

City of Lancaster, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2013

City of Lancaster, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2013
Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal.....	i
Organizational Chart	vi
List of Principal Officers	vii
Department Directors	viii

FINANCIAL SECTION

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	10
Statement of Activities	11

Fund Financial Statements

Governmental Funds

Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15

Proprietary Funds

Statement of Net Position	16
Statement of Revenues, Expenses and Changes in Net Position.....	17
Statement of Cash Flows	18

City of Lancaster, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2013
Table of Contents

Notes to Basic Financial Statements 19

Required Supplementary Information

Schedule of Funding Progress for Participation in Texas Municipal Retirement System..... 44

Employees’ Other Postemployment Benefits Plan – Analysis of Funding Progress..... 45

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, General Fund 46

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, HUD Fund 46

Notes to Required Supplementary Information

Individual Fund and Nonmajor Combining Statements and Schedules

Nonmajor Governmental Funds

Combining Balance Sheet 49

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 50

Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual, Stormwater Drainage Fund..... 51

Nonmajor Enterprise Funds

Combining Statement of Net Position 52

Combining Statement of Revenues, Expenses and Changes in Net Position 53

Combining Statement of Cash Flows 54

Discretely Presented Component Units

Balance Sheet – Economic Development Corporation 55

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – Economic Development Corporation 56

Statement of Revenues, Expenditures and Changes in Fund Balance – Economic Development Corporation 57

City of Lancaster, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2013
Table of Contents

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – Economic Development Corporation	58
Balance Sheet – Recreational Development Corporation	59
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – Recreational Development Corporation	60
Statement of Revenues, Expenditures and Changes in Fund Balance – Recreational Development Corporation	61
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – Recreational Development Corporation	62

STATISTICAL SECTION (UNAUDITED)

Table A: Net Position by Component.....	63
Table B: Changes in Net Position.....	64
Table C: Fund Balances of Governmental Funds.....	66
Table D: Changes in Fund Balances of Governmental Funds.....	68
Table E: Assessed Value and Estimated Actual Value of Taxable Property.....	69
Table F: Direct and Overlapping Property Tax Rates	70
Table G: Principle Taxpayers	71
Table H: Ad Valorem Tax Levies and Collections	72
Table I: Ratios of Outstanding Debt by Type.....	73
Table J: Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	74
Table K: Legal Debt Margin Information	75
Table L: Direct and Overlapping Governmental Activities Debt.....	76
Table M: Secured Revenue Coverage	77
Table N: Demographic and Economic Statistics	78
Table O: Principal Employers	79
Table P: Full-time Equivalent City Government Employees by Function/Program	80
Table Q: Operating Indicators by Function/Program	81
Table R: Capital Asset Statistics by Function/Program	82



City of Lancaster
CITY MANAGER'S OFFICE

211 N. Henry St. * Lancaster, TX 75146 * 972.218.1302 * 972.275.0917 FAX
www.lancaster-tx.com



July 2, 2014

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

We hereby issue the comprehensive annual financial report of the City of Lancaster, Texas (the "City") for the fiscal year ended September 30, 2013. State law requires that every municipality publish within six months of the close of each year a complete set of audited financial statements, to include the auditor's opinion on the statements, and this report fulfills that requirement.

This report consists of City management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles ("GAAP"). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by BKD, LLP, independent auditors. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified (clean) opinion that the City's financial statements for the fiscal year ended September 30, 2013, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile

Located in Southwest Dallas County, the City of Lancaster is situated just minutes from downtown Dallas. Adjacent to I-35 on its western border and I-20 on its northern boundary, the City covers approximately 31 square miles, and serves an estimated 2013 population of 37,000. The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, and is a home-rule city operating under a Council/Manager form of government. The Council is comprised of the Mayor and six Council members, who enact local legislation, adopt budgets, determine policies, and appoint the City secretary, City attorney and Judge of the municipal court. The City Manager, appointed by City Council, is the chief administrative officer for the City and is responsible for the daily management of the City. Major services provided under general government and enterprise functions are: public safety (police and fire protection), emergency ambulance services, construction and maintenance of streets, water and sewer services, parks and recreation, library services and general administrative services.

Accounting System and Budgetary Control

One of the objectives of the City's financial accounting system is to provide adequate internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's accounting records for general governmental operations 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 enterprise activities are maintained on the accrual basis.

The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities.

Budgetary Controls – The budgetary process begins each year with the preparation of both current and proposed revenue estimates by the City’s administrative and financial management staff and expenditure estimates provided by each City department. Budgets are reviewed by the administrative and financial management staff which consists of the City Manager’s office, Finance and Department Managers. The City Manager makes final decisions and submits a recommended budget to the City Council. The proposed budget is reviewed by the City Council, a process which includes a Charter-mandated public hearing, in addition to work sessions which are open to the public. The City Charter requires adoption of the City budget at least 10 days prior to the beginning of the fiscal year.

The objective of the budgetary controls maintained by the City is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the general fund, water and sewer fund, and all other funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is established by departments within the individual fund. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Monthly departmental expenditure reports are generated by an automated accounting system and provide expenditure totals and encumbrances at the line-item level for the most recently completed month as well as the year-to-date total, and an actual versus budgeted rate of expenditure. Major expenditure requests are approved by the City Manager prior to the encumbrance of funds.

Relevant Financial Policies

The City has established a policy to have a balanced budget and to maintain a reserve account. In fiscal year 2013 The General Fund accomplished this by having a fund balance of \$9,294,115 which exceeds reserve requirements of 60 days.

The City also has a long range planning policy to identify major issues when developing its fiscal year budget. A five-year budget analysis of all City funds is developed to provide an understanding of the long term impact of budget decisions. The fiscal year 2013 budget was prepared along with a planning budget for fiscal year 2014-18.

Cash management policies and practices: The City’s current bank depository contract is with JP Morgan Chase and will be in effect through 2014. The City’s investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City’s investment strategies include using cash flow analysis to purchase securities; however, cash temporarily idle during the year was invested in two public funds investment pools – TEXPOOL and LOGIC. This practice lessens the impact which rising interest rates have on the valuation changes of the portfolio. Investments in the deferred compensation plans are held by the third party plan administrators. The investment policy is annually updated and approved by the Council in compliance with the Texas Public Funds Investment Act.

Pension and other post-employment benefit: The City participates in the Texas Municipal Retirement System (“TMRS”), an agency authorized by the State of Texas. Employees of the City contribute a fixed percentage of their gross pay (currently 7%). TMRS participants are immediately vested in those funds they contribute plus allocated interest. Participants are vested in employer contributions after five years of credited participation. If participants withdraw from TMRS prior to five years of credited participation, they may withdraw from TMRS those funds they contributed plus interest earnings. The City also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the current fiscal year, there were 16 retired employees receiving these benefits. Additional information on the City’s pension arrangements and post-employment benefits can be found in the notes to the basic financial statements.

Local Economy

Lancaster’s growing economy has been greatly influenced by the attraction of the logistics industry to the community. Lancaster’s premier industrial park, ProLogis 20/35, has experienced the location of many well-known national corporations like United Natural Foods, Inc., Quaker Sales & Distribution (a division of Pepsico), BMW Parts and Distribution and Mars Pet Care Products just to mention a few. The interest of the development industry that specializes in logistics is strong and new industrial development in Lancaster is expected to continue.

The City’s unemployment rate for 2013 was an average of 8.5%, which is significantly above the unemployment rate for Dallas County of 6.7%. The City of Lancaster benefits from its proximity to the Dallas-Fort Worth metroplex and major transportation corridors with its location fifteen (15) miles south of Dallas. Lancaster is a part of the Best Southwest area, which includes Lancaster, Cedar Hill, DeSoto, and Duncanville. The close proximity to job opportunities in Dallas, Fort Worth and the Mid-Cities continues to contribute to growth in the City. Its estimated population of over 37,000 has grown a notable 40% since 2000, with a corresponding increase in the number of households during the same time. There is room for further development within the City’s 31 square miles, since the City is only 40-45% built out.

In fiscal year 2013, The City experienced a decrease in taxable assessed valuation and a slight decline in residential values, not unlike other cities in the Dallas-Fort Worth area. However, the City experienced an increase in building permits as well as a slight increase in sales tax for fiscal year 2013, and anticipates a significant increase for 2014.

Long-term Financial Planning

Given the current economy and the uncertainty of the next few years, the City’s existing financial position remains strong. We are especially pleased that there have been no property tax rate increases for a number of years.

Rising costs have been a challenge to the City; however, conservative revenue estimates and efforts to reduce expenditures have contributed to the City’s strong financial position and allowed us to weather the economic slump. Overall, revenues for the City have remained fairly stable, and we have incorporated several strategies to decrease the expenses over the next several years. The City is projecting a significant increase in property tax revenues, and sales tax revenues also continue to increase allowing us to effectively meet operational objectives and comply with current fiscal policies.

The City has historically maintained solid General Fund balances, and continues to respond proactively to the downturn in the economy by implementing budget cuts sufficient to offset the revenue loss and does not expect to utilize reserves for recurring operating expenditures.

The City is also utilizing extensive planning and maintaining tight budgetary measures to balance its operations. With Economic Development a major priority, sales tax receipts are expected to continue to increase as the City continues to provide incentives for business operations that come to the City.

Because of the City's proximity to Interstate 35 East and Interstate 20, businesses are recognizing Lancaster as one of the region's hot spots for growth, and the City is committed to supporting new and expanding companies.

Major Initiatives

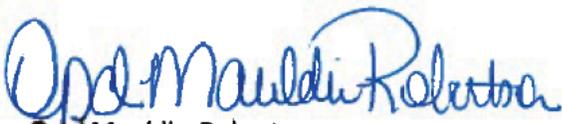
Annually, the City Council has adopted goals aimed at guiding Lancaster's future growth and development. For fiscal year 2012-2013, included initiatives are:

- Quality Development;
- Sound Infrastructure;
- Professional and committed workforce;
- Health, safe and vibrant neighborhoods;
- Civic engagement; and
- Financially Sound City government.

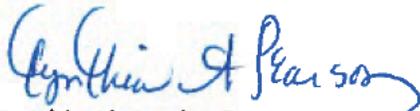
Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the City's staff. In particular, we would like to recognize and express our heartfelt appreciation to all members of the Finance Department, who all worked diligently to assist and contribute to the preparation of this report. The Mayor and the City Council are to be commended for their willingness to participate in the strategic planning process for financial operations, and for their commitment to maintaining the highest standards of professionalism in the management of the City of Lancaster's finances.

Respectfully submitted,



**Opal Mauldin-Robertson
City Manager**



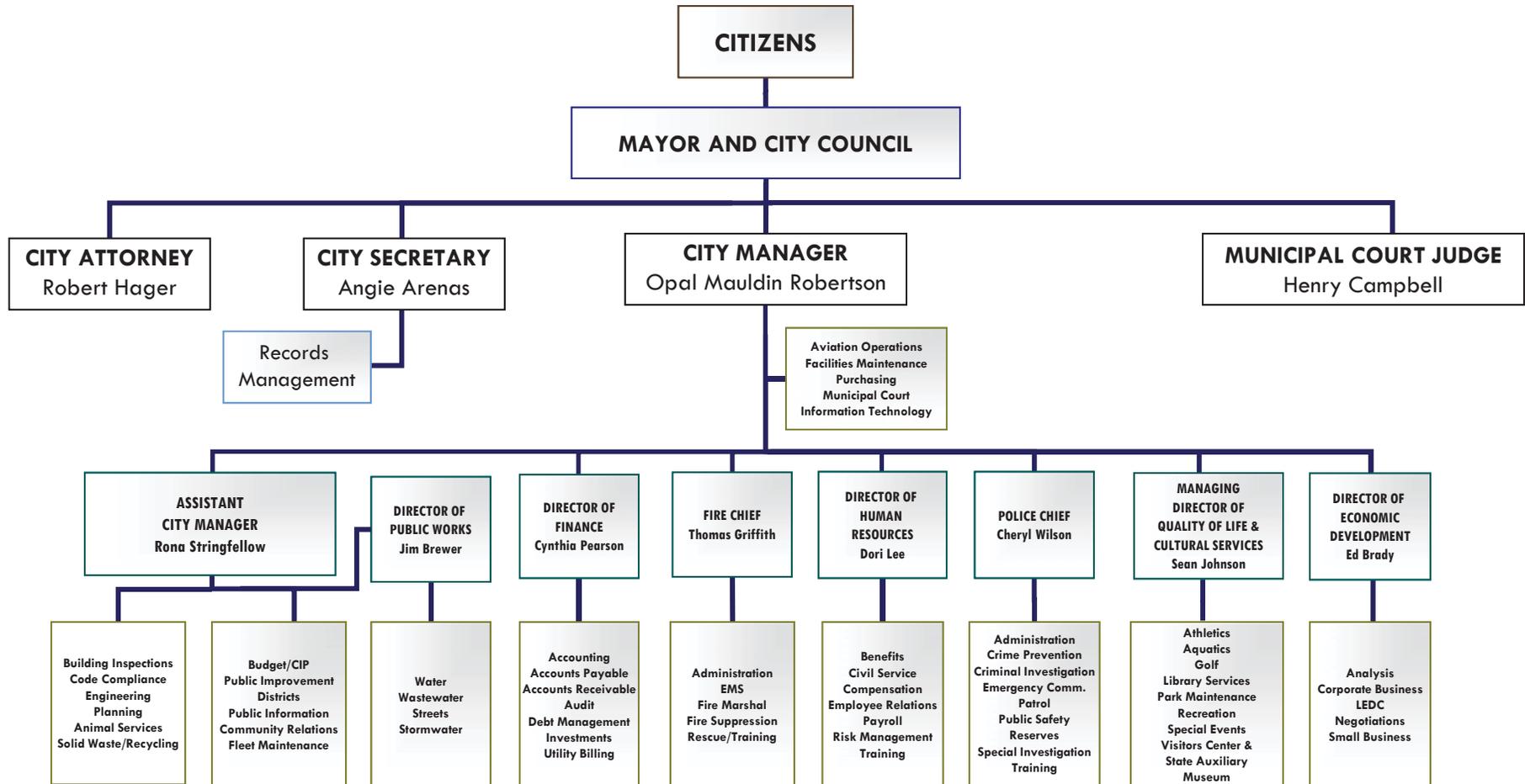
**Cynthia Alexander-Pearson
Director of Finance**



**Baron A. Sauls
Assistant Finance Director**

City of Lancaster, Texas

Organizational Chart



City of Lancaster, Texas
List of Principal Officers

City Council

Marcus E. Knight	Mayor	Term Expires May 2015
Carol Strain-Burk.....	Council Member, District 1	Term Expires May 2016
Stanley Jaglowski	Council Member, District 2.....	Term Expires May 2017
Marco Mejia.....	Council Member, District 3.....	Term Expires May 2016
James Daniels	Mayor Pro Tem, District 4.....	Term Expires May 2017
LaShonjia Harris	Dep. Mayor Pro Tem, District 5.....	Term Expires May 2016
Nina Morris.....	Council Member, District 6.....	Term Expires May 2017

City of Lancaster, Texas
Department Directors

City Executive Staff

Opal Mauldin Robertson.....	City Manager
Rona Stringfellow	Assistant City Manager
Sorangel O. Arenas	City Secretary
Ed Brady	Director of Economic Development
Cynthia Alexander Pearson	Director of Finance
Thomas Griffith	Fire Chief
Dori Lee	Director of Human Resources
Cheryl Wilson.....	Police Chief
Jim Brewer	Director of Public Works
Sean Johnson.....	Managing Director of Quality of Life & Cultural Services

Independent Auditor's Report on Financial Statements and Supplementary Information

The Honorable Mayor and
Members of the City Council
City of Lancaster, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lancaster, Texas (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in *Note 1* to the financial statements, in 2013 the City changed its method of accounting for deferred outflows of resources, deferred inflows of resources and bond issuance costs with the adoption of *Governmental Accounting Standards Board* Statements No. 63 and 65. Our opinions are not modified with respect to these matters.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund statements and budget to actual schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The introduction section and statistical section listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

BKD, LLP

Dallas, Texas
July 2, 2014

City of Lancaster, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2013

Introduction

The Management's Discussion and Analysis (MD&A) section presents a narrative overview and analysis of the financial activities of the City of Lancaster, Texas (the City) for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the end of fiscal year 2013, resulting in \$109,966,147 of net position. Net position associated with governmental activities is approximately \$56 million, or 51% of the total net position of the City. Net position associated with business-type activities is approximately \$54 million, or 49% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is approximately \$86 million.
- Unrestricted net position, which may be used to meet the City's future obligations, consists of approximately \$24 million, or 22% of the City's total net position. Unrestricted net position for governmental activities is approximately \$8 million, or 8% of total net position for governmental activities. Unrestricted net position for business-type activities is approximately \$16 million or 14% of total net position for business-type activities.
- As of the close of fiscal year 2013, the City's Governmental Funds reported a combined ending fund balance of \$18,072,845, a decrease of \$1,362,492 from the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$6,447,889. This represents approximately 31% of General Fund expenditures, which is more than the 15% required by the City's adopted fund balance policy.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City of Lancaster finances, in a manner similar to private-sector business.

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

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2013

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, for example uncollected taxes and earned, but not used, 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 administration, public safety, public works, drainage systems, library, human resources and finance. The business-type activities of the City include water and sewer, airport operations, refuse and golf course operations.

The government-wide financial statements include the Economic Development Corporation and the Recreational Development Corporation as part of its reporting entity as discretely presented component units. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government. The Lancaster Economic Development Corporation and the Lancaster Recreational Development Corporation are legally separate entities.

