. Preliminary, subject to change.*

Note: The above figures show Gross General Obligation Debt for the City of Lucas, Texas. The Issuer's Net General Obligation Debt is $17,250,000*. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Direct and Overlapping Debt	$ 90,574,159	*
Ratio of Direct and Overlapping Debt to Net Assessed Valuation	6.30%	*
Per Capita Direct and Overlapping Debt	$10,862.82	*

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

**Includes the Bonds and excludes the Refunded Obligations. Preliminary, subject to change.*

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2019 Assessed Valuation	% of Actual	2019 Tax Rate
Allen ISD	$ 14,032,998,166	100%	$1.459
Collin County	149,632,276,578	100%	0.175
Collin County CCD	152,697,476,042	100%	0.081
Lovejoy ISD	2,800,131,925	100%	1.568
McKinney ISD	15,059,765,267	100%	1.488
Plano ISD	58,873,728,313	100%	1.337
Princeton ISD	1,400,070,241	100%	1.568
Wylie ISD	6,510,595,483	100%	1.538

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Amount Authorized	Amount Issued to Date	Amount Unissued
Allen ISD	None	$ -	$ -	$ -
Collin County	11/6/2018	750,000,000	286,955,000	463,045,000
Collin County CCD	None	-	-	-
Lovejoy ISD	5/10/2014	75,750,000	61,250,000	14,500,000
McKinney ISD	None	-	-	-
Plano ISD	5/7/2016	481,000,000	431,125,000	49,875,000
Princeton ISD	5/4/2019	237,400,000	20,400,000	217,000,000
Wylie ISD	None	-	-	-
Lucas, City of (1)	None	-	-	-

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.
The City has called a bond election for November 5, 2020 in the aggregate principal amount of $19,190,000 for the purpose of creating a city-wide fiber optic broadband internet service.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES **TABLE 9**

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Fund Balance - Beginning of Year	$ 11,155,896	$ 10,527,862	$ 9,022,177	$ 7,129,637	$ 6,682,112
Revenues	6,056,480	5,904,590	5,480,110	5,043,186	4,625,337
Expenditures	6,031,017	6,009,447	4,091,406	4,154,817	3,914,250
Excess (Deficit) of Revenues Over Expenditures	$ 25,463	$ (104,857)	$ 1,388,704	$ 888,369	$ 711,087
Other Financing Sources (Uses):					
Operating Transfers In	$ 621,176	$ 718,600	$ 547,441	$ 672,167	$ 405,287
Proceeds from Notes Payable	-	-	-	-	-
Proceeds from Sale of Capital Assets	6,718	14,291	1,272	43,255	-
Operating Transfers Out	-	-	(431,732)	-	(668,849)
Total Other Financing Sources (Uses):	$ 627,894	$ 732,891	$ 116,981	$ 715,422	$ (263,562)
Fund Balance - End of Year*	$ 11,809,253	$ 11,155,896	$ 10,527,862	$ 8,733,428	$ 7,129,637

Source: The Issuer's Comprehensive Annual Financial Reports and information provided by the Issuer.

** The City anticipates having an unaudited ending Genderal Fund balance of $12,402,950 for the fiscal year ending September 30, 2020.*

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS **TABLE 10**

Information regarding the City's pension plan can be found within the City's audit under "NOTE C" Pages 71-92: Employee Retirement System" in Appendix D herein.

UTILITY SYSTEM PLANT IN OPERATION **TABLE 11**

	FYE 9/30/2019
Land	$ 1,216,447
Construction in Progress	5,048,402
Machinery and Equipment	1,876,716
Buildings	5,056,803
Vehicles	2,348,863
Infrastructure	24,010,741
Total Capital Assets	$ 39,557,972
Less: Accumulated Depreciation	(8,074,657)
Net Capital Assets	$ 31,483,315

Source: The Issuer's Annual Financial Report for fiscal year ended September 30, 2019.

WATER SUPPLY

In 1969, the City entered into a forty-year contract with the North Texas Municipal Water District ("NTMWD") for the purchase of water. This contract was repeatedly amended and extended, and in 2004 it was replaced by a 30-year Potable Water Supply Contract between the City and NTMWD. The Potable Water Supply Contract provides that water, in the volume required by the City, will be provided by the NTMWD and billed monthly at a rate calculated in the same manner as that applied by NTMWD to its member cities. Since the future amounts and rates are not known, the amount of this commitment cannot be determined.

WATERWORKS SYSTEM OPERATING SYSTEM **TABLE 12**

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, bad debt, debt service payments and expenditures identified as capital.

Fiscal Year Ended:	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Revenues	$ 4,980,474	$ 5,418,493	$ 4,437,790	$ 4,340,975	$ 3,994,154
Expenses	3,366,134	3,382,384	3,005,272	2,783,007	2,509,073
Net Revenue Available for Debt Service	$ 1,614,340	$ 2,036,109	$ 1,432,518	$ 1,557,968	$ 1,485,081
Customer Count:					
Water	2,607	2,589	2,521	2,438	2,341

Source: The Issuer's Annual Financial Reports and information provided by the Issuer .

(Based on monthly billing)

New Rates
(Effective October 1, 2019)

Residential

Volumetric rate (per 1,000 gallons)

Meter Size	**In City Residential Base Rate**	**Out of City Residential Base Rate**
5/8" & 3/4" Meter	$ 23.15	$ 34.73
1" Meter	$ 36.62	$ 54.93
1 1/2" Meter	$ 43.11	$ 64.65
2" Meter	$ 83.43	$ 125.16

Gallons		
0-2000	**(Min. Charge, See Meter Size for Base Rate Table)**	
2,001-5,000	$ 6.22	$ 10.20
5,001-10,000	$ 6.61	$ 10.85
10,001-30,000	$ 6.93	$ 11.36
30,001-50,000	$ 7.24	$ 11.87
50,001-+	$ 7.77	$ 12.75

Commercial

Volumetric rate (per 1,000)

Meter Size	**In City (Base Rate)**	**Out of City (Base Rate)**
5/8" and 3/4"	$ 24.92	$ 37.38
1"	$ 38.97	$ 58.46
1-1/2"	$ 58.11	$ 87.17
2"	$ 122.25	$ 183.37
3"	$ 193.64	$ 290.46
4"	$ 366.23	$ 549.34
6"	$ 541.03	$ 811.55
8"	$ 1,080.17	$ 1,620.26

Gallons		
0-2,000	**(Min. Charge, See Meter Size for Base Rate Table)**	
2,001-5,000	$ 6.38	$ 10.46
5,001-10,000	$ 6.78	$ 11.12
10,001-30,000	$ 7.09	$ 11.63
30,001-50,000	$ 7.40	$ 12.14
50,001-100,000	$ 7.54	$ 12.37
100,001- +	$ 7.77	$ 12.74

(Based on monthly billing)

Old Rates
(Effective October 1, 2018)

Residential

Volumetric rate (per 1,000 gallons)

Meter Size	Residential	Residential
5/8" & 3/4" Meter	$ 22.83	$ 34.24
1" Meter	$ 35.97	$ 53.97
1 1/2" Meter	$ 43.04	$ 64.55
2" Meter	$ 80.94	$ 121.42