Fund Financial Statements – A *fund* is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Some funds are required to be established by state law and by bond covenants. The City Council also establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities when using certain taxes, grants or other money. The City's two kinds of funds – Governmental and Proprietary – utilize different accounting approaches.

Governmental Funds – The majority of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

By comparing information presented for Governmental Funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near term financing decisions. The relationships, or differences between governmental activities (reported in the accompanying Statement of Net Position and the Statement of Activities) and Governmental Funds, are detailed in a reconciliation following the fund financial statements.

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2013

Information is presented separately in the accompanying Governmental Funds balance sheet and in the accompanying Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, HUD Fund, Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these Nonmajor Governmental Funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the accompanying Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Funds (a component of Proprietary Funds) are identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for Proprietary Funds.

The City maintains an Enterprise Fund to account for: (1) water and sewer services provided to the City's retail and wholesale customers, (2) trash collection and disposal services, (3) operation of the City's airport and (4) operation of the City's golf course. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that the cost of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private-sector business enterprise.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations. Required supplementary information immediately follows the notes to the financial statements. Combining statements for Nonmajor Governmental Funds, Enterprise Funds and component units fund financial statements follow the section of required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2013, City assets and deferred outflows of resources exceeded its liabilities resulting in \$109,966,147 of net position.

The largest portion of the City's net position, 78%, reflects its net investment in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is 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 investments 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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, less than 1%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$24,007,584 or 22% may be used to meet the City's ongoing obligations to citizens and creditors.

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2013

Statement of Net Position for Governmental and Business-type Activities

	Governmental Activities 2013	Business-type Activities 2013	Total 2013	Governmental Activities 2012*	Business-type Activities 2012*	Total 2012
Current and other assets	\$ 31,315,924	\$ 22,573,575	\$ 53,889,499	\$ 33,662,719	\$ 22,235,618	\$ 55,898,337
Capital assets	<u>107,215,372</u>	<u>47,225,576</u>	<u>154,440,948</u>	<u>108,608,088</u>	<u>45,857,089</u>	<u>154,465,177</u>
Total assets	<u>138,531,296</u>	<u>69,799,151</u>	<u>208,330,447</u>	<u>142,270,807</u>	<u>68,092,707</u>	<u>210,363,514</u>
Deferred outflows of resources	<u>1,100,493</u>	<u>113,593</u>	<u>1,214,086</u>	-	-	-
Long-term liabilities	81,384,765	13,221,363	94,606,128	78,922,598	14,308,866	93,231,464
Other liabilities	<u>2,012,658</u>	<u>2,959,600</u>	<u>4,972,258</u>	<u>5,587,223</u>	<u>2,706,832</u>	<u>8,294,055</u>
Total liabilities	<u>83,397,423</u>	<u>16,180,963</u>	<u>99,578,386</u>	<u>84,509,821</u>	<u>17,015,698</u>	<u>101,525,519</u>
Net position						
Net investment in capital assets	46,231,794	37,933,467	84,165,261	55,109,346	37,955,920	93,065,266
Restricted	1,793,302	-	1,793,302	242,823	-	242,823
Unrestricted	<u>8,209,270</u>	<u>15,798,314</u>	<u>24,007,584</u>	<u>2,408,817</u>	<u>13,121,089</u>	<u>15,529,906</u>
Total net position	<u>\$ 56,234,366</u>	<u>\$ 53,731,781</u>	<u>\$ 109,966,147</u>	<u>\$ 57,760,986</u>	<u>\$ 51,077,009</u>	<u>\$ 108,837,995</u>

Analysis of City's Operations – The following table provides a summary of the City's operations for the year ended September 30, 2013. Overall, the City had an increase in net position of \$2,148,742.

*2012 has not been restated for the adoption of GASB 65 because it was not practical to do so.

Revenues and Expenses for Governmental and Business-type Activities

	Governmental Activities 2013	Business-type Activities 2013	Total 2013	Governmental Activities 2012*	Business-type Activities 2012*	Total 2012
Revenues						
Program revenues						
Charges for services	\$ 2,651,439	\$ 17,259,044	\$ 19,910,483	\$ 2,211,273	\$ 17,188,251	\$ 19,399,524
Operating grant and contribution	2,814,031	-	2,814,031	8,171,297	-	8,171,297
Capital grants and contributions	-	-	-	1,146,735	300,000	1,446,735
General Revenue						
Taxes and fees	20,114,364	-	20,114,364	22,510,414	-	22,510,414
Other	<u>366,363</u>	<u>538,018</u>	<u>904,381</u>	<u>528,951</u>	<u>(666,731)</u>	<u>(137,780)</u>
Total revenues	<u>25,946,197</u>	<u>17,797,062</u>	<u>43,743,259</u>	<u>34,568,670</u>	<u>16,821,520</u>	<u>51,390,190</u>
Program Expenses						
General government	4,171,973	-	4,171,973	3,642,761	-	3,642,761
Public safety	14,350,239	-	14,350,239	14,232,681	-	14,232,681
Public works	4,991,125	-	4,991,125	5,119,834	-	5,119,834
Community development and recreation	1,238,745	-	1,238,745	1,173,498	-	1,173,498
Social and welfare	2,048,769	-	2,048,769	8,493,007	-	8,493,007
Interest and fiscal charges	1,836,254	-	1,836,254	2,367,927	-	2,367,927
Water and sewer	-	9,945,611	9,945,611	-	10,085,993	10,085,993
Refuse	-	2,050,731	2,050,731	-	2,509,957	2,509,957
Airport	-	852,874	852,874	-	982,868	982,868
Golf course	-	108,196	108,196	-	139,621	139,621
Total expenses	<u>28,637,105</u>	<u>12,957,412</u>	<u>41,594,517</u>	<u>35,029,708</u>	<u>13,718,439</u>	<u>48,748,147</u>
Increase (Decrease in Net Position Before Transfers)	(2,690,908)	4,839,650	2,148,742	(461,038)	3,103,081	2,642,043
Transfers	<u>1,856,628</u>	<u>(1,856,628)</u>	<u>-</u>	<u>1,431,236</u>	<u>(1,431,236)</u>	<u>-</u>
Change in Net Position	(834,280)	2,983,022	2,148,742	970,198	1,671,845	2,642,043
Net Position, As Previously Reported	57,760,986	51,077,009	108,837,995	56,790,788	49,405,164	106,195,952
Change in Accounting Principle	(692,340)	(328,250)	(1,020,590)	-	-	-
Net Position, Beginning of Year	<u>57,068,646</u>	<u>50,748,759</u>	<u>107,817,405</u>	<u>56,790,788</u>	<u>49,405,164</u>	<u>106,195,952</u>
Net Position, Ending of Year	<u>\$ 56,234,366</u>	<u>\$ 53,731,781</u>	<u>\$ 109,966,147</u>	<u>\$ 57,760,986</u>	<u>\$ 51,077,009</u>	<u>\$ 108,837,995</u>

*2012 has not been restated for the adoption of GASB 65 because it was not practical to do so.

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2013

Financial Analysis of the Government's Funds

Governmental Funds

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

As of the end of the current fiscal year, the City's Governmental Funds reported a combined ending fund balance of \$18,072,845, a decrease of \$1,362,492 from the prior year. This amount includes fund balance restricted for Public Improvement Districts of \$254,959, restricted for Capital Projects of \$8,742,773, restricted for Public Works of \$1,088,881, Police Grants, Law Enforcement Purposes and Tourism of \$984,286. The net unassigned fund balance was \$6,397,572, a decrease of approximately \$400,00 from prior year.

In the General Fund, the original budget projected an \$860,247 decrease in fund balance this fiscal year; however, the actual decrease was \$346,067. Total revenues were \$2,105,124 over budget and total expenditures were over budget by \$683,412, for a total excess of revenues over expenditures of \$1,421,712.

The HUD Fund has a total fund balance of \$201,618, a decrease of \$749,202 from the prior year. The budget includes a planned reduction in administrative fees due to a shortfall of appropriation from the U.S. Department of Housing and Urban Development.

Proprietary Funds

The City's Proprietary Fund statements provide detail on the City's individual business-type activities.

Unrestricted net position of the Proprietary Funds at the end of the year was \$15,798,314. The total increase in net position was approximately \$3 million from the prior year.

Capital Assets

The City's capital assets for its governmental and business-type activities as of September 30, 2013, amount to \$154,443,448 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, park facilities, roads, bridges and water and sewer lines.

	Governmental Activities		Business-type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Land	\$ 13,214,268	\$ 13,214,268	\$ 4,879,781	\$ 4,879,781	\$ 18,094,049	\$ 18,094,049
Buildings	24,487,196	24,487,196	4,950,436	4,950,436	29,437,632	29,437,632
Equipment	15,397,845	16,633,597	2,803,307	2,803,307	18,201,152	19,436,904
Construction in progress	18,031,737	18,412,625	5,332,057	8,480,489	23,363,794	26,893,114
Other structures	-	-	951,622	951,622	951,622	951,622
Improvements	3,071,457	3,071,457	56,337,091	56,339,591	59,408,548	59,411,048
Streets and bridges	84,139,196	85,199,216	-	-	84,139,196	85,199,216
Drainage	7,332,619	7,332,619	-	-	7,332,619	7,332,619
Runways and taxiways	-	-	3,422,564	3,422,564	3,422,564	3,422,564
Accumulated depreciation	(57,066,230)	(61,135,606)	(32,819,769)	(34,602,214)	(89,885,999)	(95,737,820)
Total	\$ 108,608,088	\$ 107,215,372	\$ 45,857,089	\$ 47,225,576	\$ 154,465,177	\$ 154,440,948

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2013

Long-term Debt

At the end of the current fiscal year, the City had total bonds outstanding of \$84,315,000, all being tax supported. The City also has approximately \$6,113,601 of additional debt through notes payable and capital leases.

	Governmental Activities		Business-type Activities		Totals	
	2012	2013	2012	2013	2012	2013
General Obligation Bonds	\$ 51,110,000	\$ 49,790,000	\$ 4,700,000	\$ 4,030,000	\$ 55,810,000	\$ 53,820,000
Certificates of Obligation	22,315,000	21,580,000	9,425,000	8,915,000	31,740,000	30,495,000
Notes Payable	5,690,060	5,690,060	56,631	37,998	5,746,691	5,728,058
Capital Leases	457,291	385,543	-	-	457,291	385,543
Total	<u>\$ 79,572,351</u>	<u>\$ 77,445,603</u>	<u>\$ 14,181,631</u>	<u>\$ 12,982,998</u>	<u>\$ 93,753,982</u>	<u>\$ 90,428,601</u>

- The City has an A2 rating from Moody's Investors Service and an A rating from Standard and Poor's.

Economic Factor and Next Year's Budgets and Rates

In the fiscal year 2014 budget, General Fund revenues are budgeted to increase by 3% from the 2013 budget year. This decrease is mostly attributed to a decrease in fines and forfeitures, and licenses and permits due to current economic conditions.

Property taxes make up about 45% of budgeted revenues and sales tax make up about 25% of budgeted revenues.

Request for Information

For additional information please contact Director of Finance, Cynthia Pearson, at 972-218-1306 or Finance Department, City of Lancaster, Texas, P.O. Box 940, Lancaster, Texas, 75146, email cpearson@lancaster-tx.com.

Basic Financial Statements

City of Lancaster, Texas
Statement of Net Position
September 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Lancaster Economic Development Corporation	Lancaster Recreational Development Corporation
Assets					
Cash and cash equivalents	\$ 17,101,371	\$ 15,779,910	\$ 32,881,281	\$ 3,318,144	\$ 820,925
Receivables (net of allowance)					
Notes	10,560,000	-	10,560,000	-	-
Delinquent taxes	702,883	-	702,883	-	-
Accounts	973,931	1,934,888	2,908,819	-	-
Sales tax	915,460	-	915,460	174,330	366,635
Fines	479,690	-	479,690	-	-
Due from component unit	528,753	-	528,753	-	-
Prepaid expenses	10,529	-	10,529	-	-
Inventory	43,307	91,986	135,293	-	-
Restricted assets					
Cash and cash equivalents	-	4,766,791	4,766,791	-	-
Capital assets					
Land and construction in progress	31,626,893	13,360,270	44,987,163	100,378	989,118
Other capital assets, net of accumulated depreciation	75,588,479	33,865,306	109,453,785	-	10,474,559
Total assets	<u>138,531,296</u>	<u>69,799,151</u>	<u>208,330,447</u>	<u>3,592,852</u>	<u>12,651,237</u>
Deferred Outflows of Resources					
Deferred loss on refunding	1,100,493	113,593	1,214,086	-	-
Total deferred outflows of resources	<u>1,100,493</u>	<u>113,593</u>	<u>1,214,086</u>	<u>-</u>	<u>-</u>
Liabilities					
Accounts payable and contracts payable	827,257	1,846,793	2,674,050	(8,173)	107,612
Accrued liabilities	598,076	160,148	758,224	2,052	81,708
Accrued interest	451,531	55,455	506,986	12,894	36,300
Due to primary government	-	-	-	-	528,753
Deposits	135,794	897,204	1,032,998	-	-
Noncurrent liabilities					
Due within one year	4,022,199	1,240,951	5,263,150	130,000	455,000
Due in more than one year	77,362,566	11,980,412	89,342,978	2,280,000	7,695,000
Total liabilities	<u>83,397,423</u>	<u>16,180,963</u>	<u>99,578,386</u>	<u>2,416,773</u>	<u>8,904,373</u>
Net Position					
Net investment in capital assets	46,231,794	37,933,467	84,165,261	100,378	3,313,677
Restricted for					
Housing and urban development	201,618	-	201,618	-	-
Debt service	352,439	-	352,439	-	-
Public improvement districts	254,959	-	254,959	-	-
Tourism, convention centers, arts	367,370	-	367,370	-	-
Law enforcement purposes	616,916	-	616,916	-	-
Unrestricted	8,209,270	15,798,314	24,007,584	1,075,701	433,187
Total net position	<u>\$ 56,234,366</u>	<u>\$ 53,731,781</u>	<u>\$ 109,966,147</u>	<u>\$ 1,176,079</u>	<u>\$ 3,746,864</u>

City of Lancaster, Texas
Statement of Activities
Year Ended September 30, 2013

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/program				
Primary government				
Governmental activities				
General government	\$ 4,171,973	\$ -	\$ -	\$ -
Public safety	14,350,239	787,570	-	-
Public works	4,991,125	1,863,869	-	-
Community development and recreation	1,238,745	-	-	-
Social and welfare	2,048,769	-	2,814,031	-
Interest and fiscal charges	1,836,254	-	-	-
Total governmental activities	<u>28,637,105</u>	<u>2,651,439</u>	<u>2,814,031</u>	<u>-</u>
Business-type activities				
Water and sewer	9,945,611	14,251,489	-	-
Refuse	2,050,731	2,171,652	-	-
Airport	852,874	750,308	-	-
Golf course	108,196	85,595	-	-
Total business-type activities	<u>12,957,412</u>	<u>17,259,044</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 41,594,517</u>	<u>\$ 19,910,483</u>	<u>\$ 2,814,031</u>	<u>\$ -</u>
Component units				
Lancaster Economic Development Corporation	567,395	-	-	-
Lancaster Recreational Development Corporation	3,796,321	592,911	65,851	-
Total component units	<u>\$ 4,363,716</u>	<u>\$ 592,911</u>	<u>\$ 65,851</u>	<u>\$ -</u>
General revenues				
Taxes				
Property taxes				
Sales taxes				
Franchise taxes				
Other local taxes				
Interest on investments				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, as previously reported				
Change in accounting principle				
Net position, beginning of year, as restated				
Net position, end of year				

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Lancaster Economic Development Corporation	Lancaster Recreational Development Corporation
\$ (4,171,973)	\$ -	\$ (4,171,973)	\$ -	\$ -
(13,562,669)	-	(13,562,669)	-	-
(3,127,256)	-	(3,127,256)	-	-
(1,238,745)	-	(1,238,745)	-	-
765,262	-	765,262	-	-
(1,836,254)	-	(1,836,254)	-	-
<u>(23,171,635)</u>	<u>-</u>	<u>(23,171,635)</u>	<u>-</u>	<u>-</u>
-	4,305,878	4,305,878	-	-
-	120,921	120,921	-	-
-	(102,566)	(102,566)	-	-
-	(22,601)	(22,601)	-	-
<u>-</u>	<u>4,301,632</u>	<u>4,301,632</u>	<u>-</u>	<u>-</u>
<u>\$ (23,171,635)</u>	<u>\$ 4,301,632</u>	<u>\$ (18,870,003)</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	(567,395)	-
-	-	-	-	(3,137,559)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (567,395)</u>	<u>\$ (3,137,559)</u>
\$ 12,299,191	\$ -	\$ 12,299,191	\$ -	\$ -
4,845,324	-	4,845,324	969,065	1,938,130
2,969,849	-	2,969,849	-	-
-	-	-	-	-
22,654	26,255	48,909	4,423	-
343,709	511,763	855,472	-	310,554
1,856,628	(1,856,628)	-	-	-
<u>22,337,355</u>	<u>(1,318,610)</u>	<u>21,018,745</u>	<u>973,488</u>	<u>2,248,684</u>
(834,280)	2,983,022	2,148,742	406,093	(888,875)
57,760,986	51,077,009	108,837,995	769,986	4,635,739
(692,340)	(328,250)	(1,020,590)	-	-
<u>57,068,646</u>	<u>50,748,759</u>	<u>107,817,405</u>	<u>769,986</u>	<u>4,635,739</u>
<u>\$ 56,234,366</u>	<u>\$ 53,731,781</u>	<u>\$ 109,966,147</u>	<u>\$ 1,176,079</u>	<u>\$ 3,746,864</u>

City of Lancaster, Texas
Balance Sheet – Governmental Funds
September 30, 2013

Assets

	General Fund	HUD Fund	Capital Projects Fund	General Obligation Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 5,459,560	\$ 237,146	\$ 8,742,773	\$ 483,084	\$ 2,178,808	\$ 17,101,371
Receivables (net of allowance for uncollectibles)						
Notes	-	-	-	10,560,000	-	10,560,000
Delinquent taxes	480,762	-	-	184,344	37,777	702,883
Accounts	755,795	-	-	-	218,136	973,931
Sales tax	915,460	-	-	-	-	915,460
Fines	479,690	-	-	-	-	479,690
Due from						
Component unit	528,753	-	-	-	-	528,753
Inventory, at cost	43,307	-	-	-	-	43,307
Prepaid items	7,010	-	-	-	3,519	10,529
Total assets	\$ 8,670,337	\$ 237,146	\$ 8,742,773	\$ 11,227,428	\$ 2,438,240	\$ 31,315,924

**Liabilities, Deferred Inflows
of Resources and Fund Balances**

Liabilities						
Accounts and contracts payable	\$ 579,197	\$ 11,540	\$ -	\$ 184,783	\$ 51,737	\$ 827,257
Accrued liabilities	519,382	23,988	-	-	54,706	598,076
Deposits	135,794	-	-	-	-	135,794
Total liabilities	1,234,373	35,528	-	184,783	106,443	1,561,127
Deferred inflows of resources	988,075	-	-	10,690,206	3,671	11,681,952
Fund balances						
Nonspendable for inventory and prepaid items	50,317	-	-	-	3,519	53,836
Restricted for						
Housing and urban development	-	201,618	-	-	-	201,618
Capital projects	-	-	8,742,773	-	-	8,742,773
Debt service	-	-	-	352,439	-	352,439
Public works	-	-	-	-	1,085,362	1,085,362
Public improvement districts	-	-	-	-	254,959	254,959
Police grants	-	-	-	-	7,299	7,299
Tourism, convention centers, arts	-	-	-	-	367,370	367,370
Law enforcement purposes	-	-	-	-	609,617	609,617
Unassigned	6,397,572	-	-	-	-	6,397,572
Total fund balances	6,447,889	201,618	8,742,773	352,439	2,328,126	18,072,845
Total liabilities, deferred inflows of resources and fund balances	\$ 8,670,337	\$ 237,146	\$ 8,742,773	\$ 11,227,428	\$ 2,438,240	\$ 31,315,924

City of Lancaster, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2013

Total fund balances – governmental funds	\$ 18,072,845
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	107,215,372
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(451,531)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.	1,121,952
Notes receivable are not measureable and available within 60 days of year-end, and therefore are entirely deferred in the fund financial statements.	10,560,000
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements.	
Long-term liabilities and related deferred outflows of resources at year-end consist of:	
General obligation bonds	(49,790,000)
Certificates of obligation	(21,580,000)
Note payable	(5,690,060)
Premiums on bond debt	(1,399,885)
Deferred outflows of resources	1,100,493
Compensated absences	(2,417,543)
OPEB liability	(121,734)
Capital leases	(385,543)
	(385,543)
Total net position of governmental activities	\$ 56,234,366

City of Lancaster, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2013

	General Fund	HUD Fund	Capital Projects Fund	General Obligation Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes and fees	\$ 14,698,446	\$ -	\$ -	\$ 3,803,151	\$ 1,800,013	\$ 20,301,610
Licenses and permits	875,112	-	-	-	273,217	1,148,329
Intergovernmental	1,022,357	1,299,069	264,455	228,150	-	2,814,031
Charges for services	715,540	-	-	-	-	715,540
Fines and forfeits	785,089	-	2,481	-	-	787,570
Interest	5,885	621	13,717	579	1,852	22,654
Miscellaneous	253,973	61,877	-	-	27,859	343,709
Total revenues	18,356,402	1,361,567	280,653	4,031,880	2,102,941	26,133,443
Expenditures						
Current						
General government	3,375,903	-	-	-	-	3,375,903
Public safety	13,267,811	-	16	-	68,592	13,336,419
Public works	1,655,272	-	-	-	995,492	2,650,764
Community development and recreation	809,093	-	-	-	278,122	1,087,215
Social and welfare	-	2,048,769	-	-	-	2,048,769
Capital outlay	1,499,018	-	1,261,484	-	70,466	2,830,968
Debt service						
Principal retirement	-	-	-	2,101,748	25,000	2,126,748
Interest and fiscal charges	-	-	-	1,876,516	19,261	1,895,777
Total expenditures	20,607,097	2,048,769	1,261,500	3,978,264	1,456,933	29,352,563
Excess (deficiency) of revenues over (under) expenditures	(2,250,695)	(687,202)	(980,847)	53,616	646,008	(3,219,120)
Other financing sources (uses)						
Operating transfers in	1,904,628	-	-	56,000	-	1,960,628
Operating transfers out	-	(62,000)	-	-	(42,000)	(104,000)
Total other financing sources (uses)	1,904,628	(62,000)	-	56,000	(42,000)	1,856,628
Net Change in Fund Balances	(346,067)	(749,202)	(980,847)	109,616	604,008	(1,362,492)
Fund Balances, Beginning of Year	6,793,956	950,820	9,723,620	242,823	1,724,118	19,435,337
Fund Balances, End of Year	\$ 6,447,889	\$ 201,618	\$ 8,742,773	\$ 352,439	\$ 2,328,126	18,072,845

City of Lancaster, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2013

Net change in fund balances – total governmental funds		\$ (1,362,492)
Amounts reported for governmental activities in the statement of activities are different because:		
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. This is the amount of capital assets recorded in the current period.	2,676,660	
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(4,069,376)	
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:		
General and certificates of obligation bonds	2,055,000	
Capital leases	<u>71,748</u>	2,126,748
The issuance of long-term debt, such as bonds and capital leases, are shown as “Other Sources” and “Other Uses” in the governmental funds, but are shown on the statement of net position with related costs amortized over the life of the bonds. Differences consist of the following:		
Amortization of refunding loss	(101,089)	
Amortization of bond premium/discount	<u>139,565</u>	(16,119)
Current year change in long-term liability for compensated absences and OPEB liability do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(78,097)	
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	21,047	
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.	<u>(132,651)</u>	
Change in net position of governmental activities		<u>\$ (834,280)</u>

City of Lancaster, Texas
Statement of Net Position
Proprietary Funds
September 30, 2013

Assets	Water and Sewer	Airport Fund	Nonmajor Enterprise Funds	Total Proprietary Funds
Current Assets				
Cash and cash equivalents	\$ 15,587,011	\$ 190	\$ 192,709	\$ 15,779,910
Receivables (net of allowance for uncollectibles)				
Accounts	878,918	11,549	125,662	1,016,129
Unbilled	783,074	-	135,685	918,759
Inventory	-	91,986	-	91,986
Total current assets	<u>17,249,003</u>	<u>103,725</u>	<u>454,056</u>	<u>17,806,784</u>
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	4,766,791	-	-	4,766,791
Capital Assets				
Nondepreciable	8,566,050	4,444,666	349,554	13,360,270
Depreciable (net of accumulated depreciation)	<u>30,513,436</u>	<u>1,398,053</u>	<u>1,953,817</u>	<u>33,865,306</u>
Total assets	<u>61,095,280</u>	<u>5,946,444</u>	<u>2,757,427</u>	<u>69,799,151</u>
Deferred Outflows of Resources				
Deferred loss on refunding	<u>110,598</u>	<u>2,995</u>	<u>-</u>	<u>113,593</u>
Total deferred outflows of resources	<u>110,598</u>	<u>2,995</u>	<u>-</u>	<u>113,593</u>
Liabilities				
Current Liabilities				
Accounts and contracts payable	294,503	910,633	641,657	1,846,793
Accrued liabilities	109,410	11,704	39,034	160,148
Accrued interest	54,861	594	-	55,455
Deposits	<u>897,204</u>	<u>-</u>	<u>-</u>	<u>897,204</u>
Total current liabilities	<u>1,355,978</u>	<u>922,931</u>	<u>680,691</u>	<u>2,959,600</u>
Noncurrent Liabilities				
Due within one year	1,210,549	30,184	218	1,240,951
Due in more than one year	<u>11,845,811</u>	<u>133,947</u>	<u>654</u>	<u>11,980,412</u>
Total noncurrent liabilities	<u>13,056,360</u>	<u>164,131</u>	<u>872</u>	<u>13,221,363</u>
Total liabilities	<u>14,412,338</u>	<u>1,087,062</u>	<u>681,563</u>	<u>16,180,963</u>
Net Position				
Net investment in capital assets	29,951,508	5,678,588	2,303,371	37,933,467
Unrestricted	<u>16,842,032</u>	<u>(816,211)</u>	<u>(227,507)</u>	<u>15,798,314</u>
Total net position	<u>\$ 46,793,540</u>	<u>\$ 4,862,377</u>	<u>\$ 2,075,864</u>	<u>\$ 53,731,781</u>

City of Lancaster, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2013

	Water and Sewer Fund	Airport Fund	Nonmajor Enterprise Funds	Total Proprietary Funds
Operating Revenues				
Charges for services	\$ 14,251,489	\$ 750,308	\$ 2,257,247	\$ 17,259,044
Intergovernmental	-	42,624	-	42,624
Miscellaneous	357,315	-	9,236	366,551
Total operating revenues	14,608,804	792,932	2,266,483	17,668,219
Operating Expenses				
Personnel services	1,142,367	168,536	-	1,310,903
Maintenance	443,394	47,857	188,861	680,112
Purchase of water	1,993,147	-	-	1,993,147
Materials and supplies	105,802	409,677	-	515,479
Heat, light and power	173,543	39,467	9,247	222,257
Depreciation and amortization	1,664,345	40,419	77,681	1,782,445
Benefit payments	453,163	44,744	-	497,907
Sewage treatment	3,524,802	-	-	3,524,802
Special services	436,979	83,240	1,882,428	2,402,647
Equipment rental	8,069	18,934	710	27,713
Total operating expenses	9,945,611	852,874	2,158,927	12,957,412
Operating Income (Loss)	4,663,193	(59,942)	107,556	4,710,807
Nonoperating Revenues (Expenses)				
Interest revenue	25,957	-	298	26,255
Interest and fiscal charges	(190,483)	(6,500)	-	(196,983)
Impact fee revenue	271,185	-	-	271,185
Other nonoperating revenue	-	28,386	-	28,386
Total nonoperating revenues (expenses)	106,659	21,886	298	128,843
Income (Loss) Before Transfers	4,769,852	(38,056)	107,854	4,839,650
Transfers				
Operating transfers out	(1,633,426)	(10,202)	(213,000)	(1,856,628)
Total transfers out	(1,633,426)	(10,202)	(213,000)	(1,856,628)
Change in Net Position	3,136,426	(48,258)	(105,146)	2,983,022
Net Position, as Previously Reported	43,980,695	4,915,304	2,181,010	51,077,009
Change in Accounting Principle	(323,581)	(4,669)	-	-
Net Position, Beginning of Year as Restated	43,657,114	4,910,635	2,181,010	50,748,759
Net Position, End of Year	\$ 46,793,540	\$ 4,862,377	\$ 2,075,864	\$ 53,731,781

City of Lancaster, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2013

	Water and Sewer Fund	Airport Fund	Nonmajor Enterprise Fund	Total
Operating Activities				
Receipts from customers and users	\$ 14,993,837	\$ 791,487	\$ 2,276,837	\$ 18,062,161
Payments to employees	(1,595,530)	(213,280)	7,417	(1,801,393)
Payments to suppliers	(6,588,673)	(558,551)	(2,072,187)	(9,219,411)
Net cash provided by operating activities	<u>6,809,634</u>	<u>19,656</u>	<u>212,067</u>	<u>7,041,357</u>
Capital and Related Financing Activities				
Acquisition and construction of capital assets	(3,150,932)	-	-	(3,150,932)
Principal payments on debt	(1,126,659)	(29,685)	-	(1,156,344)
Interest payments on debt	(41,276)	(8,155)	-	(49,431)
Impact fees collected	271,185	-	-	271,185
Utility deposits collected	53,007	-	-	53,007
Net cash used in capital and financing activities	<u>(3,994,675)</u>	<u>(37,840)</u>	<u>-</u>	<u>(4,032,515)</u>
Noncapital and Related Financing Activities				
Operating transfers out to other funds	(1,633,426)	(10,202)	(213,000)	(1,856,628)
Proceeds from other nonoperating revenue	(164,526)	28,386	298	(135,842)
Net cash provided by (used in) noncapital financing activities	<u>(1,797,952)</u>	<u>18,184</u>	<u>(212,702)</u>	<u>(1,992,470)</u>
Increase (Decrease) in Cash and Cash Equivalents	1,017,007	-	(635)	1,016,372
Cash and Cash Equivalents, Beginning of Year	<u>19,336,795</u>	<u>190</u>	<u>193,344</u>	<u>19,530,329</u>
Cash and Cash Equivalents, End of Year	<u>\$ 20,353,802</u>	<u>\$ 190</u>	<u>\$ 192,709</u>	<u>\$ 20,546,701</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating income (loss)	\$ 4,663,193	\$ (59,942)	\$ 107,556	\$ 4,710,807
Item not requiring cash				
Depreciation and amortization	1,664,345	40,419	77,681	1,782,445
Changes in				
Accounts receivable	385,033	(1,445)	12,546	396,134
Inventories	-	(45,969)	-	(45,969)
Accounts payable	82,569	85,872	6,867	175,308
Accrued expenses	14,494	721	7,417	22,632
Net cash provided by operating activities	<u>\$ 6,809,634</u>	<u>\$ 19,656</u>	<u>\$ 212,067</u>	<u>\$ 7,041,357</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Note 1: Significant Accounting Policies

The basic financial statements of the City of Lancaster are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies.

Reporting Entity

The City of Lancaster (the City) was incorporated in 1853. The City operates as a home-rule city, under a Council-manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, water and sewer utilities, sanitation, health and social services, parks and recreation, public improvements, airport, golf course, planning and zoning and general administrative services.

The City's basic financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus*. GASB Statement 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either (1) the primary government must be able to impose its will or (2) the primary government may potentially benefit financially or be financially responsible for the component unit. The Lancaster Economic Development Corporation (Economic) and the Lancaster Recreational Development Corporation (Recreational) are nonprofit industrial development corporations formed in July and October 1995, respectively, under the Development Corporation Act of 1979. Both Economic and Recreational are organized exclusively for the purposes of benefiting and accomplishing public purposes and to act on behalf of the City. This includes the construction and renovation of municipal buildings, the acquisition, improvement and operation of parks, as well as, other economic development purposes. The affairs of these corporations are managed by two separate Boards of Directors, which are appointed by the City Council. The City Council approves annual budgets and issuances of debt. Economic and Recreational have been discretely presented in the accompanying financial statements. Separate financial statements of the individual component units are not available.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

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

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program of City government. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for Governmental Funds and Proprietary Funds. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of Governmental Funds is on the sources, uses and balances of current financial resources. The City has presented the following major Governmental Funds:

General Fund – The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

HUD Fund – The HUD Fund is used to account for funds from grants received from the U.S. Department of Housing and Urban Development and transactions relating to the Lancaster Housing Agency. The Lancaster Housing Agency provides housing assistance to low income families.

Capital Projects Fund – The Capital Projects Fund is utilized to account for financial resources to be used for the acquisition or construction of major capital facilities.

General Obligation Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and for the payment of general long-term debt principal, interest and related costs, as well as the payment of lease/purchase items. The revenue source is principally ad valorem taxes levied by the City and transfers in for the payment of lease/purchases.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major Proprietary Funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the acquisition, operation and maintenance of a municipal water and sewer utility, supported primarily by user charges to the public.

Airport Fund – The Airport Fund is used to account for the operation of the City’s regional airport.

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. Operating expenses for the Proprietary Funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Classification of Fund Equity

Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balance have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. Assigned fund balances are constrained by intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by City management based on Council direction. Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

Measurement Focus

Measurement focus is the accounting convention, which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type’s operating statement presents “financial flow” or “capital maintenance” information per fund.

The government-wide statements and fund financial statements for Proprietary Funds are reported using the economic resources measurement focus, which means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Governmental Fund financial statements are reported using the current financial resources measurement focus, which means only current assets and current liabilities are generally included on their balance sheets.

Their reported fund balance (net current position) is considered a measure of “available spendable resources.” Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a “net income and capital maintenance” measurement focus. This means that all assets, liabilities, equity, revenues, expenses and transfers relating to the activity of a Proprietary Fund are accounted for through the Proprietary Fund. The measurement focus is upon the determination of net income, financial position and cash flows.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for Proprietary Funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental Fund financial statements are reported using the modified accrual basis for accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough, thereafter, to be used to pay liabilities of the current period.

Ad valorem, franchise and sales tax revenues recorded in the General Fund are considered to be susceptible to accrual. Licenses and permits, charges for services (except for sanitation services), fines and forfeits and rents and concessions are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings and intergovernmental revenue are recorded as earned since they are measurable and available.

Cash Flows Statement

For purposes of the statement of cash flows, the City considers cash and cash equivalents to be all unrestricted cash and certificates of deposit with an original maturity date of three months or less.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Investments

Substantially all operating cash, deposits and short-term investments are maintained in consolidated cash and investment accounts. Related interest income is allocated to the various funds based primarily on ownership by each fund of specific investments. Cash equivalents consist of highly liquid investments with original maturities of three months or less.