Gallons		
0-2000	**(Min. Charge, See Meter Size for Base Rate Table)**	
2,001-5,000	$ 5.88	$ 9.64
5,001-10,000	$ 6.25	$ 10.25
10,001-30,000	$ 6.55	$ 10.74
30,001-50,000	$ 6.84	$ 11.22
50,001-+	$ 7.35	$ 12.05

Commercial

Volumetric rate (per 1,000)

Meter Size	(Base Rate)	(Base Rate)
5/8" and 3/4"	$ 24.89	$ 37.34
1"	$ 38.29	$ 57.43
1-1/2"	$ 57.69	$ 86.54
2"	$ 120.97	$ 181.46
3"	$ 191.46	$ 287.19
4"	$ 364.84	$ 547.26
6"	$ 539.55	$ 809.32
8"	$ 1,073.26	$ 1,609.89

Gallons		
0-2,000	**(Min. Charge, See Meter Size for Base Rate Table)**	
2,001-5,000	$ 5.97	$ 9.80
5,001-10,000	$ 6.35	$ 10.41
10,001-30,000	$ 6.64	$ 10.89
30,001-50,000	$ 6.93	$ 11.37
50,001-100,000	$ 7.06	$ 11.58
100,001- +	$ 7.27	$ 11.93

WASTEWATER RATES

(As of October 1, 2019)

New Rates

Meter Size	Current Rates
5/8" & 3/4"	$ 26.97
1"	$ 40.45
1 1/2"	$ 76.40
2"	$ 121.80
3"	$ 148.42
4"	$ 343.95
6"	$ 418.71
8"	$ 778.12

Gallons	Consumption Charge for 2,000 gallons and greater
2,000 - Greater	$ 5.12

Old Rates (As of October 1, 2018)

Meter Size	Current Rates
5/8" & 3/4"	$ 24.72
1"	$ 39.85
1 1/2"	$ 75.27
2"	$ 120.00
3"	$ 146.23
4"	$ 338.87
6"	$ 412.52
8"	$ 766.62

Gallons	Consumption Charge for 2,000 gallons and greater
2,000 - Greater	$ 4.70

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF LUCAS AND COLLIN COUNTY, TEXAS

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GENERAL INFORMATION

City of Lucas

The City of Lucas (the "City") is located in north Texas approximately 68 miles south of the Texas-Oklahoma border, 40 miles northeast of Dallas, and located in Collin County, Texas. The City was incorporated in February 1959 and adopted its Home Rule Charter on May 15, 2008. The City is expected to grow steadily as people leave the more urban areas of the metroplex, and seek the higher quality of life that the City offers its residents. Most residents work outside of the Lucas city limits, and commute within the Dallas area.

The City of Lucas enjoys a stable economy and has benefited from a robust economy in the Dallas Metropolitan area. Highlights include:

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

Education

The City is encompassed by 6 school districts; Lovejoy ISD, Allen ISD, McKinney ISD, Plano ISD, Princeton ISD and Wylie ISD. Lovejoy ISD is the only district with schools situated within the city limits.

Higher Education

The Collin County Community College District serves the City of Lucas.

The County

Collin County is located in North Central Texas. The County was incorporated in 1846 and both the County and the County seat were named after the pioneer Collin McKinney. The County has a land area of 836 square miles.

The County has a recent history of rapid growth that rivals any fast growing area in the entire United States. The rate of growth is expected to dramatically increase in upcoming years. The population increased by 3.2% in 2018 and 2.8% in 2017. Due to major corporate construction projects recently completed, planned and currently underway, the growth is expected to continue to increase rapidly in upcoming years.

Some of the major business activity that has been occurring includes the Toyota North American Headquarters (on Collin-Denton County line), the Ford Center at the Star in Frisco (Dallas Cowboy World Headquarters), Legacy West, Frisco Station, The Gate, Wade Park, JP Morgan Chase, and the Gates of Prosper. The Professional Golf Association (PGA) of America announced they will also be coming to the County soon.

Major industries with headquarters or divisions located within the county include financial, petroleum research, electronics, retail, hotel, food, professional sports, and insurance institutions.

Labor Force Statistics [1]

	2020 [2]	2019 [3]	2018 [3]	2017 [3]
Civilian Labor Force	557,794	563,678	545,243	532,717
Total Employed	520,751	546,320	527,191	514,292
Total Unemployed	37,043	17,358	18,052	18,425
% Unemployment	6.6%	3.1%	3.3%	3.5%
Texas Unemployment	8.2%	3.5%	3.9%	4.3%

(1) Source: Texas Workforce Commission.
(2) As of July 2020.
(3) Average Annual Statistics.

Collin County provides a full range of services, including judicial; law enforcement; maintaining land and vital records; jail facilities; construction and maintenance of roads, bridges, and other infrastructure; recreational activities and facilities; indigent health assistance; and homeland security response teams.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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NORTON ROSE FULBRIGHT

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United States

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DRAFT 9/30/2020

IN REGARD to the authorization and issuance of the "City of Lucas, Texas General Obligation Refunding Bonds, Series 2020" (the *Bonds*), dated November 1, 2020, in the aggregate principal amount of $__________ we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Lucas, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2022 through 2031, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer's obligations being refunded by the Bonds, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Bonds, including the Ordinance, the Escrow Deposit Letter (the *Escrow Agreement*) between the Issuer and BOKF, NA, Dallas, Texas (the *Escrow Agent*), and the certification (the *Sufficiency Certificate*) by SAMCO Capital Markets, Inc., as Financial Advisor to the Issuer, concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bonds executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the ordinances authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement and upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "CITY OF LUCAS, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020"