Investments in U.S. Treasury and agency obligations with maturities of one year or less when purchased are reported at amortized cost. Nonparticipating contracts are reported at cost. All other investments are reported at fair value.

State statutes authorize the City to invest in obligations of the U.S. Government or its agencies; obligations of the state of Texas or its agencies; and certain other obligations, repurchase agreements, money market mutual funds and certificates of deposits within established criterion.

Allowance for Uncollectible Accounts

An allowance for uncollectible taxes including penalties and interest and water and sewer billed receivables is provided based on an analysis of historical trends. The allowances at September 30, 2013, were \$671,755 for uncollectible taxes, \$1,942,975 for water and sewer billings, \$319,793 for court fees and fines and \$303,333 for ambulance fees.

Inventory

Inventories, which are recognized as expenditures as they are consumed, are stated at cost (first-in, first-out) for Governmental Funds. Inventories in the General Fund consist of expendable supplies.

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent year.

Interfund Receivables and Payables

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

Transactions Between Funds

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are recorded as transfers.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for Proprietary Funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized on Proprietary Fund type assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expenses incurred from the date of the borrowing unit until completion of the project with interest earned on invested proceeds over the same period.

Assets capitalized have a useful life of over one year. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. Estimated useful lives of major categories of property are:

Plants and buildings	25 years
Other structures	10 – 50 years
Machinery and equipment	6 – 10 years

Adoption of Accounting Principles

During fiscal year 2013, the City implemented GASB Statement No. 63: *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65: *Items Previously Reported as Assets and Liabilities*. These statements redefined certain transactions and balances previously reported as assets or liabilities are to be reported instead as deferred inflow or outflow of resources.

Per GASB Statement No. 65, bond issuance costs, excluding prepaid bond insurance costs which should be treated as a prepaid asset, are to be recognized in the period of the debt issue. This resulted in a restatement of previously reported net position of (\$692,340) for governmental activities and (\$328,250) in business-type activities.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category, the deferred loss on refunding, reported in the government-wide and proprietary fund statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. In the General Fund, deferred inflows of resources consist of unavailable revenues related to delinquent property taxes receivable of \$324,073, delinquent courts receivable of \$474,690, and delinquent ambulance receivable of \$189,312. In the General Obligation Debt Service Fund, deferred inflows of resources consist of \$10,560,000 related to the note payable from the discretely presented component units that is considered unavailable and unavailable revenues related to delinquent property taxes receivable of \$130,206. Deferred inflows of \$3,671, related to unavailable revenues related to delinquent property taxes receivable are reported on the Public Improvement Districts Fund.

Accumulated Unpaid Vacations, Sick Leave and Other Employee Benefit Amounts

Sick leave is recorded when paid because employees are not compensated for unused sick leave. Vacation is earned in varying amounts up to a maximum of 20 days per year for employees with 10 or more years of service. Unused vacation leave carried forward from one-year to the next is limited to 260 hours.

The liability for unused vested vacation leave as of September 30, 2013, is shown as a liability for compensated absences in the applicable governmental or business-type activities columns in the government-wide statements and in the fund financial statements for the Proprietary Funds. The amount to be paid from current available financial resources is not considered significant.

Note 2: Cash and Investments

At year-end, the carrying amount of the City's bank deposits was \$383,966 (composed of \$363,033 related to the primary government and \$20,933 related to discretely presented component units) and the bank balances were \$884,287. The bank balances on September 30, 2013, were entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and municipal pools. During the year ended September 30, 2013, the City did not own any types of securities other than those permitted by the statute.

Governmental investments are categorized as either: (1) insured or registered for which securities are held by the City or its agent in the City's name (2) uninsured and unregistered for which securities are held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the counterparty or its trust department or agent, but not in the City's name.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

During the year ended September 30, 2013, the City invested in TexPool and LOGIC funds. TexPool and LOGIC are investment funds authorized by the Texas Legislature. The Texas Treasury Safekeeping Trust Company is the trustee and is a limited purpose trust company authorized pursuant to Texas Government Code. TexPool and LOGIC operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool and LOGIC use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool and LOGIC is the same as the market value of TexPool and LOGIC shares. TexPool and LOGIC are rated as an AAA money market fund by Standard and Poor's and Moody's.

Interest Rate Risk

The strategy of the City is to maintain sufficient liquidity in its portfolio and structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity.

Custodial Credit Risk

Custodial credit risk is the risk that a government will not be able to recover (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires collateralization of most deposits in excess of coverage, utilizes the delivery vs. payment method for investment purchases and contracts with a third-party safekeeping agent.

Credit Risk

In compliance with the City's Investment Policy as of September 30, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, pre-qualifying financial institutions, broker/dealers and advisors with which the City does business and diversifying the investment portfolio so that potential losses on individual securities are minimized.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Investments at year-end are shown below:

	Carrying Amount	Fair Value	Weighted- Average Maturity (Years)
Primary Government			
TexPool	\$ 24,161,150	\$ 24,161,150	0.003
LOGIC	<u>13,123,889</u>	<u>13,123,889</u>	0.003
Total primary government	<u>37,285,039</u>	<u>37,285,039</u>	
Component Units			
TexPool	2,668,601	2,668,601	0.003
LOGIC	<u>1,449,535</u>	<u>1,449,535</u>	0.003
Total component units	<u>4,118,136</u>	<u>4,118,136</u>	
Total	<u>\$ 41,403,175</u>	<u>\$ 41,403,175</u>	

Note 3: Property Taxes

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1, and are due and payable on or before January 31, of the following year. All unpaid taxes become delinquent February 1, of the following year. Tax collections for the year ended September 30, 2013, were 89.4% of the levy. Dallas County bills and collects property taxes for the City. Any uncollected property taxes at September 30 that are collected within 60 days is recognized as revenue and recorded as taxes receivable. Any uncollected property taxes at September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

The statutes of the state of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, provision of Article XI, Section 5 of the Texas Constitution applicable to cities with populations greater than 5,000 limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. However, as a city operating under a Home Rule Charter, the City has a debt limit of \$1.50 per \$100 assessed valuation. For the year ended September 30, 2012, the City had a tax rate of \$.8675 per \$100.00 assessed valuation, of which \$.6012 was allocated for general government and \$.2663 was allocated for the payment of principal and interest on general obligation debt.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property.

However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the tax rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year. This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district.

Note 4: Interfund Transactions

At September 30, 2013, interfund balances and transactions, excluding discretely presented component units were as follows:

	Transfers In	Transfers Out
	<hr/>	<hr/>
General Fund	\$ 1,904,628	\$ -
HUD Fund	-	62,000
Capital Projects Fund	-	-
General Obligation Debt Service Fund	56,000	-
Nonmajor Governmental Funds	-	42,000
Water and Sewer Fund	-	1,633,426
Airport Fund	-	10,202
Golf Course Fund	-	213,000
	<hr/>	<hr/>
	<u>\$ 1,960,628</u>	<u>\$ 1,960,628</u>

The interfund transfer to the General Fund from the HUD Fund, General Obligation Debt Service Fund, Nonmajor Governmental Funds, Water and Sewer Funds, Airport Fund and Golf Course Fund is for indirect services provided by central service departments accounted for in the General Fund. The interfund transfer to the General Obligation Debt Service Fund from the Golf Course Fund is for debt repayment.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Note 5: Fixed Assets

Governmental Funds

Capital assets of the Governmental Activities are as follows:

	Balance September 30, 2012	Increases	Decreases	Balance September 30, 2013
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 13,214,268	\$ -	\$ -	\$ 13,214,268
Construction in progress	<u>18,031,737</u>	<u>1,261,483</u>	<u>(880,595)</u>	<u>18,412,625</u>
Total capital assets not being depreciated	<u>31,246,005</u>	<u>1,261,483</u>	<u>(880,595)</u>	<u>31,626,893</u>
Capital assets being depreciated				
Buildings	24,487,196	-	-	24,487,196
Infrastructure and improvements	94,543,272	1,060,020	-	95,603,292
Equipment and furniture	<u>15,397,845</u>	<u>1,235,752</u>	<u>-</u>	<u>16,633,597</u>
Total capital assets being depreciated	134,428,313	2,295,772	-	136,724,085
Less accumulated depreciation	<u>57,066,230</u>	<u>4,069,376</u>	<u>-</u>	<u>61,135,606</u>
Total capital assets being depreciated, net	<u>77,362,083</u>	<u>(1,773,604)</u>	<u>-</u>	<u>75,588,479</u>
Governmental activities capital assets, net	<u>\$ 108,608,088</u>	<u>\$ (512,121)</u>	<u>\$ (880,595)</u>	<u>\$ 107,215,372</u>

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

General and administrative	\$ 563,665
Public safety	1,013,820
Public works	2,340,361
Community development and recreation	<u>151,530</u>
Total depreciation expense – governmental activities	<u>\$ 4,069,376</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Enterprise Funds

Capital assets of the Enterprise Funds are as follows:

	Balance September 30, 2012	Increases	Decreases	Balance September 30, 2013
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 4,879,781	\$ -	\$ -	\$ 4,879,781
Construction in progress	<u>5,332,057</u>	<u>3,150,932</u>	<u>(2,500)</u>	<u>8,480,489</u>
Total capital assets not being depreciated	<u>10,211,838</u>	<u>3,150,932</u>	<u>(2,500)</u>	<u>13,360,270</u>
Capital assets being depreciated				
Plants and buildings	4,950,436	-	-	4,950,436
Other improvements	56,337,091	2,500	-	56,339,591
Runways and taxiways	3,422,564	-	-	3,422,564
Other structures	951,622	-	-	951,622
Machinery and equipment	<u>2,803,307</u>	<u>-</u>	<u>-</u>	<u>2,803,307</u>
Total capital assets being depreciated	68,465,020	2,500	-	68,467,520
Less accumulated depreciation	<u>32,819,769</u>	<u>1,782,445</u>	<u>-</u>	<u>34,602,214</u>
Total capital assets being depreciated, net	<u>35,645,251</u>	<u>(1,779,945)</u>	<u>-</u>	<u>33,865,306</u>
Business-type activities capital assets, net	<u>\$ 45,857,089</u>	<u>\$ 1,370,987</u>	<u>\$ (2,500)</u>	<u>\$ 47,225,576</u>

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

Water and sewer	\$ 1,664,345
Airport	40,419
Golf	<u>77,681</u>
Total depreciation expense – business-type activities	<u>\$ 1,782,445</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Discretely Presented Component Units

Capital assets of the Lancaster Economic Development Corporation are as follows:

	Balance September 30, 2012	Increases	Decreases	Balance September 30, 2013
Lancaster Economic Development Corporation Capital assets not being depreciated				
Land	\$ 100,378	\$ -	\$ -	\$ 100,378
Total capital assets not being depreciated	<u>\$ 100,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,378</u>

Capital assets of the Lancaster Recreational Development Corporation are as follows:

	Balance September 30, 2012	Increases	Decreases	Balance September 30, 2013
Lancaster Recreational Development Corporation Capital assets not being depreciated				
Land	\$ 989,118	\$ -	\$ -	\$ 989,118
Total capital assets not being depreciated	<u>989,118</u>	<u>-</u>	<u>-</u>	<u>989,118</u>
Capital assets being depreciated				
Buildings	15,797,360	-	-	15,797,360
Park structures	3,965,809	-	-	3,965,809
Equipment and furniture	<u>449,124</u>	<u>-</u>	<u>-</u>	<u>449,124</u>
Total capital assets being depreciated	20,212,293	-	-	20,212,293
Less accumulated depreciation	<u>9,073,152</u>	<u>664,582</u>	<u>-</u>	<u>9,737,734</u>
Total capital assets being depreciated, net	<u>11,139,141</u>	<u>(664,582)</u>	<u>-</u>	<u>10,474,559</u>
Lancaster Recreational Development Corporation capital assets, net	<u>\$ 12,128,259</u>	<u>\$ (664,582)</u>	<u>\$ -</u>	<u>\$ 11,463,677</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Note 6: Long-term Liabilities

The following is a summary of changes in long-term liabilities:

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013	Due Within One-Year
Governmental Activities					
General obligation bonds	\$ 51,110,000	\$ -	\$ (1,320,000)	\$ 49,790,000	\$ 1,475,000
Certificates of obligation	22,315,000	-	(735,000)	21,580,000	620,000
Notes payable	5,690,060	-	-	5,690,060	852,493
Premiums on bond debt	1,539,450	-	(139,565)	1,399,885	-
Compensated absences	2,366,734	50,809	-	2,417,543	933,792
OPEB liability	94,446	27,288	-	121,734	-
Capital leases	457,291	-	(71,748)	385,543	140,914
Total governmental activities	<u>\$ 83,572,981</u>	<u>\$ 78,097</u>	<u>\$ (2,266,313)</u>	<u>\$ 81,384,765</u>	<u>\$ 4,022,199</u>
Business-type Activities					
General obligation bonds	\$ 4,700,000	\$ -	\$ (670,000)	\$ 4,030,000	\$ 695,000
Notes payable	56,631	-	(18,633)	37,998	20,951
Certificates of obligation	9,425,000	-	(510,000)	8,915,000	525,000
Premiums on bond debt	205,077	-	(30,095)	174,982	-
Compensated absences	50,428	12,955	-	63,383	-
Total business-type activities	<u>\$ 14,437,136</u>	<u>\$ 12,955</u>	<u>\$ (1,228,728)</u>	<u>\$ 13,221,363</u>	<u>\$ 1,240,951</u>
Discretely Presented					
Component units					
Notes payable to primary government	<u>\$ 11,125,000</u>	<u>\$ -</u>	<u>\$ (565,000)</u>	<u>10,560,000</u>	<u>\$ 585,000</u>
Total discretely presented component units	<u>\$ 11,125,000</u>	<u>\$ -</u>	<u>\$ (565,000)</u>	<u>\$ 10,560,000</u>	<u>\$ 585,000</u>

General long-term debt consists of capital leases, liabilities for accrued vacation leave, general obligation bonds and certificates of obligation, which are direct obligations, issued on the full faith and credit of the City. Principal and interest payments on the general obligation bonds and certificates of obligation are secured by ad valorem taxes levied on all taxable property within the City and surplus revenues of the Water and Sewer Fund and Airport Fund. A portion of the general obligation bonds has been issued on behalf of the Water and Sewer Fund. Although these bonds are secured by the full faith and credit of the City and have no specific claim against Water and Sewer Fund assets, debt service requirements are provided by the Water and Sewer Fund. Accordingly, this debt is reflected as an obligation of the Water and Sewer Fund.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

General obligation bonds, revenue bonds, certificates of obligation, notes payable and capital leases outstanding at September 30, 2013, consist of the following:

	Governmental Activities	Water and Sewer	Airport	Total Primary Government
<u>General Obligation Bonds</u>				
\$24,300,000, 2007 General Obligation Refunding Bonds, due in annual installments through February 15, 2032, 4.00% – 5.00%	\$ 16,560,000	\$ 3,490,000	\$ 40,000	\$ 20,090,000
\$22,995,000, 2010 General Obligation Build America Bonds, due in annual installments through February 15, 2032, 1.82% – 6.53%	22,020,000	-	-	22,020,000
\$12,240,000, 2012 General Obligation Refunding Bonds, due in annual installments through February 15, 2024, 2.00% – 5.00%	<u>11,210,000</u>	<u>430,000</u>	<u>70,000</u>	<u>11,710,000</u>
	<u>\$ 49,790,000</u>	<u>\$ 3,920,000</u>	<u>\$ 110,000</u>	<u>\$ 53,820,000</u>
<u>Certificates of Obligation</u>				
\$14,565,000, 2007 Certificate of Obligation Bonds, due in annual installments through February 15, 2032, 4.00% – 4.375%	\$ 10,085,000	\$ 1,910,000	\$ -	\$ 11,995,000
\$12,000,000, 2010 Certificate of Obligation Build America Bonds, due in annual installments through February 15, 2032, 1.82% – 6.53%	11,495,000	-	-	11,495,000
\$7,585,000, 2011 Certificate of Obligation Bonds, due in annual installments through August 15, 2031, 2.00% – 3.50%	<u>-</u>	<u>7,005,000</u>	<u>-</u>	<u>7,005,000</u>
	<u>\$ 21,580,000</u>	<u>\$ 8,915,000</u>	<u>\$ -</u>	<u>\$ 30,495,000</u>

*Interest payable semi-annually on February 1 and August 1.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

<u>Note Payable</u>	<u>Governmental Activities</u>	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total Primary Government</u>	<u>Discretely Presented Component Units</u>
\$11,530,000 note payable, due in annual installments through February 15, 2024; 3.00% – 4.50%	\$ -	\$ -	\$ -	\$ -	\$ 8,150,000
\$3,035,000 note payable, due in annual installments through February 15, 2027; 4.00% – 4.375%	-	-	-	-	2,410,000
\$116,441 note payable, due in monthly installments through July 1, 2015; 7.5%	-	-	37,998	37,998	-
\$5,690,000 note payable, due in annual installments beginning October 2013 through October 2022; 7.00%	5,690,060	-	-	5,690,060	-
	<u>\$ 5,690,060</u>	<u>\$ -</u>	<u>\$ 37,998</u>	<u>\$ 5,728,058</u>	<u>\$ 10,560,000</u>
 <u>Capital Leases</u>					
\$500,000 Lease Purchase Agreement due in annual installments through January 1, 2012; 4.38%	\$ 19,231	\$ -	\$ -	\$ 19,231	\$ -
\$265,987 Lease Purchase Agreement due in annual installments through September 30, 2015; 5.00%	136,168	-	-	136,168	-
\$366,345 Lease Purchase Agreement due in monthly installments through November 4, 2016; 2.15%	230,144	-	-	230,144	-
	<u>\$ 385,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 385,543</u>	<u>\$ -</u>

Capital leases represent the remaining principal amounts payable under lease purchase agreements for the acquisition of equipment through the General and Water and Sewer Funds.

As of September 30, 2013, property and equipment under capital leases is carried at \$1,026,117, with \$646,802 in accumulated depreciation.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

The annual requirements to amortize the long-term debt as of September 30, 2013, are as follows:

General Obligation Bonds						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 1,475,000	\$ 2,500,438	\$ 3,975,438	\$ 695,000	\$ 177,675	\$ 872,675
2015	1,545,000	2,449,263	3,994,263	730,000	144,750	874,750
2016	1,665,000	2,393,577	4,058,577	775,000	108,475	883,475
2017	1,795,000	2,325,528	4,120,528	770,000	70,025	840,025
2018	2,220,000	2,242,615	4,462,615	815,000	30,975	845,975
2019 - 2023	13,330,000	9,534,631	22,864,631	200,000	32,800	232,800
2024 - 2028	9,995,000	6,568,022	16,563,022	45,000.00	900.00	45,900.00
2029 - 2033	9,600,000	3,905,946	13,505,946	-	-	-
2034 - 2038	5,580,000	1,785,407	7,365,407	-	-	-
2039 - 2040	2,585,000	170,544	2,755,544	-	-	-
Total	\$ 49,790,000	\$ 33,875,971	\$ 83,665,971	\$ 4,030,000	\$ 565,600	\$ 4,595,600

Certificates of Obligation						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 620,000	\$ 1,111,810	\$ 1,731,810	\$ 525,000	\$ 265,963	\$ 790,963
2015	695,000	1,087,187	1,782,187	395,000	253,463	648,463
2016	715,000	1,059,630	1,774,630	405,000	243,463	648,463
2017	740,000	1,030,099	1,770,099	420,000	233,163	653,163
2018	770,000	998,318	1,768,318	430,000	222,563	652,563
2019-2023	4,320,000	4,435,082	8,755,082	2,410,000	935,534	3,345,534
2024-2028	5,030,000	3,279,868	8,309,868	2,780,000	520,025	3,300,025
2029-2033	4,415,000	1,987,141	6,402,141	1,550,000	107,550.00	1,657,550.00
2034-2038	2,925,000	934,320	3,859,320	-	-	-
2039-2040	1,350,000	89,108	1,439,108	-	-	-
Total	\$ 21,580,000	\$ 16,012,563	\$ 37,592,563	\$ 8,915,000	\$ 2,781,724	\$ 11,696,724

Note Payable						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 852,493	\$ 767,780	\$ 1,620,273	\$ 20,951	\$ 1,297	\$ 22,248
2015	471,507	338,630	810,137	17,047	97	17,144
2016	504,512	305,624	810,136	-	-	-
2017	539,828	270,308	810,136	-	-	-
2018	577,616	232,520	810,136	-	-	-
2019-2022	2,744,104	496,443	3,240,547	-	-	-
Total	\$ 5,690,060	\$ 2,411,305	\$ 8,101,365	\$ 37,998	\$ 1,394	\$ 39,392

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Note Payable			
Fiscal Year	Discretely Presented Component Units		
	Principal	Interest	Total
2014	\$ 585,000	\$ 459,795	\$ 1,044,795
2015	595,000	433,360	1,028,360
2016	610,000	405,147	1,015,147
2017	625,000	374,935	999,935
2018	840,000	342,729	1,182,729
2019 - 2023	4,830,000	943,112	5,773,112
2024 – 2027	<u>2,475,000</u>	<u>95,928</u>	<u>2,570,928</u>
Total	<u>\$ 10,560,000</u>	<u>\$ 3,055,006</u>	<u>\$ 13,615,006</u>

Capital Leases			
Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2014	\$ 180,396	\$ 4,737	\$ 185,132
2015	128,970	2,969	131,939
2016	<u>76,177</u>	<u>1,166</u>	<u>77,343</u>
Total	<u>\$ 385,543</u>	<u>\$ 8,872</u>	<u>\$ 394,415</u>

Note 7: Retirement Plan

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to Texas Municipal Retirement System (TMRS), P.O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

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:

	December 31,	
	2013	2012
Deposit rate	7%	7%
Matching ratio (City to employee)	2 – 1	2 – 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 50% of CPI	100% Repeating Transfers 50% of CPI
Annuity increase (to retirees)	Repeating	Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member’s projected benefit allocated annually; the prior service contribution rate amortizes the unfunded actuarial liability over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (*i.e.*, December 31, 2008, valuation is effective for the rates beginning January, 2010).

Annual Pension Cost

Contributions by the City were \$1,892,993, or 15.22% of the covered payroll of \$12,440,548 as required by the actuarial valuation.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Annual City pension cost and related information for the last three years is as follows:

	December 31,		
	2012	2011	2010
<u>Actuarial Information</u>			
Actuarial cost method	Project Unit Credit	Project Unit Credit	Project Unit Credit
Amortization method	Level %	Level %	Level %
Amortization period	25.2 years-closed period	26.0 years-closed period	27.1 years-closed period
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Assumption			
Investment return	7.0%	7.0%	7.0%
Projected salary increases	varies by age and services	varies by age and services	varies by age and services
Inflation	3.0%	3.0%	3.0%
Cost of living adjustment	1.5%	1.5%	1.5%
City specific assumptions			
Payroll growth assumption	3.00%	3.00%	3.00%
Withdrawal rates for male/female (low, mid/low, mid, mid/high or high)	Mid-High/High	Mid-High/High	Mid-High/High
<u>Schedule of Funding Information</u>			
	2012	2011	2010
Actuarial value of assets	\$ 49,578,237	\$ 46,173,703	\$ 43,023,260
Actuarial accrued liability	\$ 60,064,046	\$ 57,355,776	\$ 55,495,680
Unfunded (over funded) Actuarial Accrued Liability (UAAL)	\$ 10,485,809	\$ 11,182,073	\$ 12,472,420
Funded ratio	82.5%	80.5%	77.5%
Annual covered payroll	\$ 12,440,548	\$ 12,581,296	\$ 13,466,995
UAAL as a percentage of covered payroll	84.3%	88.9%	92.6%

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

The City's net pension obligation (NPO) for TMRS at December 31, 2012, 2011 and 2010, is calculated as follows:

Actuarial valuation date	December 31,		
	2012	2011	2010
NPO, beginning of year	\$ -	\$ -	\$ -
Annual pension cost	1,892,993	1,952,302	1,866,885
Annual required contribution (ARC)	(1,892,993)	(1,952,302)	(1,866,885)
Contributions made	<u>-</u>	<u>-</u>	<u>-</u>
NPO, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Supplemental Death Benefit Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the TMRS known as the Supplemental Death Benefits fund (SDBF). The City elected, by ordinance, to provide group term life insurance coverage to active and retired members. 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 contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. This 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 prefund retiree life insurance during employees' entire careers.

The City's contributions to SDBF for the fiscal years ended September 30, 2013, 2012 and 2011, were \$18,072, \$12,185 and \$19,908, respectively, which equaled the required contributions each year.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Note 8: Other Postemployment Benefits

Plan Description

The City provides postemployment medical care (OPEB) for employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City’s group health insurance plans, which cover both active and retired members. The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process.

Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided

The City provides postemployment medical and dental care benefits to its retirees. Retirees who elect COBRA cannot later elect retiree coverage. To be eligible for coverage an employee must qualify under all three of the following:

1. The retiree must have been covered for medical benefits under the City Health Plan as an employee immediately prior to termination of employment.
2. Apply for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than 90 days from termination of employment; and
3. Enroll for retiree Health coverage within 31 days of the date of termination.

As of September 30, 2013, membership consisted of:

Retirees and beneficiaries receiving benefits	16
Active employees	205
Total	221

Funding Policy

The plan’s premium rates are determined annually by City management and approved by the City Council as part of the annual budget. Members receiving HMO medical benefits contribute \$556 per month for retiree-only coverage, \$1,224 per month for retiree and spouse and \$1,895 per month for retiree and family. Members receiving PPO medical benefits contribute \$617 per month for retiree-only coverage, \$1,357 per month for retiree and spouse and \$2,100 per month for retiree and family. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Annual OPEB Costs

The City's annual OPEB cost is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost and the related information are as follows at September 30, 2013, 2012 and 2011:

	September 30,		
	2013	2012	2011
Annual required contribution	\$ 79,943	\$ 115,634	\$ 91,425
Interest on prior year net OPEB obligation	20,509	3,785	1,049
Adjustment to annual required contribution	(4,586)	(3,507)	(972)
Annual OPEB cost	<u>95,866</u>	<u>115,912</u>	<u>91,502</u>
Contributions made	<u>(68,578)</u>	<u>(68,557)</u>	<u>(67,731)</u>
Increase in net OPEB obligation	27,288	47,355	23,771
Net obligation, beginning of year	<u>94,446</u>	<u>47,091</u>	<u>23,320</u>
Net obligation, end of year	<u>\$ 121,734</u>	<u>\$ 94,446</u>	<u>\$ 47,091</u>
Percentage of OPEB costs contributed	71.5%	59.1%	74.0%

Funded Status and Funding Progress

The funded status of the plan as of actuarial measurement date of December 31, 2012, was as follows:

Actuarial accrued liability	\$ 886,344
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 886,344</u>
Funded ratio	0.00%
Covered payroll	\$ 12,581,296
Unfunded actuarial accrued liability as a percentage of covered payroll	7.0%

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members), and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.50% initially, reduced by decrements to an ultimate rate of 4.5% after eight years. The rate of inflation is assumed to be 3%.

Note 9: Commitments and Contingencies

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; injuries to employees; and natural disasters. The City is part of the Texas Municipal League Intergovernmental Risk Pool (the Pool). Premiums are paid to the Pool, which retain a limit of loss. Reinsurance companies insure the risks beyond those limits. The City retains, as a risk, only the deductible amount of each policy. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in any of the past three fiscal years.

Trinity River Authority of Texas

The City contracts with Trinity River Authority of Texas (TRA), a conservation and reclamation district, whereby TRA finances, constructs, operates and maintains sewage transportation and treatment facilities for the benefit of the City. The current contract is extended through the date until which all bonds have been paid. The City makes payments monthly, which are based on an estimate of its share of costs. The City's share of costs for the fiscal year ended September 30, 2013, was \$3,679,838, for the Ten Mile Creek Regional Wastewater System and \$104,515, for the Red Oak Creek Regional Wastewater System. This estimate is calculated by TRA who makes adjustments for over/under charges in the City's next fiscal year. There were no adjustments to the amounts as calculated by the TRA for the year ended September 30, 2013.

Federal and State Programs

The City participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that if the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2013, may be impaired.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2013

Other Contingencies

There are other claims and pending actions incidental to normal operations of the City. In the opinion of the City administration, the City's potential liability in these matters will not have a material impact on the accompanying financial statements.

Required Supplementary Information

City of Lancaster, Texas
Required Supplementary Information
Schedule of Funding Progress for Participation in Texas
Municipal Retirement System
September 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	[1]	[2]	[3] [1]/[2]	[4] [2]-[1]	[5]	[6] [4]/[5]
12/31/2010	\$ 43,023,260	\$ 55,495,680	77.5%	\$ 12,472,420	\$ 13,466,995	92.6%
12/31/2011	\$ 46,173,703	\$ 57,355,776	80.5%	\$ 11,182,073	\$ 12,581,296	88.9%
12/31/2012	\$ 49,578,237	\$ 60,064,046	82.5%	\$ 10,485,809	\$ 12,440,548	84.3%

City of Lancaster, Texas
Required Supplementary Information
Employees' Other Postemployment Benefits Plan
Analysis of Funding Progress
(Unaudited)
September 30, 2013

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAI (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	[1]	[2]	[3] [1]/[2]	[4] [2]-[1]	[5]	[6] [4]/[5]
2011	\$ -	\$ 1,138,842	0.0%	\$ 1,138,842	\$ 13,466,995	8.5%
2012	\$ -	\$ 1,138,842	0.0%	\$ 1,138,842	\$ 12,581,296	9.1%
2013	\$ -	\$ 886,334	0.0%	\$ 886,334	\$ 12,440,548	7.1%

City of Lancaster, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
Year Ended September 30, 2013

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and fees	\$ 15,076,696	\$ 14,888,746	\$ 14,698,446	\$ (190,300)
Licenses and permits	447,214	365,512	875,112	509,600
Intergovernmental	213,000	69,480	1,022,357	952,877
Charges for services	601,340	52,000	715,540	663,540
Fines and forfeits	686,500	786,940	785,089	(1,851)
Interest	4,000	4,000	5,885	1,885
Miscellaneous	75,150	84,600	253,973	169,373
	<u>17,103,900</u>	<u>16,251,278</u>	<u>18,356,402</u>	<u>2,105,124</u>
Expenditures				
Current				
General government	4,109,627	3,364,619	3,375,903	(11,284)
Public safety	13,223,090	14,038,111	13,267,811	770,300
Public works	1,590,665	1,725,010	1,655,272	69,738
Community development and recreation	689,668	795,945	809,093	(13,148)
Capital outlay	-	-	1,499,018	(1,499,018)
	<u>19,613,050</u>	<u>19,923,685</u>	<u>20,607,097</u>	<u>(683,412)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,509,150)</u>	<u>(3,672,407)</u>	<u>(2,250,695)</u>	<u>1,421,712</u>
Other financing sources				
Operating transfers in	<u>1,648,903</u>	<u>1,904,628</u>	<u>1,904,628</u>	<u>-</u>
Total other financing sources	<u>1,648,903</u>	<u>1,904,628</u>	<u>1,904,628</u>	<u>-</u>
Net Change in Fund Balances	(860,247)	(1,767,779)	(346,067)	1,421,712
Fund Balance, Beginning of Year	<u>6,793,956</u>	<u>4,554,413</u>	<u>6,793,956</u>	<u>2,239,543</u>
Fund Balance, End of Year	<u>\$ 5,933,709</u>	<u>\$ 2,786,634</u>	<u>\$ 6,447,889</u>	<u>\$ 3,661,255</u>

City of Lancaster, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – HUD Fund
Year Ended September 30, 2013

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 8,535,729	\$ 8,424,982	\$ 1,299,069	\$ (7,125,913)
Interest	6,013	5,935	621	(5,314)
Miscellaneous	48,967	48,332	61,877	13,545
	<u>8,590,709</u>	<u>8,479,249</u>	<u>1,361,567</u>	<u>(7,117,682)</u>
Expenditures				
Social and welfare	8,013,026	7,859,865	2,048,769	5,811,096
Excess of revenues (deficiencies) over expenditures (under)	<u>577,683</u>	<u>619,384</u>	<u>(687,202)</u>	<u>(1,306,586)</u>
Other financing uses				
Operating transfers out	(62,000)	(62,000)	(62,000)	-
	<u>(62,000)</u>	<u>(62,000)</u>	<u>(62,000)</u>	<u>-</u>
Net Change in Fund Balance	515,683	557,384	(749,202)	(1,306,586)
Fund Balance, Beginning of Year	<u>950,820</u>	<u>950,820</u>	<u>950,820</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,466,503</u>	<u>\$ 1,508,204</u>	<u>\$ 201,618</u>	<u>\$ (1,306,586)</u>

City of Lancaster, Texas
Notes to Required Supplementary Information
September 30, 2013

Budgets and Budgetary Accounting

The City adopts an “appropriated budget” of Governmental Fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

An operating budget for the General Fund, HUD Fund and Stormwater Drainage Fund is legally adopted each fiscal year.

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget including proposed expenditures and the means of financing them is submitted to the City Council by the City Manager.
2. Upon receipt of the budget estimates, the City Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City.
3. A public hearing on the budget is held.
4. Prior to October 1 the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse.

**Individual Fund and Nonmajor Combining
Statements and Schedules**

City of Lancaster, Texas
Nonmajor Governmental Funds
September 30, 2013

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Stormwater Drainage Fund – to account for revenues received from a fee charged for the development of the City’s storm sewer drainage system.

Public Improvement Districts Fund – to account for the activities of the public improvement districts of the City.

Police State Seized Fund – to account for the activities of related funds awarded to the City by the Courts.

Police Federal Seized Fund – to account for the activities of related funds awarded to the City by the Courts.

Hotel/Motel Fund – to account for the revenues received from a hotel and motel tax.

Emergency 911 Fund – to account for revenues received from a fee charged for emergency services.