such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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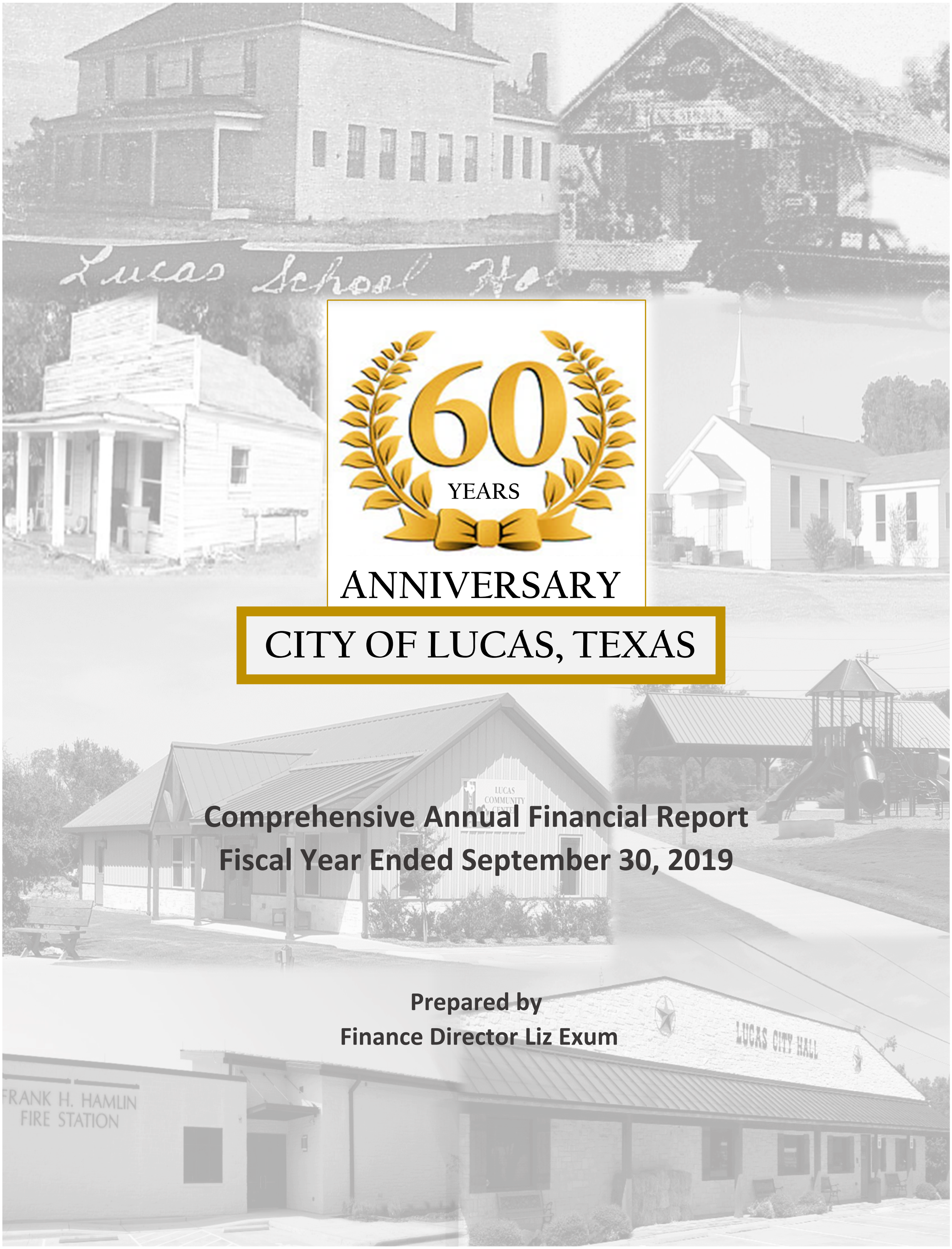
APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements – not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)



60 YEARS ANNIVERSARY

CITY OF LUCAS, TEXAS

Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2019

Prepared by
Finance Director Liz Exum

Lucas

City of Lucas, Texas

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September 30, 2019

OTHER SUPPLEMENTARY INFORMATION

STATISTICAL SECTION

INTRODUCTORY SECTION

Lucas

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

February 28, 2020
January 7, 2020

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

It is our pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Lucas, Texas for the fiscal year ended September 30, 2019. Responsibility for both the accuracy and completeness of the presented data and the creation of transparency between the local government and the community in which it serves rests with the City.

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

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

Our City

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

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

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

Our Economy

With an estimated population of 8,080, the population of Lucas is expected to grow steadily as people leave the more urban areas of the metroplex and seek the higher quality of life that Lucas offers its residents. Most Lucas residents work outside of the Lucas city limits, and commute within the Dallas area.

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

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

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

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Our Operational Efficiencies

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

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

Our Internal Controls

Management of the City is responsible for establishing and maintaining an internal control structure. This structure is designed to provide reasonable, but not absolute, assurance that: (1) City assets are protected from loss, theft or misuse; and (2) City financial records and data are accurate and reliable. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of cost and benefits requires estimates and judgments by management.

Our Future

At the end of September 2019, the City of Lucas is working on the following:

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

Our Financial Standards

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received, and the liabilities are incurred. Accounting records for the City's water and sewer utility, and other proprietary activities are maintained on the accrual basis.

Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. In compliance with GASB 54, the City's financial practice requires a General Fund reserve equal to at least six months of working capital, which equates to 50% of expenditures. The current reserve in the general fund is at 12.7 months with funds equaling 106% of this year's budgeted expenditures.

The City also maintains a reserve of six months of working capital, which equates to 50% of expenditures in its Water Fund. Water bond covenants require the City to maintain reserve amounts sufficient to cover the average annual debt service requirements. The City's current reserve in the Water Fund is at 15 months with current funds equaling 122% of this year's expenditures.

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Our Awards

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

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

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

Our Appreciation

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

Respectfully submitted,

Joni Clarke
City Manager

Liz Exum
Finance Director

Lucas

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lucas
Texas

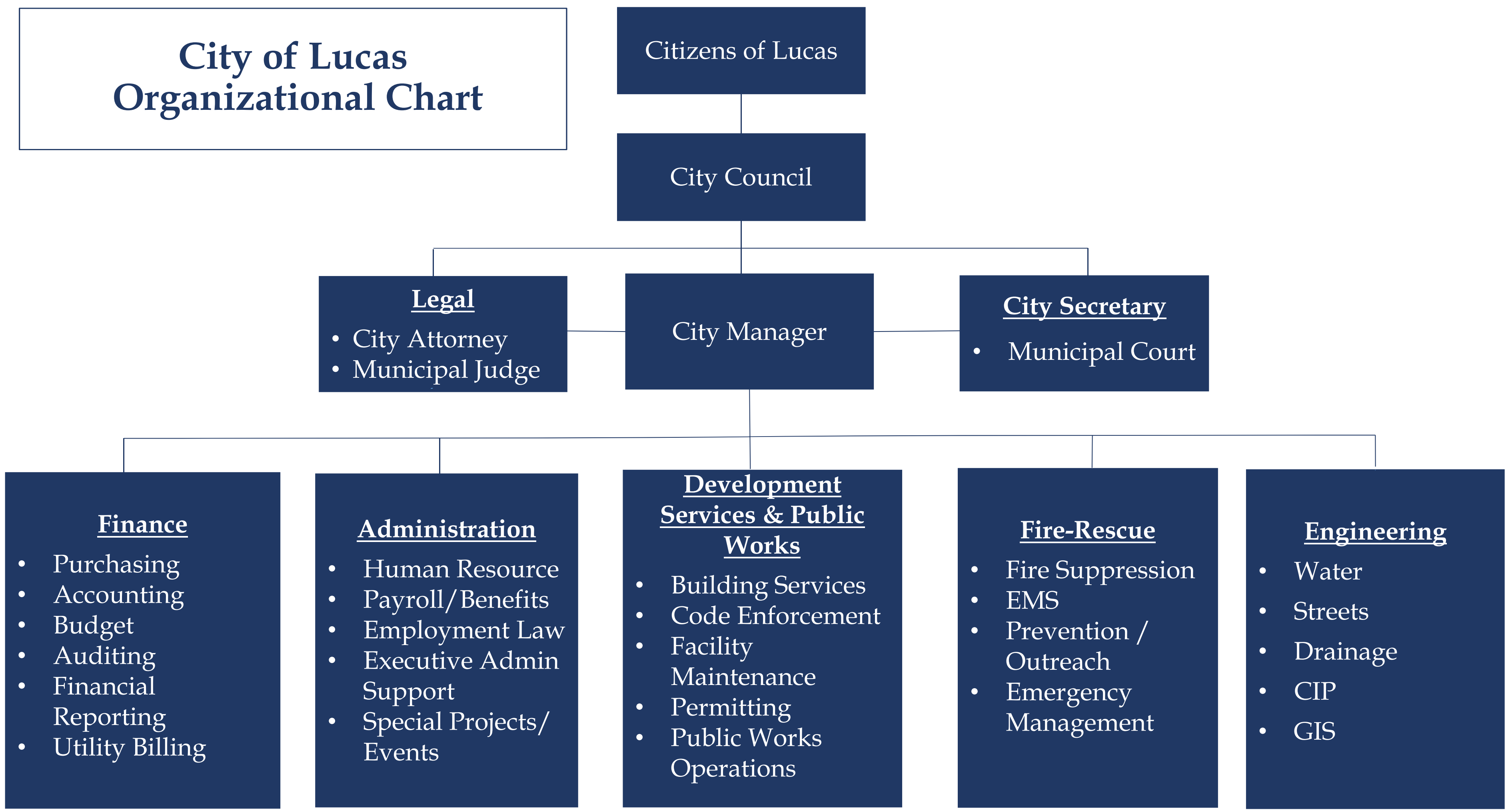
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morrill