City of Lancaster, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

Assets

	Stormwater Drainage Fund	Public Improvement Districts Fund	Police State Seized Fund	Police Federal Seized Fund	Hotel/ Motel Fund	Emergency 911 Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ 972,350	\$ 264,799	\$ 3,604	\$ 3,695	\$ 334,448	\$ 599,912	\$ 2,178,808
Receivables (net of allowance for uncollectibles)							
Delinquent taxes	-	3,989	-	-	33,788	-	37,777
Accounts receivable	203,808	-	-	-	-	14,328	218,136
Prepaid items	3,519	-	-	-	-	-	3,519
Total assets	\$ 1,179,677	\$ 268,788	\$ 3,604	\$ 3,695	\$ 368,236	\$ 614,240	\$ 2,438,240

**Liabilities, Deferred Inflows
of Resources and Fund Balances**

Liabilities							
Accounts and contracts payable	\$ 36,781	\$ 10,158	\$ -	\$ -	\$ 866	\$ 3,932	\$ 51,737
Accrued liabilities	54,015	-	-	-	-	691	54,706
Total liabilities	90,796	10,158	-	-	866	4,623	106,443
Deferred inflows of resources	-	3,671	-	-	-	-	3,671
Fund balances							
Nonspendable for inventory and prepaid items	3,519	-	-	-	-	-	3,519
Restricted for							
Public works	1,085,362	-	-	-	-	-	1,085,362
Public improvement districts	-	254,959	-	-	-	-	254,959
Police grants	-	-	3,604	3,695	-	-	7,299
Tourism, convention centers, arts	-	-	-	-	367,370	-	367,370
Law enforcement purposes	-	-	-	-	-	609,617	609,617
Total fund balances	1,088,881	254,959	3,604	3,695	367,370	609,617	2,328,126
Total liabilities, deferred inflows of resources and fund balances	\$ 1,179,677	\$ 268,788	\$ 3,604	\$ 3,695	\$ 368,236	\$ 614,240	\$ 2,438,240

City of Lancaster, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2013

	Stormwater Drainage Fund	Public Improvement Districts Fund	Police State Seized Fund	Police Federal Seized Fund	Hotel/ Motel Fund	Emergency 911 Fund	Total Nonmajor Governmental Funds
Revenues							
Taxes and fees	\$ 1,403,687	\$ 295,851	\$ -	\$ -	\$ 100,475	\$ -	\$ 1,800,013
Licenses and permits	-	-	-	-	-	273,217	273,217
Intergovernmental	-	-	-	-	-	-	-
Miscellaneous	-	-	12,259	-	15,600	-	27,859
Interest	835	136	6	6	348	521	1,852
	<u>1,404,522</u>	<u>295,987</u>	<u>12,265</u>	<u>6</u>	<u>116,423</u>	<u>273,738</u>	<u>2,102,941</u>
Total revenues							
Expenditures							
Current							
Public safety	-	-	12,511	-	-	56,081	68,592
Public works	995,492	-	-	-	-	-	995,492
Community development and recreation	-	230,104	-	-	48,018	-	278,122
Capital outlay	66,816	-	-	-	-	3,650	70,466
Debt service							
Principal retirement	25,000	-	-	-	-	-	25,000
Interest and fiscal charges	19,261	-	-	-	-	-	19,261
	<u>1,106,569</u>	<u>230,104</u>	<u>12,511</u>	<u>-</u>	<u>48,018</u>	<u>59,731</u>	<u>1,456,933</u>
Total expenditures							
Excess (Deficiency) of revenues over (under) expenditures	<u>297,953</u>	<u>65,883</u>	<u>(246)</u>	<u>6</u>	<u>68,405</u>	<u>214,007</u>	<u>646,008</u>
Other Financing Uses							
Operating transfers out	<u>(42,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,000)</u>
Total other financing uses	<u>(42,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,000)</u>
Net Change in Fund Balances	255,953	65,883	(246)	6	68,405	214,007	604,008
Fund Balances, Beginning of Year	832,928	189,076	3,850	3,689	298,965	395,610	1,724,118
Fund Balances, End of Year	<u>\$ 1,088,881</u>	<u>\$ 254,959</u>	<u>\$ 3,604</u>	<u>\$ 3,695</u>	<u>\$ 367,370</u>	<u>\$ 609,617</u>	<u>\$ 2,328,126</u>

City of Lancaster, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Stormwater Drainage Fund
Year Ended September 30, 2013

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and fees	\$ 1,260,000	\$ 1,260,000	\$ 1,403,687	\$ 143,687
Miscellaneous	-	-	-	-
Interest	-	-	835	835
Total revenues	<u>1,260,000</u>	<u>1,260,000</u>	<u>1,404,522</u>	<u>144,522</u>
Expenditures				
Current				
Public works	1,068,375	1,112,575	995,492	117,083
Capital outlay	-	-	66,816	(66,816)
Debt service				
Principal retirement	25,000	25,000	25,000	-
Interest and fiscal charges	23,013	22,013	19,261	2,752
Total expenditures	<u>1,116,388</u>	<u>1,159,588</u>	<u>1,106,569</u>	<u>53,019</u>
Excess of revenues over expenditures	<u>143,612</u>	<u>100,412</u>	<u>297,953</u>	<u>197,541</u>
Other financing uses				
Operating transfers out	<u>(42,000)</u>	<u>(42,000)</u>	<u>(42,000)</u>	<u>-</u>
Total other financing sources	<u>(42,000)</u>	<u>(42,000)</u>	<u>(42,000)</u>	<u>-</u>
Net Change in Fund Balances	101,612	58,412	255,953	197,541
Fund Balance, Beginning of Year	<u>832,928</u>	<u>832,928</u>	<u>832,928</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 934,540</u>	<u>\$ 891,340</u>	<u>\$ 1,088,881</u>	<u>\$ 197,541</u>

City of Lancaster, Texas
Nonmajor Proprietary Funds
September 30, 2013

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City is that costs of providing the goods or services to the general public on a continuing basis will be financed or recovered through user charges. The City has two Nonmajor Enterprise Funds, which include the following:

Golf Course Fund – to account for the operation of the City’s golf course.

Refuse Fund – to account for the operation of the City’s refuse services.

City of Lancaster, Texas
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2013

Assets

	Golf Course Fund	Refuse Fund	Total Nonmajor Enterprise Funds
Current Assets			
Cash and cash equivalents	\$ 192,709	\$ -	\$ 192,709
Receivables (net of allowance for uncollectibles)			
Accounts	-	125,662	125,662
Unbilled	-	135,685	135,685
Capital assets			
Nondepreciable	349,554	-	349,554
Depreciable (net of accumulated depreciation)	1,953,817	-	1,953,817
	<u>2,496,080</u>	<u>261,347</u>	<u>2,757,427</u>
Total assets			

Liabilities

Current Liabilities			
Accounts and contracts payable	4,500	637,157	641,657
Accrued liabilities	330	38,704	39,034
Noncurrent Liabilities			
Due in one year	-	218	218
Due in more than one year	-	654	654
	<u>4,830</u>	<u>676,733</u>	<u>681,563</u>
Total liabilities			

Net Position (Deficit)

Net investment in capital assets	2,303,371	-	2,303,371
Unrestricted	187,879	(415,386)	(227,507)
	<u>\$ 2,491,250</u>	<u>\$ (415,386)</u>	<u>\$ 2,075,864</u>

City of Lancaster, Texas
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
Year Ended September 30, 2013

	Golf Course Fund	Refuse Fund	Total Nonmajor Enterprise Funds
Operating Revenues			
Charges for services	\$ 85,595	\$ 2,171,652	\$ 2,257,247
Miscellaneous	9,236	-	9,236
	<u>94,831</u>	<u>2,171,652</u>	<u>2,266,483</u>
Total operating revenues			
Operating Expenses			
Maintenance	4,178	184,683	188,861
Heat, light and power	9,247	-	9,247
Depreciation and amortization	77,681	-	77,681
Special services	17,090	1,865,338	1,882,428
Equipment rental	-	710	710
	<u>108,196</u>	<u>2,050,731</u>	<u>2,158,927</u>
Total operating expenses			
Operating Loss	<u>(13,365)</u>	<u>120,921</u>	<u>107,556</u>
Nonoperating Revenues (Expenses)			
Interest revenue	241	57	298
	<u>241</u>	<u>57</u>	<u>298</u>
Total nonoperating revenues (expenses)			
Loss Before Transfers	(13,124)	120,978	107,854
Transfers out	<u>(63,000)</u>	<u>(150,000)</u>	<u>(213,000)</u>
Change in Net Position (Deficit)	(76,124)	(29,022)	(105,146)
Net Position, Beginning of Year	<u>2,567,374</u>	<u>(386,364)</u>	<u>2,181,010</u>
Net Position (Deficit), End of Year	<u>\$ 2,491,250</u>	<u>\$ (415,386)</u>	<u>\$ 2,075,864</u>

City of Lancaster, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2013

	Golf Course Fund	Refuse Fund	Total Nonmajor Enterprise Fund
Operating Activities			
Receipts from customers and users	\$ 92,639	\$ 2,184,198	\$ 2,276,837
Payments to employees	-	7,417	7,417
Payments to suppliers	(30,515)	(2,041,672)	(2,072,187)
Net cash provided by operating activities	<u>62,124</u>	<u>149,943</u>	<u>212,067</u>
Noncapital and Related Financing Activities			
Operating transfers out to other funds	(63,000)	(150,000)	(213,000)
Proceeds from other nonoperating revenue	241	57	298
Net cash used in noncapital financing activities	<u>(62,759)</u>	<u>(149,943)</u>	<u>(212,702)</u>
Decrease in Cash and Cash Equivalents	(635)	-	(635)
Cash and Cash Equivalents, Beginning of Year	<u>193,344</u>	<u>-</u>	<u>193,344</u>
Cash and Cash Equivalents, End of year	<u><u>\$ 192,709</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 192,709</u></u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ (13,365)	\$ 120,921	\$ 107,556
Items not requiring (providing) cash			
Depreciation and amortization	77,681	-	77,681
Changes in			
Accounts receivable	-	12,546	12,546
Accounts payable	(2,192)	9,059	6,867
Accrued expenses	-	7,417	7,417
Net Cash Provided By Operating Activities	<u><u>\$ 62,124</u></u>	<u><u>\$ 149,943</u></u>	<u><u>\$ 212,067</u></u>

City of Lancaster, Texas
Discretely Presented Component Units
September 30, 2013

Lancaster Economic Development Corporation – to account for revenues from an industrial development sales tax to spur increased economic development activity within the City.

Lancaster Recreational Development Corporation – to account for revenues from a sales and use tax for the development of parks and recreational facilities.

City of Lancaster, Texas
Balance Sheet
Economic Development Corporation
September 30, 2013

Assets

Cash and cash equivalents	\$ 3,318,144
Sales tax receivable	<u>174,330</u>
Total assets	<u>3,492,474</u>

Liabilities

Accounts payable	(8,173)
Accrued liabilities	<u>2,052</u>
Total liabilities	<u>(6,121)</u>

Fund Balance

3,498,595

Total Liabilities and Fund Balance

\$ 3,492,474

City of Lancaster, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Economic Development Corporation
September 30, 2013

Total fund balance – governmental funds	\$ 3,498,595
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.</p>	(12,894)
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.</p>	100,378
<p>Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the fund financial statements.</p>	<u>(2,410,000)</u>
Total net position – governmental activities	<u><u>\$ 1,176,079</u></u>

City of Lancaster, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Economic Development Corporation
Year Ended September 30, 2013

Revenues	
Taxes and fees	\$ 969,065
Interest	3,811
	<u> </u>
Total revenues	<u>972,876</u>
 Expenditures	
Cultural and recreation	477,139
Debt service	
Principal retirement	125,000
Interest and fiscal charges	90,256
	<u> </u>
Total expenditures	<u>692,395</u>
 Net Change in Fund Balance	 280,481
 Fund Balance, Beginning of Year	 <u>3,218,114</u>
 Fund Balance, End of Year	 <u>\$ 3,498,595</u>

City of Lancaster, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the
Statement of Activities
Economic Development Corporation
Year Ended September 30, 2013

Net change in fund balance	\$	280,481
<p style="margin-left: 40px;">Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p style="margin-left: 40px;">Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements.</p>		
		125,000
<p style="margin-left: 40px;">Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in Governmental Funds.</p>		
		612
Change in net position of governmental activities	\$	406,093

City of Lancaster, Texas
Balance Sheet
Recreational Development Corporation
September 30, 2013

Assets

Cash and cash equivalents	\$ 820,925
Sales tax receivable	<u>366,635</u>
Total assets	<u>1,187,560</u>

Liabilities

Accounts payable	107,612
Accrued liabilities	81,708
Due to primary government	<u>528,753</u>
Total liabilities	<u>718,073</u>

Fund Balance

469,487

Total Liabilities and Fund Balance

\$ 1,187,560

City of Lancaster, Texas
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
Recreational Development Corporation
September 30, 2013

Total fund balance – governmental funds		\$ 469,487
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.</p>		11,463,677
<p>Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.</p>		(36,300)
<p>Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of a note payable.</p>		(8,150,000)
		(8,150,000)
Total net position – governmental activities		\$ 3,746,864

City of Lancaster, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Recreational Development Corporation
Year Ended September 30, 2013

Revenues	
Taxes and fees	\$ 1,938,130
Charges for services	592,911
Intergovernmental	65,851
Miscellaneous	298,268
Interest	<u>1,569</u>
Total revenues	<u>2,896,729</u>
Expenditures	
Cultural and recreation	2,795,185
Capital outlay	-
Debt service	
Principal retirement	440,000
Interest and fiscal charges	<u>336,554</u>
Total expenditures	<u>3,571,739</u>
Net Change in Fund Balance	(675,010)
Fund Balance, Beginning of Year	<u>1,144,497</u>
Fund Balance, End of Year	<u><u>\$ 469,487</u></u>

City of Lancaster, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the
Statement of Activities
Recreational Development Corporation
Year Ended September 30, 2013

Net change in fund balance	\$ (675,010)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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 as depreciation expense. This amount is the amount of capital outlay recorded as capital assets in the current period.</p>	-
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.</p>	(664,582)
<p>Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements.</p>	440,000
<p>Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.</p>	<u>10,717</u>
Change in net position of governmental activities	<u><u>\$ (888,875)</u></u>

The following portion of the City of Lancaster Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information regarding the City's overall financial health.

Table	Contents
<i>Financial Trends</i> – These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Entity-wide information:	
A	Net position by component, last ten fiscal years
B	Changes in net position, last ten fiscal years
Governmental funds information:	
C	Fund balance, last ten fiscal years
D	Changes in fund balances, last ten fiscal years
<i>Revenue Capacity</i> – These tables contain information to help the reader assess one of the City's most significant revenue sources, the property tax.	
E	Assessed and estimated actual value of taxable property, last ten fiscal years
F	Direct and overlapping property tax rates, last ten fiscal years
G	Principal taxpayers, current year and ten years ago
H	Ad Valorem tax levies and collections, last ten fiscal years
<i>Debt Capacity</i> – These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
I	Ratio of outstanding debt by type, last ten fiscal years
J	Ratio of net general bonded debt to assessed value and net bonded debt per capita, last ten fiscal years
K	Legal debt margin information
L	Direct and overlapping governmental activities debt, last ten fiscal years
M	Secured revenue coverage – Water Bonds, last ten fiscal years
<i>Demographic and Economic Information</i> – These tables offer demographic and economic indicators to help understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
N	Demographic and Economic Statistics, last ten calendar years
O	Principal employers, current and six years ago
<i>Operating Information</i> – These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and activities it performs.	
P	Full-time equivalent City government employees by function/program, last ten years
Q	Operating indicators by function/program
R	Capital asset statistics by function/program

Sources: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant years.

City of Lancaster, Texas

Table A – Net Position by Component Accrual Basis of Accounting Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net investment in capital assets	\$ 46,133,536	\$ 55,125,562	\$ 59,998,301	\$ 54,560,297	\$ 50,425,678	\$ 40,366,067	\$ 51,819,877	\$ 50,606,700	\$ 55,109,346	\$ 46,231,794
Restricted for										
Housing and urban development	-	-	-	-	-	-	-	-	-	201,618
Debt service	230,583	220,705	684,097	602,144	297,651	620,279	222,762	718,522	242,823	352,439
Public improvement districts	-	-	-	-	-	-	-	-	-	254,959
Tourism, convention centers, arts	-	-	-	-	-	-	-	-	-	367,370
Law enforcement purposes	-	-	-	-	-	-	-	-	-	616,916
Unrestricted	7,107,927	4,052,350	(1,825,206)	7,297,462	10,496,418	20,277,619	6,060,550	5,465,566	2,408,817	8,209,270
Total governmental activities net asset	\$ 53,472,046	\$ 59,398,617	\$ 58,857,192	\$ 62,459,903	\$ 61,219,747	\$ 61,263,965	\$ 58,103,189	\$ 56,790,788	\$ 57,760,986	\$ 56,234,366
Business-type Activities										
Net investment in capital assets	\$ 30,857,399	\$ 31,169,977	\$ 32,552,943	\$ 29,528,199	\$ 29,900,904	\$ 33,653,811	\$ 38,435,110	\$ 38,270,127	\$ 37,955,920	\$ 37,933,467
Restricted for										
Debt service	1,326,281	469,000	469,000	-	1,820,910	731,987	731,987	-	-	-
Impact fees	-	-	-	4,862,321	-	-	-	-	-	-
Capital	-	-	-	-	5,211,102	5,327,838	5,435,469	-	-	-
Unrestricted	7,822,565	12,553,798	15,650,205	14,484,020	10,060,820	7,595,677	1,936,585	11,135,037	13,121,089	15,798,314
Total business-type activities net asset	\$ 40,006,245	\$ 44,192,775	\$ 48,672,148	\$ 48,874,540	\$ 46,993,736	\$ 47,309,313	\$ 46,539,151	\$ 49,405,164	\$ 51,077,009	\$ 53,731,781
Primary Government										
Net investment in capital assets	\$ 76,990,935	\$ 86,295,539	\$ 92,551,244	\$ 84,088,496	\$ 80,326,582	\$ 74,019,878	\$ 90,254,987	\$ 88,876,827	\$ 93,065,266	\$ 84,165,261
Restricted for										
Housing and urban development	-	-	-	-	-	-	-	-	-	201,618
Public improvement districts	-	-	-	-	-	-	-	-	-	254,959
Tourism, convention centers, arts	-	-	-	-	-	-	-	-	-	367,370
Law enforcement purposes	-	-	-	-	-	-	-	-	-	616,916
Debt service	1,556,864	689,705	1,153,097	602,144	2,118,561	1,352,266	954,749	718,522	242,823	352,439
Impact fees	-	-	-	4,862,321	-	-	-	-	-	-