Executive Director/CEO

City of Lucas Organizational Chart



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

City Council:

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

Administrative Officers:

Joni Clarke	City Manager
Liz Exum	Finance Director
Stanton Foerster	City Engineer
Ted Stephens	Fire Chief
Joe Hilbourn	Development Services Director

Lucas

FINANCIAL SECTION

Lucas

BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

BrooksWatson & Co.

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

Lucas

MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the City of Lucas, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities (net position) at September 30, 2019 by $55,619,730. Of this amount, $15,059,264 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's total net position increased by $2,959,324. The majority of the City's net position are invested in capital assets and restricted for specific purposes.

- The City's governmental funds reported combined ending fund balances of $21,259,891 at September 30, 2019, an increase of $4,174,430 from the prior fiscal year; this includes an increase of $186,621 in the debt service fund, an increase of $3,328,012 in the capital improvement fund, an increase of $6,440 in the nonmajor Lucas Fire District fund, and an increase of $653,357 in the general fund.

- At the end of the fiscal year, unassigned fund balance for the general fund was $7,442,323 or 123% of total general fund expenditures.

Overview of the Financial Statements

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

Government-Wide Statements

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

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 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.

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Lucas, assets exceed liabilities by $55,619,730 as of September 30, 2019 in the primary government.

The largest portion of the City's net position, $35,762,008, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

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

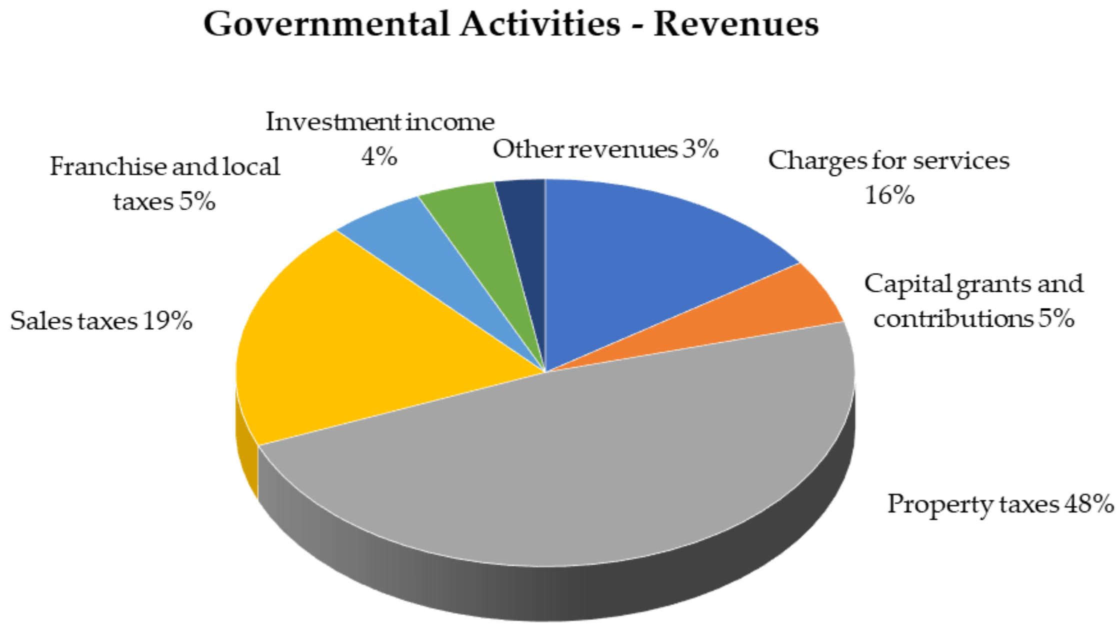
During the current year, the City's current assets for the primary government increased. This change was a direct result of the new proceeds received from the issuance of the Certificates of Obligation bonds in the current year. Long-term liabilities for the primary government increased as a result of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

Statement of Activities:

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

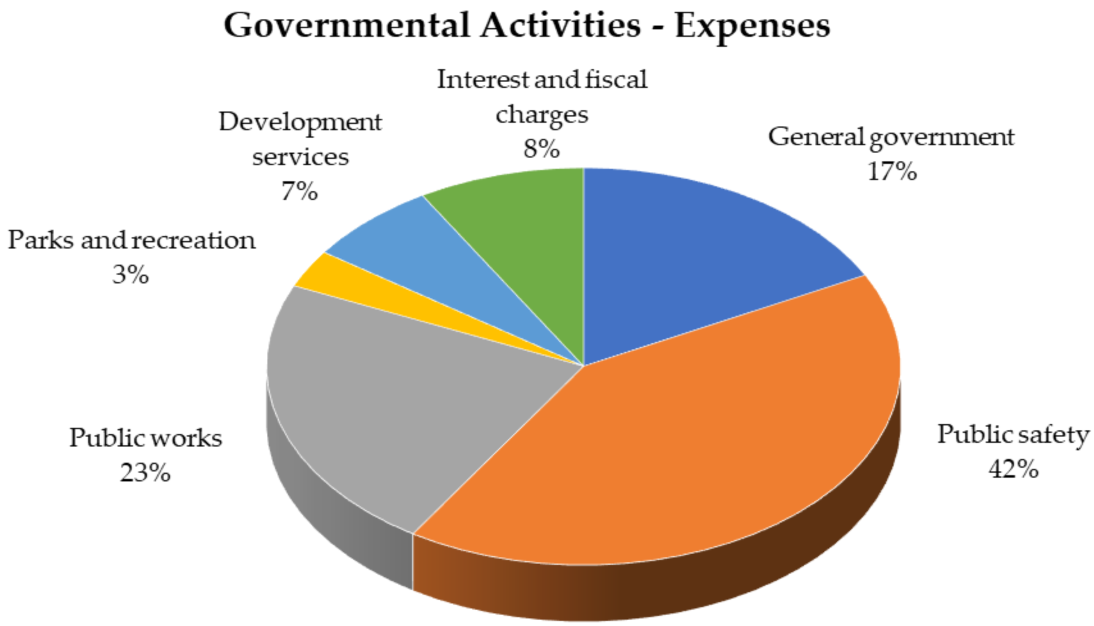
	For the Year Ended September 30, 2019			For the Year Ended September 30, 2018		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	$ 1,256,424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

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



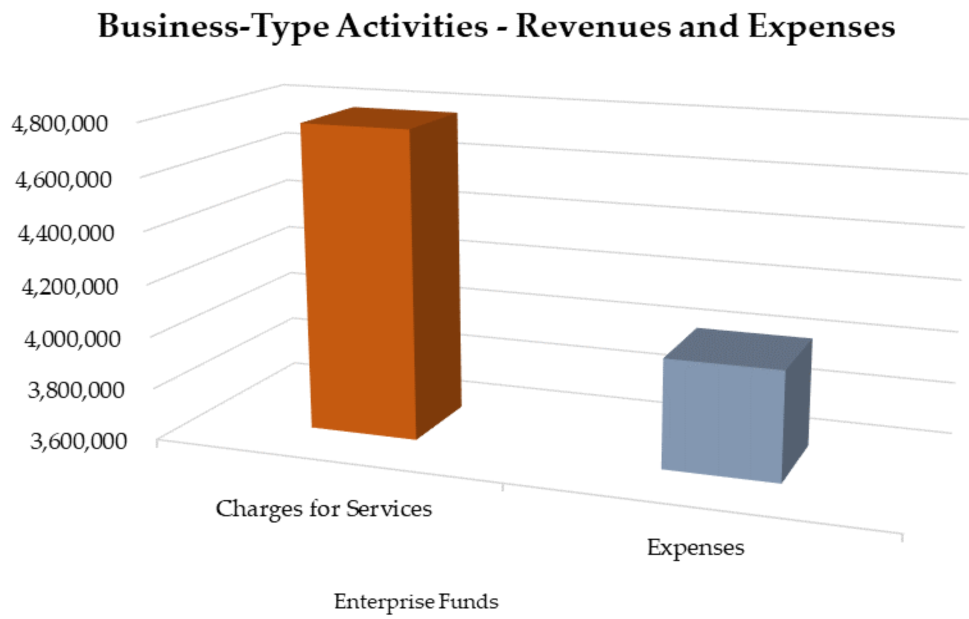
For the year ended September 30, 2019, revenues from governmental activities totaled $8,155,671. Property tax, sales tax and charges for services are the City's largest general revenue sources. Overall revenue increased $152,268 or 2%. Charges for services decreased by $499,860 primarily due to a change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

This graph shows the governmental function expenses of the City:



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

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



For the year ended September 30, 2019, charges for services by business-type activities totaled $4,775,275. This is a decrease of $539,074 or 10%, from the previous year. This variance is due to a decline in water consumption in the current year.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At September 30, 2019, the City's governmental funds reported combined fund balances of $21,259,891, an increase of $4,174,430 in comparison with the prior year. Approximately 35% of this amount $7,442,323 constitutes *unassigned fund balance,* which is available for spending at the government's discretion. The remainder of the fund balance is *restricted*.

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

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

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

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

<u>Proprietary Funds</u> - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the utility fund totaled $22,644,031. Unrestricted net position of the enterprise fund at the close of the fiscal year amounted to $6,640,891. Total net position increased $862,872. The fund had an investment in capital assets, net of related debt of $15,334,416. The City operates and maintains a water and sewer distribution system with force mains and lift stations. The City has six water storage facilities with a total capacity of approximately 2.6 million gallons. The following are additional comments regarding operations of the enterprise fund:

- The City received developer contributions of $368,375 consisting of water infrastructure.
- Operational expenses excluding depreciation and amortization were $3,366,134.
- Cash and cash equivalents in the utility fund were $6,215,622 at fiscal year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS

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

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

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

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

LONG-TERM DEBT

At the end of the current fiscal year, the City had total debt obligations of $26,077,258, including premiums. Of this amount, $7,213,709 is self-supporting through revenues collected from the rates of the City's utility fund. All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following known factors were considered in preparing the City's operating budget for FY 2019-2020:

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 665 Country Club Rd., Lucas, Texas 75002 or call (972) 727-8999.

FINANCIAL STATEMENTS

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2019

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

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2019

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

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions
Primary Government			
Governmental Activities			
General government	$ 1,096,507	$ -	$ -
Public safety	2,621,361	528,717	-
Public works	1,423,456	232,881	437,074
Parks and recreation	194,196	-	-
Development services	426,705	494,826	-
Interest and fiscal charges	535,381	-	-
Total Governmental Activities	6,297,606	1,256,424	437,074
Business-Type Activities			
Utility fund	4,247,590	4,775,275	368,375
Total Business-Type Activities	4,247,590	4,775,275	368,375
Total Primary Government	$ 10,545,196	$ 6,031,699	805,449

General Revenues:

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (1,096,507)	$ -	$ (1,096,507)
(2,092,644)	-	(2,092,644)
(753,501)	-	(753,501)
(194,196)	-	(194,196)
68,121	-	68,121
(535,381)	-	(535,381)
(4,604,108)	-	(4,604,108)
-	896,060	896,060
-	896,060	896,060
(4,604,108)	896,060	(3,708,048)
3,920,086	-	3,920,086
1,576,882	-	1,576,882
413,713	-	413,713
334,467	205,199	539,666
217,025	-	217,025
238,387	(238,387)	-
6,700,560	(33,188)	6,667,372
2,096,452	862,872	2,959,324
30,879,247	21,781,159	52,660,406
$ 32,975,699	$ 22,644,031	$ 55,619,730

City of Lucas, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2019

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

See Notes to Financial Statements.

Total Governmental Funds
$ 8,175,729
432,255
14,866,192
252,407
$ 23,726,583
$ 2,013,114
406,144
27,600
2,446,858
19,834
19,834
1,785,286
252,407
1,156,232
9,605,098
70,355
74,308
28,582
285,878
358,290
1,132
200,000
7,442,323
21,259,891
$ 23,726,583

Lucas

City of Lucas, Texas

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

September 30, 2019

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

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

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

See Notes to Financial Statements.

Total Governmental Funds
$ 3,954,237
1,576,882
413,713
463,900
232,881
527,303
181,400
32,340
334,467
210,307
7,927,430
1,074,382
2,341,313
515,752
417,978
152,485
860,930
374,100
153,693
5,811,165
11,701,798
(3,774,368)
621,176
(382,789)
6,718
7,215,000
488,693
7,948,798
4,174,430
17,085,461
$ 21,259,891

Lucas

City of Lucas, Texas

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

For the Year Ended September 30, 2019

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

Net changes in fund balances - total governmental funds	$	4,174,430
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		5,889,556
Depreciation expense		(988,020)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(34,151)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(16,071)
Accrued interest		(22,224)
Pension expense		(73,669)
OPEB expense		(5,272)
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from bond issuance		(7,215,000)
Bond premium		(488,693)
Amortization of deferred charges on refunding		(7,400)
Amortization of debt premium		22,036
Debt payments		860,930
Change in Net Position of Governmental Activities	$	2,096,452

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUND

September 30, 2019

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

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUND

September 30, 2019

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

See Notes to Financial Statements.