City of Lancaster, Texas

Table B – Changes in Net Position Accrual Basis of Accounting Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities										
General government	\$ 2,284,857	\$ 3,217,556	\$ 4,538,632	\$ 4,274,611	\$ 5,395,286	\$ 3,689,422	\$ 4,603,846	\$ 4,254,835	\$ 3,642,761	\$ 4,171,973
Public safety	10,225,692	11,165,686	13,718,040	13,169,737	14,116,941	14,487,896	14,829,005	14,333,669	14,232,681	14,350,239
Public works	836,319	224,314	1,129,462	3,176,963	3,162,728	4,902,806	5,678,976	4,832,457	5,119,834	4,991,125
Community development and recreation	3,237,048	3,134,112	3,937,805	3,635,543	4,290,873	1,506,422	1,317,628	1,048,563	1,173,498	1,238,745
Community service	16,053	11,023	775	29,037	-	-	-	-	-	-
Social and welfare	8,286,134	8,162,741	7,659,020	8,071,230	9,015,301	8,496,435	8,599,376	8,640,215	8,493,007	2,048,769
Nondepartmental	1,695,639	1,954,663	2,703,926	1,949,265	-	-	-	-	-	-
Interest and fiscal charges	377,322	349,191	879,335	1,514,305	2,367,768	2,053,606	2,880,768	2,837,440	2,367,927	1,836,254
Total governmental activities expenses	26,959,064	28,219,286	34,566,995	35,820,691	38,348,897	35,136,587	37,909,599	35,947,179	35,029,708	28,637,105
Business-type activities										
Water and sewer	7,675,269	7,705,662	8,597,834	9,806,091	10,479,809	9,621,112	10,082,971	9,178,117	10,085,993	9,945,611
Refuse	-	-	-	1,794,083	2,026,237	1,247,727	1,769,530	2,196,791	2,509,957	2,050,731
Airport	305,881	298,127	305,457	1,154,670	914,387	923,923	810,211	905,354	982,868	852,874
Golf course	166,563	172,824	187,650	125,495	107,311	135,276	86,966	83,002	139,621	108,196
Total business-type activities expenses	8,147,713	8,176,613	9,090,941	12,880,339	13,527,744	11,928,038	12,749,678	12,363,264	13,718,439	12,957,412
Total primary government expenses	\$ 35,106,777	\$ 36,395,899	\$ 43,657,936	\$ 48,701,030	\$ 51,876,641	\$ 47,064,625	\$ 50,659,277	\$ 48,310,443	\$ 48,748,147	\$ 41,594,517
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 2,287,732	\$ 1,635,711	\$ 2,249,380	\$ 2,041,552	\$ 25,410	\$ 1,759,314	\$ 1,759,747	\$ 1,394,684	\$ 1,529,136	\$ 787,570
Public safety	783,589	795,537	812,042	876,625	989,766	927,298	920,361	1,261,640	682,137	1,863,869
Community development and recreation	1,585,945	1,434,639	2,793,345	1,654,124	1,056,471	542,632	518,507	-	-	-
Community service	59,874	133,971	90,669	93,292	-	-	-	-	-	-
Social and welfare	9,089,160	8,446,446	9,385,998	8,922,577	10,588,454	8,424,486	8,817,871	8,765,448	8,171,297	2,814,031
Operating grants and contributions	3,006,303	7,419,015	5,066,852	6,557,823	132,158	1,384,895	1,866,380	1,740,834	1,146,735	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	16,812,603	19,865,319	20,398,286	20,145,993	14,402,697	13,038,625	13,882,866	13,162,606	11,529,305	5,465,470

City of Lancaster, Texas

Table B – Change in Net Position (Continued)

Accrual Basis of Accounting

Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities										
Charges for services	\$ 8,346,950	\$ 8,250,721	\$ 11,332,581	\$ 10,076,290	\$ 10,065,258	\$ 10,869,572	\$ 10,924,161	\$ 11,480,609	\$ 14,209,081	\$ 14,251,489
Water and sewer	-	-	-	1,701,763	1,988,397	1,465,835	1,799,068	2,124,940	2,077,599	2,171,652
Refuse	127,479	129,722	148,476	429,206	682,872	541,019	576,949	726,819	806,724	750,308
Airport	50,004	58,348	73,279	56,304	66,487	80,749	72,550	84,542	94,847	85,595
Golf course	29,530	209,269	-	61,998	19,281	30,695	382,600	50,089	-	-
Operating grants and contributions	1,035,645	3,497,830	1,246,609	1,475,994	-	530,710	565,364	-	300,000	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	9,589,608	12,145,890	12,800,945	13,801,555	12,822,295	13,518,580	14,320,692	14,466,999	17,488,251	17,259,044
Total primary government program revenues	\$ 26,402,211	\$ 32,011,209	\$ 33,199,231	\$ 33,947,548	\$ 27,224,992	\$ 26,557,205	\$ 28,203,558	\$ 27,629,605	\$ 29,017,556	\$ 22,724,514
Net (Expenses) Revenues										
Governmental activities	\$ (10,146,461)	\$ (8,353,967)	\$ (14,168,709)	\$ (15,674,698)	\$ (23,946,200)	\$ (22,097,962)	\$ (24,026,733)	\$ (22,784,573)	\$ (23,500,403)	\$ (23,171,635)
Business-type activities	1,441,895	3,969,277	3,710,004	921,216	(705,449)	1,590,542	1,571,014	2,103,735	3,769,812	4,301,632
Total primary government net expenses	\$ (8,704,566)	\$ (4,384,690)	\$ (10,458,705)	\$ (14,753,482)	\$ (24,651,649)	\$ (20,507,420)	\$ (22,455,719)	\$ (20,680,838)	\$ (19,730,591)	\$ (18,870,003)
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property taxes	\$ 7,685,214	\$ 8,606,773	\$ 9,332,956	\$ 10,627,693	\$ 12,617,630	\$ 13,426,315	\$ 12,194,286	\$ 13,621,585	\$ 13,255,066	\$ 12,299,191
Sales taxes	2,801,911	3,075,840	3,628,772	3,667,558	3,463,123	3,881,711	4,532,556	4,693,061	5,676,841	4,845,324
Franchise taxes	1,377,091	1,465,012	1,608,721	1,820,777	2,158,341	1,822,233	1,722,966	2,477,222	3,526,875	2,969,849
Other local taxes	37,520	33,719	39,734	48,275	41,853	146,970	116,535	127,887	51,632	-
Interest on investments	108,855	190,921	267,652	914,385	1,141,586	156,990	36,118	40,627	44,197	22,654
Miscellaneous	165,020	448,261	385,520	310,259	204,380	1,380,725	1,374,279	1,180,897	484,754	343,709
Transfers	734,219	460,012	(236,396)	794,510	1,327,654	1,327,236	2,381,236	(669,107)	1,431,236	1,856,628
Total governmental activities	12,909,830	14,280,538	15,026,959	18,183,457	20,954,567	22,142,180	22,357,976	21,472,172	24,470,601	22,337,355
Business-type activities										
Property taxes	139,886	347,978	526,003	523,640	143,189	30,087	15,963	15,105	30,081	26,255
Interest on investments	-	5,036	6,970	2,971	9,110	22,184	24,097	78,066	(696,812)	511,763
Miscellaneous	(734,219)	(460,012)	236,396	(794,510)	(1,327,654)	(1,327,236)	(2,381,236)	669,107	(1,431,236)	(1,856,628)
Transfers	(594,333)	(106,998)	769,369	(267,899)	(1,175,355)	(1,274,965)	(2,341,176)	762,278	(2,097,967)	(1,318,610)
Total business-type activities	12,315,497	14,173,540	15,796,328	17,915,558	19,779,212	20,867,215	20,016,800	22,234,450	22,372,634	21,018,745
Change in Net Assets										
Governmental activities	2,763,369	5,926,571	858,250	2,508,759	(2,991,633)	44,218	(1,668,757)	(1,312,401)	970,198	(834,280)
Business-type activities	847,562	3,862,279	4,479,373	653,317	(1,880,804)	315,577	(770,162)	2,866,013	1,671,845	2,983,022
Total primary government	\$ 3,610,931	\$ 9,788,850	\$ 5,337,623	\$ 3,162,076	\$ (4,872,437)	\$ 359,795	\$ (2,438,919)	\$ 1,553,612	\$ 2,642,043	\$ 2,148,742

City of Lancaster, Texas
Table C – Fund Balances, Governmental Funds
Modified Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Reserved for				
Encumbrances	\$ -	\$ -	\$ -	\$ -
Police confiscated funds	-	-	-	-
Unreserved and designated	195,200	202,817	213,937	93,632
Unreserved and undesignated	6,620,699	5,659,948	5,338,325	3,355,937
Total general fund	<u>\$ 6,815,899</u>	<u>\$ 5,862,765</u>	<u>\$ 5,552,262</u>	<u>\$ 3,449,569</u>
All Other Governmental Funds				
Restricted	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Reserved for				
Housing and Urban Development	173,723	94,392	726,346	770,244
Encumbrances	-	-	-	-
Inventory and prepaid items	54,352	64,116	15,676	417
Court technology	-	-	-	-
Westwood wall	-	-	-	-
Capital projects	829,739	(1,507,880)	(8,072,596)	10,826,744
Debt service	56,827	37,212	558,690	923,684
Public works	-	-	-	-
Public improvement districts	-	-	-	-
Police grants	-	-	-	-
Tourism, convention centers arts	-	-	-	-
Law enforcement purposes	-	-	-	-
Unreserved and undesignated – special revenue funds	392,603	680,428	828,009	2,244,427
Total all other governmental funds	<u>\$ 1,507,244</u>	<u>\$ (631,732)</u>	<u>\$ (5,943,875)</u>	<u>\$ 14,765,516</u>

Source: Comprehensive Annual Financial Report

City of Lancaster, Texas
Table C – Fund Balances of Governmental Funds (Continued)
Modified Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

Post-GASB 54	Fiscal Year					
	2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,317
-	-	-	-	-	-	-
-	100,721	100,721	-	-	-	-
2,677,344	3,740,866	3,584,666	4,554,413	6,793,956	6,397,572	
<u>\$ 2,677,344</u>	<u>\$ 3,841,587</u>	<u>\$ 3,685,387</u>	<u>\$ 4,554,413</u>	<u>\$ 6,793,956</u>	<u>\$ 6,447,889</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,519
-	-	-	-	-	-	-
982,226	884,078	960,264	1,097,652	950,820	201,618	
3,929	870	690,548	-	-	-	-
-	35,871	35,871	-	-	-	-
-	30,000	30,000	-	-	-	-
474,461	(8,485,282)	19,428,162	15,286,477	9,723,620	8,742,773	
295,932	586,712	1,081,805	718,522	242,823	352,439	
-	-	-	467,955	832,928	1,085,362	
-	-	-	85,076	189,076	254,959	
-	-	-	9,477	7,539	7,299	
-	-	-	252,144	298,965	367,370	
-	-	-	240,589	395,610	609,617	
1,320,503	871,868	(176,741)	-	-	-	
<u>\$ 3,077,051</u>	<u>\$ (6,075,883)</u>	<u>\$ 22,049,909</u>	<u>\$ 18,157,892</u>	<u>\$ 12,641,381</u>	<u>\$ 11,624,956</u>	

City of Lancaster, Texas

Table D – Changes in Fund Balances of Governmental Funds Modified Accrual Basis of Accounting Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes and fees	\$ 12,654,866	\$ 14,045,640	\$ 15,421,164	\$ 17,017,744	\$ 19,189,895	\$ 20,041,073	\$ 19,638,379	\$ 21,372,099	\$ 22,746,133	\$ 20,301,610
Licenses and permits	1,093,896	1,034,360	1,327,956	1,030,736	991,440	746,037	807,945	773,463	857,841	1,148,329
Intergovernmental	8,921,652	8,171,523	8,983,521	7,752,131	9,383,472	9,320,122	11,070,885	11,384,338	8,821,297	2,814,031
Changes for services	806,673	910,666	844,018	996,431	455,084	517,691	516,420	533,411	671,295	715,540
Fines and forfeitures	1,761,816	1,764,638	1,658,662	1,824,412	1,524,133	1,075,935	906,897	909,658	884,828	787,570
Interest earned	108,856	190,921	267,652	946,133	1,141,586	156,990	36,118	40,934	44,197	22,654
Miscellaneous	379,526	787,793	2,051,537	1,334,997	2,190,957	2,000,345	727,462	481,671	484,754	343,709
Total revenues	25,727,285	26,905,541	30,554,510	30,902,584	34,876,567	33,858,193	33,704,106	35,495,574	34,510,345	26,133,443
Expenditures										
Current										
General government	2,089,225	2,297,177	2,537,773	3,618,577	5,096,311	3,296,431	3,332,021	3,803,506	3,234,973	3,375,903
Public safety	8,759,453	10,146,958	11,546,216	12,545,909	14,055,884	13,275,960	14,006,428	13,275,122	13,191,322	13,336,419
Public works	753,240	798,671	1,012,413	1,104,224	2,771,221	2,887,326	4,005,130	2,722,718	2,873,078	2,650,764
Community development and recreation	3,104,373	3,731,559	3,668,960	3,719,050	4,077,685	1,186,687	1,186,687	908,906	1,028,649	1,087,215
Community service	16,053	11,023	775	19,073	-	-	-	-	-	-
Non departmental	1,628,633	1,726,818	2,612,449	1,606,171	9,015,301	8,496,435	8,599,376	8,640,215	8,493,007	2,048,769
Social and welfare	8,270,104	8,162,741	7,659,020	7,412,359	11,744,352	10,951,593	8,226,552	3,682,485	11,680,610	2,830,968
Capital outlay	2,687,481	2,418,131	4,018,434	6,568,290	11,744,352	10,951,593	8,226,552	3,682,485	11,680,610	2,830,968
Debt Service										
Principal retirement	949,183	823,919	2,079,781	703,770	1,801,196	1,169,697	1,370,490	1,434,986	2,380,747	2,126,748
Interest and fiscal charges	366,091	340,666	804,939	1,166,070	2,587,296	1,983,203	2,384,066	3,381,520	2,392,568	1,895,777
Cost of issuance of bonds	-	-	-	-	-	-	-	-	-	-
Contractual obligations	-	-	-	-	-	-	-	-	-	-
Total expenditures	28,623,836	30,457,663	35,940,760	38,463,493	51,149,246	43,440,107	43,110,750	37,849,458	45,369,825	29,352,563
Excess (deficiency) of revenues over (under) expenditures	(2,896,551)	(3,552,122)	(5,386,250)	(7,560,909)	(16,272,679)	(9,581,914)	(9,406,644)	(2,353,884)	(10,859,480)	(3,219,120)
Other Financing Sources (Uses)										
Notes issued	-	-	-	\$(3,035,000)	\$-	\$-	\$-	\$-	\$-	\$-
Bonds issued	-	-	-	29,550,000	-	-	34,995,000	-	5,690,060	-
Capital leases issued	-	-	-	-	-	-	-	-	366,345	-
Payment to refunding escrow agent	-	-	-	(1,439,882)	-	-	-	-	(12,972,717)	-
Premium on issuance of bonds	-	-	-	340,132	-	-	-	-	1,417,588	-
Proceeds from refunding bonds issued	-	-	-	-	-	-	-	-	11,650,000	-
Proceeds from capital lease	-	-	-	-	732,858	265,987	-	-	-	-
Transfers from other funds	970,790	833,845	1,518,649	1,389,705	2,510,242	1,436,004	2,485,236	1,535,236	1,535,236	1,960,628
Transfers from component units	(236,571)	(373,833)	(1,755,045)	(595,195)	(1,182,588)	(108,768)	(104,000)	(2,204,343)	(104,000)	(104,000)
Transfers to other funds	734,219	460,012	(236,396)	26,209,760	2,060,512	1,593,223	37,376,236	(669,107)	7,582,512	1,856,628
Total other financing sources (uses)	(2,162,332)	(3,092,110)	(5,622,646)	18,648,851	(14,212,167)	(7,988,691)	27,969,592	(3,022,991)	(3,276,968)	(1,362,492)
Net Change in Fund Balances										
Debt service as a percentage of noncapital expenditures	5.1%	4.2%	9.0%	5.9%	11.1%	9.7%	10.8%	14.1%	14.5%	12.6%

Source: Comprehensive Annual Financial Report

City of Lancaster, Texas
Table E – Assessed Value and Estimated
Actual Value of Taxable Property
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Residential Property	Commercial Property	Business Personal Property	Less Tax Exempt Property	Total Taxable Assessed Value ^a	Total Direct Tax Rate	Estimated Actual Taxable Value		Assessed Value ^b as a Percentage of Actual Value
							Value	Value	
2004	\$ 766,915,904	\$ 278,998,665	\$ 210,055,807	\$ 41,932,850	\$ 1,214,037,526	0.67170	\$ 1,214,037,526	\$ 1,214,037,526	100.00%
2005	859,265,343	305,316,418	216,058,846	43,259,120	1,337,381,487	0.67170	1,337,381,487	1,337,381,487	100.00%
2006	972,961,625	338,111,031	240,416,328	49,315,300	1,502,173,684	0.67170	1,502,173,684	1,502,173,684	100.00%
2007	1,052,526,720	384,502,760	272,488,404	57,674,360	1,651,843,524	0.73750	1,651,843,524	1,651,843,524	100.00%
2008	1,066,638,118	395,608,141	259,940,440	68,670,680	1,653,516,019	0.77750	1,653,516,019	1,653,516,019	100.00%
2009	944,759,684	389,718,968	236,665,958	72,864,400	1,498,280,210	0.77750	1,498,280,210	1,498,280,210	100.00%
2010	895,627,240	360,747,053	242,038,935	78,844,700	1,419,568,528	0.86750	1,419,568,528	1,419,568,528	100.00%
2011	879,866,743	352,868,955	266,485,139	78,140,980	1,421,079,857	0.86750	1,421,079,857	1,421,079,857	100.00%
2012	837,761,007	350,073,492	274,370,063	79,344,590	1,382,859,972	0.86750	1,382,859,972	1,382,859,972	100.00%
2013	813,868,339	377,629,529	279,488,272	80,841,330	1,390,144,810	0.86750	1,390,144,810	1,390,144,810	100.00%

Source: City of Lancaster Budget Document
Dallas Central Appraisal District (a username and password is needed to access this info on the DCAD website)

Note: The County assesses property at 100% of it's market value. Tax rates are per \$100 of assessed value.