City of Lucas, Texas

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

For the Year Ended September 30, 2019

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

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 1 of 2)

For the Year Ended September 30, 2019

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

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2019

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

See Notes to Financial Statements.

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

<u>Lucas Fire District</u>

The City created the Lucas Fire District in January 2014 to fund and improve fire control, prevention, and emergency medical service within the City's limits. The creation of this district allows the City to collect extra sales tax that is restricted for this purpose. Currently, the City's Mayor and Council serve as directors of this district and there is a financial benefit/burden with the City.

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.

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.

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*.

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

1. Deposits and Investments

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

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

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

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

2. Fair Value Measurement

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

3. Receivables and Interfund Transactions

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

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

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

4. Inventories and Prepaid Items

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

5. Capital Assets

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

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

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

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

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

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.

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

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

9. Long-Term Obligations

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

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

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

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

10. Estimates

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

11. Pensions

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

12. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is $7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

E. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

3. Compensated Absences

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

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

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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	Value	Weighted Average Maturity (Days)	Credit Rating
Group annuity	$ 252,407	0.00	AA+
External investment pools			
TexPool	1,118,631	32	AAAm
LOGIC	23,272,528	42	AAAm
Lone Star	2,796,837	32	AAAm
Total value	$ 27,440,403		
Total portfolio		35	

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

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2019, the City's investment in TexPool, LOGIC, and the Lone Star Investment Pool were rated AAAm by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2019, the market values of pledged securities and FDIC exceeded bank balances.

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

TexPool

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

LOGIC

LOGIC is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for the joint investments of participant's public funds and funds under their control. LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. Standard & Poor's rates Local Government Investment Cooperative (LOGIC) 'AAAm'. This is Standard & Poor's highest principal stability fund rating and is based on an analysis of the pool's investment portfolio and guidelines, market price exposure, and management. The rating demonstrates that the pool has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. LOGIC has a conservative investment policy and invests in only authorized investments under the Texas Public Funds Investment Act. To ensure an accurate and current rating, Standard & Poor's monitors pertinent pool information, including the fund's portfolio holdings, on a weekly basis. There were no limitations or restrictions on withdrawals.

Lone Star Investment Pool

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

A. Fair Value Measurement

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

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

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

The following table sets forth by level, within the fair value hierarchy, the City's fair value measurements at September 30, 2019.

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Group Annuity	$ 252,407	$ 252,407	$ -	$ -
Total Assets at fair value	$ 252,407	$ 252,407	$ -	$ -

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%.

B. Receivables

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

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

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

Depreciation was charged to governmental functions as follows:

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

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

Depreciation was charged to business-type activities as follows:

Utility	$ 648,344
Total Business-Type Activities Depreciation Expense	$ 648,344

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.

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

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.

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

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
2007 General obligation refunding bonds	3.76%	$ 1,790,000	$ 705,000
2007 Certificates of obligation	4.25%	2,500,000	770,000
2011 Certificates of obligation	3.60%	3,500,000	2,450,000
2015 Certificates of obligation	3.00%	2,000,000	1,510,000
2017 Certificates of obligation	3.00%	5,855,000	5,405,000
2019 Certificates of obligation	2.65% - 5.0%	7,215,000	7,215,000
Total Governmental Activities		22,860,000	18,055,000
Business-type Activities:			
2007 General obligation refunding bonds	3.76%	$ 1,455,000	$ 320,000
2007 Certificates of obligation	4.25%	2,500,000	995,000
2011 Certificates of obligation	3.60%	2,250,000	1,585,000
2017 Certificates of obligation	3.00%	2,920,000	2,700,000
2019 Certificates of obligation	2.65% - 5.0%	1,390,000	1,390,000
Total Business-Type Activities		$ 10,515,000	$ 6,990,000
Total Long-Term Debt			
2007 General obligation refunding bonds	3.76%	$ 3,245,000	$ 1,025,000
2007 Certificates of obligation	4.25%	5,000,000	1,765,000
2011 Certificates of obligation	3.60%	5,750,000	4,035,000
2015 Certificates of obligation	3.00%	2,000,000	1,510,000
2017 Certificates of obligation	3.00%	8,775,000	8,105,000
2019 Certificates of obligation	2.65% - 5.0%	8,605,000	8,605,000
Total		$ 33,375,000	$ 25,045,000

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

Governmental Activities

Year ending	General Obligation Bonds		Certificates of Obligation	
September 30,	Principal	Interest	Principal	Interest
2020	$ 225,000	$ 22,278	$ 690,000	$ 562,120
2021	235,000	13,630	785,000	536,220
2022	245,000	4,606	895,000	505,545
2023	-	-	945,000	470,858
2024	-	-	980,000	433,483
2025	-	-	1,015,000	394,208
2026	-	-	1,050,000	353,507
2027	-	-	1,095,000	311,182
2028	-	-	1,035,000	269,258
2029	-	-	1,070,000	233,632
2030	-	-	1,105,000	201,482
2031 & After	-	-	6,685,000	746,155
Total	$ 705,000	$ 40,514	$ 17,350,000	$ 5,017,650

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

Business-Type Activities

Year ending	General Obligation Bonds		Certificates of Obligation	
September 30,	Principal	Interest	Principal	Interest
2020	$ 110,000	$ 9,964	$ 390,000	$ 223,255
2021	105,000	5,922	410,000	208,724
2022	105,000	1,974	405,000	193,936
2023	-	-	420,000	178,661
2024	-	-	430,000	162,361
2025	-	-	445,000	145,299
2026	-	-	460,000	127,661
2027	-	-	470,000	109,524
2028	-	-	360,000	93,518
2029	-	-	370,000	80,743
2030	-	-	385,000	68,393
2031	-	-	2,125,000	224,139
Total	$ 320,000	$ 17,860	$ 6,670,000	$ 1,816,214

E. Other Long-term Liabilities

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

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

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

F. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2007 general obligation refunding and improvement bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding certificates of obligation. End of year balances totaled $14,796 for governmental activities and $10,617 for business-type activities. Current year amortization expense for governmental activities totaled $7,400. For business-type activities amortization expense was $5,309.

G. Interfund Transactions

Transfers between the primary government funds during the 2019 year were as follows:

Transfer Out	Transfer In	Amount
Lucas Fire District	General	$ 382,789
Utility Fund	General	238,387
	Total	$ 621,176

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

H. Restricted Net Position

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

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

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

* Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

GASB 62 defines probability of loss contingencies as the following:

Probable. The future event or events are likely to occur.
Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
Remote. The chance of the future event or events occurring is slight.

Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

At year end there was no litigation that was required to be recorded.

C. Pension Plans

Texas Municipal Retirement Systems

1. Plan Description

The City of Lucas participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2018	Plan Year 2017
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees covered by benefit terms

At the December 31, 2018 and 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	2018	2017
Inactive employees or beneficiaries currently receiving benefits	17	13
Inactive employees entitled to but not yet receiving benefits	21	23
Active employees	39	37
Total	77	73

3. <u>Contributions</u>

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Lucas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lucas were 13.43% and 12.83% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were $327,126, and were equal to the required contributions.

4. <u>Net Pension Liability</u>

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

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

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

Discount Rate:

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

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

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

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

Changes in the Net Pension Liability:

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

Pension Plan Fiduciary Net Position:

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

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

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

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

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

The City reported $234,245 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	$ 52,602
2020	24,826
2021	21,849
2022	56,292
2021	(2,066)
Thereafter	-
Total	$ 153,503

Other Postemployment Benefits

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City offers supplemental death to:	Plan Year 2018	Plan Year 2017
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	3
Active employees	39
Total	47

The City's contributions to the TMRS SDBF for the years ended 2019, 2018 and 2017 were $252, $166 and $0, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2017	0.00%	0.00%	100.0%
2018	0.01%	0.01%	100.0%
2019	0.01%	0.01%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2018, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.71%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

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

Changes in the Total OPEB Liability:

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

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

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

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

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

The City reported $182 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2020.

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

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

Texas Emergency Services Retirement System

1. **Plan Description**

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

Of the nine-member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel.

One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2019, there were 237 fire and/or emergency services member departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

At August 31, 2019, TESRS membership consisted of:

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

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

2. Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is $36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

According to the state law governing the System, the state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017. Based on the August 31, 2018 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

3. Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2019, total contributions (dues and prior service) of $3,480,509 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated $1,329,224 for the fiscal year ending August 31, 2019.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in Section I(B)(1). The most recently completed biennial actuarial valuation as of August 31, 2018 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state.

The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately $725,000 each year to pay for part of the System's administrative expenses.

Valuation Date	**August 31, 2014**	**August 31, 2016**	**August 31, 2018**
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar, open	Level dollar, open	Level dollar, open
Amortization	30 years	30 years	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Actuarial Assumptions:			
Investment Rate of Return *	7.75% per year, net of investment expenses	7.75% per year, net of investment expenses	7.75% per year, net of investment expenses
Projected Salary Increases *	N/A	N/A	N/A
* Includes Inflation at	3.50%	3.50%	3.00%
Cost-of-Living Adjustments	None	None	None

The target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities:		
Large cap domestic	32%	5.81%
Small cap domestic	15%	5.92%
Developed international	15%	6.21%
Emerging markets	5%	7.18%
Master limited partnership	5%	7.61%
Real Estate	5%	4.46%
Fixed income	23%	1.61%
Cash	0%	0%
Total	100.0%	5.01%

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

1. **Changes in the Net Pension Liability:**

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

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
$ 77,676	$ 43,703	$ 20,963

Pension Plan Fiduciary Net Position:

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

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

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

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

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

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

Year ended August 31:	
2020	$ (1,367)
2021	(1,932)
2022	(1,171)
2023	(171)
Thereafter	(26,995)
	$ (31,636)

Length of Service Awards Program (LOSAP)

1. <u>Plan Description</u>

The City of Lucas participates in a Volunteer Firefighter Length of Service Award (LOSAP) Pension Plan. The plan was effective on July 1, 2015. Members eligible to enter the Plan must be an active Member of the City's Volunteer Fire Department for at least 12 months and be a minimum of 18 years of Age. Participants are eligible to begin receiving benefits after reaching the age of 65 and completing at least one year of active service. The City's LOSAP is considered single-employer defined benefit pension plan and subject to GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets that Not within the Scope of GASB Statement 68*. GASB 68 applies to pension plans that are administered through trusts in which contributions are irrevocable, trust assets are dedicated to providing pensions to plan members, and trust assets are legally protected from creditors. GASB 73 applies to pension plans (both defined benefit and defined contribution) that either do not have any dedicated assets associated with them or have assets that are not in a trust meeting the requirements specified above. The City's dedicated assets for the LOSAP are not accumulated in a trust and would be subject to creditors.

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

2. Benefits Provided

FORMULA FOR MONTHLY BENEFIT PAID AT ENTITLEMENT AGE

(a) $15.00 multiplied by Years of Service completed before the Effective Date of the Plan, Years of Service completed prior to the Effective Date of the Plan not to exceed 5.

(b) $15.00 multiplied by Years of Service completed after the Effective Date of the Plan.

(c) Total Years of Service under (a) and (b) not to exceed 20 years.
(d) $300.00 is the maximum monthly benefit that may be accumulated in this Plan.

PRE ENTITLEMENT DEATH BENEFIT

If an insured Participant dies prior to Entitlement Age, his designated Beneficiary shall receive a single lump sum equal to the greater of $10,000 or the Actuarial Equivalent value of the Participant's Accrued Benefit (as of the most recent determination date).

Upon death, an uninsured Participant's (active or terminated-vested) designated Beneficiary shall receive the Participant's Accrued Benefit (as of the most recent determination date) for a period of 10 years (120 payments).

Any Member who is deemed Disabled under the terms of this Plan prior to attainment of Entitlement Age shall be entitled to receive a lump sum distribution of the Actuarial Equivalent value of his Accrued Benefit as of the most recent determination date. This lump sum shall be considered total settlement of all benefits previously earned under the terms of this Plan.

VESTING SCHEDULE

A Participant who severs service with the City as a result of attainment of entitlement age or disability shall have a fully vested and non-forfeitable right to his accrued benefit as of the most recent determination date. Participants severing service for any other reason shall have a vested right to the accrued benefit in accordance with the following schedule:

Year(s) of Service	Vested Percentage
0-2	0%
3	60%
4	80%
5 or more	100%

Employees Covered by Benefit Terms

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

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

3. Contributions

Employees do not contribute to the plan. The contribution rate for the City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The City's contributions to the LOSAP for the year ended September 30, 2019, were $18,018, and were more than the required contributions.

As of September 30, 2019, the City has an investment balance of $252,407, designated for LOSAP benefit payments. This asset is not within an irrevocable trust and there is not considered part of the net pension liability.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of June 30, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as July 1, 2018.

Actuarial assumptions:

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

Inflation	0% per year
Overall payroll growth	not applicable
Investment Rate of Return	3.13%, net of pension plan investment expense, including inflation
Mortality	No pre-retirement mortality; post retirement RP2000MF with improvement
Retirement	First eligible
Turnover	T5
Disability	None

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

Discount Rate:

The calculations of the pension liability assume that the plan remains unfunded and uses a discount rate of 3.13% which is based on the 20-year AA general obligation bond rate as of June 30, 2019.

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

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

The following presents the net pension liability of the City, calculated using the discount rate of 3.61%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.61%) or 1-percentage-point higher (4.61%) than the current rate:

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

Changes in the Net Pension Liability:

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

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

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

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

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

The City reported $11,945 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	$	(2,800)
2021		(2,800)
2022		(2,800)
2023		(2,800)
2024		(2,800)
Thereafter		(9,937)
Total	$	(23,937)

Consolidated Pension Balances

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

Def. Contributions

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

Investment Exp

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

Assumption Changes

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

Pension Liabilities

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

Actual Experience vs. Assumption

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

Proportion Changes

		TMRS		TESRS		LOSAP		Total
Governmental Activities	$	-	$	(37,210)	$	-	$	(37,210)
Business-type Activities		-		-		-		-
Total	$	-	$	(37,210)	$	-	$	(37,210)

D. Subsequent Events

There were no material subsequent events through February 28, 2020, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lucas, Texas

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

GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2019

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

City of Lucas, Texas

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

For the Year Ended September 30, 2019

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

Notes to Required Supplementary Information

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

See Notes to Financial Statements.