^a Includes adjustments to certified rolls.

^b Excludes tax exempt property.

City of Lancaster, Texas
Table F – Direct and Overlapping
Property Tax Rates
Last Ten Fiscal Years (Unaudited)

Fiscal Year	City Direct Rates				Overlapping Rates				
	Operating/ General Rate	General		Total Direct	Lancaster		Lancaster MUD#1	Dallas County	Dallas County Hospital (Parkland)
		Obligation Debt Service			Independent School District	Wilmer-Hutchins Independent School District			
2004	0.583008	0.088692		0.67170	1.854457	1.580000	0.900000	0.203900	0.254000
2005	0.605544	0.066156		0.67170	1.854457	1.285400	0.900000	0.213900	0.254000
2006	0.609100	0.062600		0.67170	1.726000	*	0.900000	0.213900	0.254000
2007	0.609100	0.128400		0.73750	1.407700	*	0.900000	0.228100	0.254000
2008	0.644100	0.133400		0.77750	1.412700	*	0.900000	0.228100	0.254000
2009	0.614100	0.163400		0.77750	1.412700	*	1.060000	0.228100	0.274000
2010	0.650200	0.217300		0.86750	1.412700	*	1.060000	0.243100	0.271000
2011	0.601200	0.266300		0.86750	1.412700	*	1.060000	0.243100	0.271000
2012	0.601200	0.266300		0.86750	1.418000	*	1.060000	0.243100	0.271000
2013	0.601200	0.266300		0.86750	1.418000	*	1.060000	0.243100	0.271000

Source: Dallas County

* Information not readily available.

City of Lancaster, Texas
Table G – Principal Taxpayers
Current Year and Ten Years Ago (Unaudited)

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^a	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^a
Oncor Electric Delivery	\$ 52,994,480	1	3.81%			
United Natural Foods Inc	32,857,372	2	2.36%			
Southwestern Bell Telephone Co	21,430,220	3	1.54%			
Pacgwll LLC	16,868,490	4	1.21%			
Prologis Na2 Us LLC	15,523,860	5	1.12%			
Brasscraft Manufacturing Co	14,118,932	6	1.02%			
Mobis Parts America LLC	13,534,670	7	0.97%			
Walmart Stores Inc	12,993,030	8	0.93%			
Mobis Parts America	11,221,303	9	0.81%			
Southwestern Bell	10,144,920	10	0.73%			
Southwestern Bell	-		0.00%	\$ 52,923,306		4.36%
Texas Utilities Elec Co	-		0.00%	29,614,300		2.44%
Brasscraft Manufacturing Co	-		0.00%	14,597,883		1.20%
Swift Transportation Inc	-		0.00%	10,479,830		0.86%
Southwestern Bell	-		0.00%	9,556,550		0.79%
Walmart Real Est Bus	-		0.00%	9,500,000		0.78%
Delta Distributors Inc	-		0.00%	9,469,460		0.78%
Abh Number One LP	-		0.00%	9,000,000		0.74%
	<u>\$ 201,687,277</u>		<u>14.51%</u>	<u>\$ 145,141,329</u>		<u>11.96%</u>

Source: City of Lancaster, Budget Document and the Dallas Central Appraisal District.
Note: ^a Taxpayers are assessed on January 1, 2013 (2013 tax year) for the 2014 fiscal year.

City of Lancaster, Texas
Table H – Ad Valorem Tax Levies and Collections
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections		
		Amount	Percentage of Levy	Delinquent Tax Collections	Amount	Percentage of Levy	
2004	\$ 7,554,022	\$ 7,248,220	100.00%	\$ 318,886	\$ 7,567,106	100.17%	
2005	8,309,258	8,134,269	97.89%	114,951	8,249,220	99.28%	
2006	9,166,747	8,859,793	96.65%	227,502	9,087,295	99.13%	
2007	10,047,078	9,998,659	99.52%	371,055	10,369,714	103.21%	
2008	12,523,900	11,980,584	95.66%	226,619	12,207,203	97.47%	
2009	13,298,919	12,662,829	95.22%	336,779	12,999,608	97.75%	
2010	12,080,916	11,723,231	97.04%	485,846	12,209,077	101.06%	
2011	12,996,251	12,708,980	97.79%	394,351	13,103,331	100.82%	
2012	13,003,960	12,738,761	97.96%	228,173	12,966,934	99.72%	
2013	12,655,326	12,406,728	98.04%	245,482	12,652,210	99.98%	

Source: Dallas County Tax Assessor and Collector

City of Lancaster, Texas
Table I – Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Water and Sewer Revenue Bonds	Airport Bonds	Other Obligations	Total Primary Government			
2004	4,460,063	3,135,000	2,025,323	9,173,746	176,190	1,215,475	20,185,797	*	680	
2005	3,792,225	3,025,000	2,378,071	8,756,584	176,190	1,090,651	19,218,721	*	608	
2006	15,249,865	2,910,000	2,324,214	8,313,946	176,190	955,377	29,929,592	*	899	
2007	31,391,531	14,245,000	1,546,839	10,676,191	172,280	1,954,291	59,986,132	8.06%	1,726	
2008	30,811,531	14,060,000	1,359,485	10,051,191	167,280	1,825,709	58,275,196	7.22%	1,635	
2009	30,181,531	13,710,000	1,549,781	9,296,191	157,280	1,087,902	55,982,685	7.77%	1,545	
2010	52,441,531	25,345,000	2,780,288	8,521,191	147,280	799,903	90,035,193	11.74%	2,476	
2011	51,616,531	24,965,000	2,437,097	7,336,191	137,280	610,585	87,102,684	11.27%	2,337	
2012	51,110,000	22,315,000	8,946,399	14,005,000	120,000	183,866	96,680,265	12.11%	2,555	
2013	49,790,000	21,580,000	6,075,603	12,835,000	110,000	276,363	90,666,966	*	2,393	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^aSee Table N for personal income and population data.

* Information not readily available.

City of Lancaster, Texas
Table J – Ratio of Net General Bonded Debt
Outstanding per Capita
Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Total		
2004	\$ 4,460,063	\$ 3,135,000	\$ 7,595,063	0.63%	256
2005	\$ 3,792,225	\$ 3,025,000	\$ 6,817,225	0.51%	216
2006	\$ 15,249,865	\$ 2,910,000	\$ 18,159,865	1.21%	545
2007	\$ 31,391,531	\$ 14,245,000	\$ 45,636,531	2.76%	1,313
2008	\$ 30,811,531	\$ 14,060,000	\$ 44,871,531	2.71%	1,259
2009	\$ 30,181,531	\$ 13,710,000	\$ 43,891,531	2.93%	1,211
2010	\$ 52,441,531	\$ 25,345,000	\$ 77,786,531	5.48%	2,139
2011	\$ 51,616,531	\$ 24,965,000	\$ 76,581,531	5.39%	2,055
2012	\$ 51,110,000	\$ 22,315,000	\$ 73,425,000	5.31%	1,940
2013	\$ 49,790,000	\$ 21,580,000	\$ 71,370,000	5.13%	1,883

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^aSee Table E for property value data.

^bSee Table N for population data.

City of Lancaster, Texas

Table K – Legal Debt Margin Information Last Ten Fiscal Years (Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tax rate limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current tax rate	0.6717	0.6717	0.6717	0.7375	0.7775	0.7775	0.8675	0.8675	0.8675	0.8675
Available tax rate	\$ 1.83	\$ 1.83	\$ 1.83	\$ 1.76	\$ 1.72	\$ 1.72	\$ 1.63	\$ 1.63	\$ 1.63	\$ 1.63

Note: The City Charter of the City of Lancaster, Texas, does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

City of Lancaster, Texas
Table L – Direct and Overlapping
Governmental Activities Debt
September 30, 2013 (Unaudited)

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable^a	City Share of Overlapping Debt
Lancaster I.S.D.	\$ 94,202,026	89.67%	\$ 84,470,957
Dallas County	136,430	0.66%	900
Dallas County Hospital District	743,250	0.66%	4,905
Dallas County Community College District	355,880	0.66%	2,349
	<u>95,437,586</u>		<u>84,479,111</u>
City of Lancaster (Direct Debt)	<u>90,666,966</u>	100.00%	<u>90,666,966</u>
Total Direct and Overlapping Debt	<u>\$ 186,104,552</u>		<u>\$ 175,146,077</u>

Source: Assessed value data used to estimate applicable percentages provided by Dallas Central Appraisal District. Debt outstanding data provided by each governmental unit.

^aThe percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

City of Lancaster, Texas
Table M – Secured Revenue Coverage
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Water and Sewer System Revenue Bonds					Times Coverage
	Total Revenues ^a	Operating Expenses ^b	Net Available Revenue	Annual Requirement ^c		
2004	9,520,499	6,103,678	3,416,821	*	*	
2005	12,089,861	5,818,655	6,271,206	*	*	
2006	13,089,535	6,717,222	6,372,313	*	*	
2007	12,061,153	8,089,009	3,972,144	*	*	
2008	10,108,434	8,407,574	1,700,860	1,445,056	1.18	
2009	10,899,391	7,826,412	3,072,979	1,618,485	1.90	
2010	10,939,768	8,295,335	2,644,433	1,360,739	1.94	
2011	11,930,376	7,742,007	4,188,369	1,171,763	3.57	
2012	14,238,894	8,548,334	5,690,560	1,523,532	3.74	
2013	14,905,946	8,281,266	6,624,680	1,182,245	5.60	

Note: ^a Includes operating and nonoperating revenues.

^b Includes operating expenses minus depreciation.

^c Includes principal and interest.

* Information not readily available.

City of Lancaster, Texas
Table N – Demographic and Economic Statistics
Last Ten Calendar Years (Unaudited)

Year	Estimated Population ^a	Personal Income	Per Capita		Median Age ^b	Median Household Income ^b	School Enrollment ^c	Unemployment Rate ^d
			Personal Income ^b	Income ^b				
2004	29,682	*	*	*	*	4,751	*	
2005	31,594	*	*	*	*	5,197	6.7%	
2006	33,294	*	*	*	*	5,822	6.4%	
2007	34,760	744,142,080	21,408	32.8	54,174	6,234	5.7%	
2008	35,651	807,566,452	22,652	33.6	50,389	6,180	6.4%	
2009	36,236	720,190,500	19,875	34.1	\$51,533	5,986	9.9%	
2010	36,361	766,889,851	21,091	34.1	\$51,533	6,172	10.6%	
2011	37,275	772,561,650	20,726	33.7	52,199	6,253	13.1%	
2012	37,845	798,188,895	21,091	34.1	\$51,533	6,160	9.0%	
2013	37,893	*	*	35	46,254	59,992	8.8%	

Sources:

- a Estimated Population – City of Lancaster from Census.Gov
- b Per Capita Income, Median Age & Median Household Income – U.S. Census Bureau, 2009-2001 & 2006-2008 American Community Survey, Community Sourcebook of ZIP Code Demographics
- c School enrollment – Texas Education Agency Snapshot Summary Tables
- d Unemployment – Homefacts.com for Lancaster, Texas
- * Information not readily available.

Note:

Personal income is calculated by multiplying estimated population by per capita personal income.

City of Lancaster, Texas

Table O – Principal Employers Current and Six Years Ago (Unaudited)

Employer	2013			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lancaster ISD	689	1	3.17%	600	1	N/A
Walmart	450	2	2.07%	400	3	N/A
Brass Craft	390	3	1.79%	350	2	N/A
Oak Creek Homes	280	4	1.29%	250	4	N/A
Cedar Valley College	225	5	1.03%	190	5	N/A
AT&T Material Distribution	200	6	0.92%	200	6	N/A
United National Foods	200	7	0.92%	-		N/A
Swift Transportation	200	8	0.92%	200		N/A
Consolidated Mail Pharmacy	200	9	0.92%	175	7	N/A
Bentwood Companies	185	10	0.85%	165	10	N/A
Communi. Test Designs	153	11	-	150		
FFE Transportation	150	12	-	150	9	N/A
	<u>3,322</u>		<u>13.88%</u>	<u>2,830</u>		

Source: City of Lancaster Economic Development Corporation

City of Lancaster, Texas

Table P – Full-Time Equivalent City Government Employees by Function/Program Last Ten Fiscal Years (Unaudited)

Function/Program	2004 ^a	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^a	2010	2011	2012	2013
General Government Division	14	16	15	15	19	19	16.25	16.5	14.75	16.75
Public Safety Division	117	125	131	136	144	145	147	134	131.75	133.25
Public Works Division	6	6	6	6	8	7	7	6	5	5
Community Development Division	10	15	16	16	18	18	16	12.5	11	10.16
Nondepartmental Division	5	5	6	7	7	7	7	6	5	5
Water and Sewer	21	26	27	32	34	33	29.25	30.75	29.75	27.91
Airport	0	0	0	1	1	2	5	3.5	3.5	3.5
4A LEDC Fund	2	2	3	3	3	2	2.25	2.25	1.25	1.25
4B LRDC Fund – Library	0	0	0	0	0	4	8.5	8.5	8	8.5
Parks and Recreation Fund	22	23	22	25	29	28	44.75	29	32	32
Housing	12	12	12	12	12	12	11.5	11.5	8.5	3.8
Stormwater Fund	6	6	8	10	12	13	13.25	12	11	12.91
Total	215	236	246	263	287	290	307.75	272.5	261.5	260.03

Sources: City of Lancaster Budget Document

Note: ^a Full-time equivalent information is unavailable.

City of Lancaster, Texas

Table Q – Operating Indicators by Function/Program

Last Ten Fiscal Years (Unaudited)

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Number of police officers	48	52	57	59	63	59	59	52	51	51
Number of violations (citations)	25,027	30,124	31,882	16,694	11,418	12,083	7,927	11,731	12,269	9,432
Municipal Court										
Number of traffic cases	17,440	21,268	9,432	12,110	8,662	9,139	5,356	11,056	19,434	8,865
Number of city ordinance cases	707	616	2,992	289	772	652	1,116	485	2,298	322
Fire										
Number of fire fighters	46	47	47	50	52	59	59	57	56	56
Number of emergency fire responses	1,635	1,791	1,921	2,082	1,927	2,021	1,632	1,916	1,846	1,792
Number of medical emergencies	2,381	2,770	2,779	3,269	3,508	3,364	3,748	3,664	4,017	4,268
Development Services										
Total number of building permits ^a	498	573	792	328	107	95	51	26	38	64
Estimated valuation ^a	69,568,864	81,260,878	114,850,421	47,489,907	22,001,131	17,560,945	8,471,688	4,888,776	5,966,006	10,569,845
Parks and Recreation										
Number of acres	289	289	461	491	530	530	863	1,070	1,070	1,070
Number of recreation center participants	1,599	1,592	1,761	1,954	2,448	2,650	2,504	3,279	4,541	3,690
Library										
Volumes in collection ^b	76,793	66,998	76,316	81,812	80,727	85,483	84,786	90,117	90,972	87,468
Number of library cardholders	unk	unk	5,671	6,432	9,537	17,913	9,343	6,412	23,701	27,584
Water and Wastewater										
Number of water accounts	10,463	11,049	11,711	12,036	12,223	12,285	12,334	12,543	12,611	12,613
Average daily water consumption (millions of gallons)	4	4	4	4	4	4	4	5	4	4
Average daily effluent (millions of gallons)	4	4	4	4	4	4	5	4	4	5

Sources: City Departments

Notes: ^a Includes residential and commercial permits

^b Includes books and media.

City of Lancaster, Texas

Table R – Capital Asset Statistics by Function/Program

Last Ten Fiscal Years (Unaudited)

Function/Program	Fiscal year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Fire stations	3	3	3	3	3	3	3	3	3	3
Police stations	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks and Recreation	19	19	21	21	22	22	24	25	25	25
Number of parks	8	8	8	8	8	8	8	8	8	8
Number of baseball diamonds	2	2	12	12	12	12	12	13	13	13
Number of soccer/football fields	1	1	1	1	1	1	1	1	1	1
Public swimming pools	3	3	3	3	3	3	3	3	3	3
Community centers	1	1	1	1	1	1	1	1	1	1
Library										
Water and Wastewater										
Water mains (miles)	187	187	187	187	187	187	187	187	187	187
Sanitary sewer mains (miles)	160	160	160	160	160	160	160	160	160	160
Fire hydrants	1,554	1,554	1,554	1,554	1,554	1,554	1,554	1,554	1,554	1,554

Sources: City Departments