City of Lucas, Texas

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

Years Ended:

	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Total pension liability				
Service cost	$ 414,235	$ 372,249	$ 348,892	$ 293,557
Interest	266,265	231,198	198,270	171,059
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(33,376)	9,721	17,647	3,953
Changes of assumptions	-	-	-	45,337
Benefit payments, including refunds of participant contributions	(111,419)	(117,869)	(59,465)	(36,429)
Net change in total pension liability	535,705	495,299	505,344	477,477
Total pension liability - beginning	$ 3,793,261	$ 3,297,962	$ 2,792,618	$ 2,315,141
Total pension liability - ending (a)	$ 4,328,966	$ 3,793,261	$ 3,297,962	$ 2,792,618
Plan fiduciary net position				
Contributions - employer	$ 315,372	$ 283,883	$ 256,187	$ 229,058
Contributions - members	164,379	144,523	134,633	116,030
Net investment income	(96,228)	353,005	140,372	2,608
Benefit payments, including refunds of participant contributions	(111,419)	(117,869)	(59,465)	(36,429)
Administrative expenses	(1,857)	(1,829)	(1,585)	(1,588)
Other	(96)	(93)	(86)	(78)
Net change in plan fiduciary net position	270,151	661,620	470,056	309,601
Plan fiduciary net position - beginning	3,207,961	2,546,341	2,076,285	1,766,684
Plan fiduciary net position - ending (b)	$ 3,478,112	$ 3,207,961	$ 2,546,341	$ 2,076,285
Fund's net pension liability - ending (a) - (b)	$ 850,854	$ 585,300	$ 751,621	$ 716,333
Plan fiduciary net position as a percentage of the total pension liability	80.35%	84.57%	77.21%	74.35%
Covered payroll	$ 2,348,274	$ 2,064,609	$ 1,923,330	$ 1,657,575
Fund's net position as a percentage of covered payroll	36.23%	28.35%	39.08%	43.22%

Notes to schedule:

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

12/31/2014 [1]	
$	182,681
	144,591
	305,541
	33,580
	-
	(39,926)
	626,467
$	1,688,674
$	2,315,141
$	113,742
	103,947
	86,065
	(39,926)
	(898)
	(74)
	262,856
	1,503,828
$	1,766,684
$	548,457
	76.31%
$	1,484,954
	36.93%

City of Lucas, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015 [1]
Actuarially determined employer contributions	$ 327,126	$ 306,720	$ 276,739	$ 249,286	$ 192,781
Contributions in relation to the actuarially determined contribution	$ 327,126	$ 306,720	$ 276,739	$ 249,286	$ 192,781
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Annual covered payroll	$ 2,517,351	$ 2,269,249	$ 2,030,750	$ 1,845,924	$ 1,484,954
Employer contributions as a percentage of covered payroll	12.99%	13.52%	13.63%	13.50%	12.98%

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

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed.
Remaining Amortization Peric	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes	There were no benefit changes during the year.

City of Lucas, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	12/31/2018	12/31/2017 [1]
Total OPEB liability		
Service cost	$ 4,697	$ 3,716
Interest	1,751	1,609
Changes in benefit terms	-	-
Differences between expected and actual experience	(6,318)	-
Changes of assumptions	(3,855)	4,624
Benefit payments, including refunds of participant contributions	(235)	-
Net change in total OPEB liability	(3,960)	9,949
Total OPEB liability - beginning	$ 50,665	$ 40,716
Total OPEB liability - ending (a)	$ 46,705	$ 50,665 [2]
Covered payroll	$ 2,348,274	$ 2,064,609
City's total OPEB liability as a percentage of covered payroll	1.99%	2.45%

Notes to schedule:

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

[2] No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

City of Lucas, Texas

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

Years Ended:

	8/31/2019	8/31/2018	8/31/2017	8/31/2016	8/31/2015 [1]
Total pension liability					
Service cost	$ 2,877	$ 3,103	$ 5,217	$ 576	$ 6,499
Interest	16,270	19,288	30,996	3,027	32,495
Changes in benefit terms	-	5,502	-	246	-
Differences between expected and actual experience	-	(176)	-	22	-
Changes of assumptions	-	-	-	303	-
Benefit payments, including refunds of participant contributions	(9,917)	(11,372)	(16,474)	(1,599)	(17,258)
Net change in total pension liability	9,230	16,345	19,739	2,575	21,736
Total pension liability - beginning	$ 212,019	$ 251,457	$ 402,971	$ 39,286	$ 421,417 [2]
Total pension liability - ending (a)	$ 221,249	$ 267,802	$ 422,710 [3]	$ 41,861	$ 443,153
Plan fiduciary net position					
Contributions - employer	$ 5,366	$ 7,982	$ 16,408	$ 1,178	$ 13,486
Contributions - state	2,049	2,589	5,185	539	6,281
Net investment income	1,759	22,033	32,005	1,686	(12,632)
Benefit payments, including refunds of participant contributions	(9,917)	(11,372)	(16,474)	(1,599)	(17,258)
Administrative expenses	(350)	(308)	(602)	(57)	(828)
Other	-	-	-	-	-
Net change in plan fiduciary net position	(1,093)	20,924	36,522	1,747	(10,951)
Plan fiduciary net position - beginning	178,639	204,715	307,613	30,208	351,709
Plan fiduciary net position - ending (b)	$ 177,546	$ 225,639	$ 344,135	$ 31,955	$ 340,758
Fund's net pension liability - ending (a) - (b)	$ 43,703	$ 42,163	$ 78,575	$ 9,906	$ 102,395
Plan fiduciary net position as a percentage of the total pension	80.25%	84.26%	81.41%	76.34%	76.89%
Number of active members	3,702	3,927	4,046	3,634	4,036 [2]
Net pension liability per active	12	$ 11	$ 19	$ 12	$ 110
City's proportion of the net pension	0.1542%	0.1947%	0.3274%	0.0340%	0.3836%

Notes to schedule:

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

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

3) The System's net pension liability was measured as of August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2019.

City of Lucas, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Years Ended:

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

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

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes	Contribution rates are determined by board rule and become effective August 31.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period	30 years
Asset Valuation Method	5 Year smoothed market; 20% soft corridor
Inflation	3.0%
Salary Increases	n/a
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits.
Mortality	RP2000 Combined Healthy Lives Mortality for males and females projected to 2024 by scale AA.

Other Information:

Notes	There were no benefit changes during the year.

City of Lucas, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARDS PROGRAM

Year Ended:

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

Notes to schedule:

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

[2] The plan does not have any assets accumulated to pay related benefits that meet the definition of a trust as defined in paragraph 4 of GASB Statement No. 73

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