



NOTICE OF WORK SESSION AGENDA
LANCASTER CITY COUNCIL



James R. Williams Pump Station
Training Room, 1999 Jefferson

Monday, March 21, 2016 – 7:00 PM

DEFINITIONS:

Written Briefing: Items that generally do not require a presentation or discussion by the staff or Council. On these items, the staff is seeking consent from the Council or providing information in a written format.

Verbal Briefing: These items do not require extensive written background information or are an update on items previously discussed by the Council.

Regular Item: These items generally require discussion between the Council and staff, boards, commissions, or consultants. These items may be accompanied by a formal presentation followed by discussion and direction to the staff.

[Public comment will not be accepted during Work Session
unless Council determines otherwise.]

Regular Items:

1. Receive a presentation and discuss the Comprehensive Annual Financial Report for the Fiscal Year ending September 30, 2015, as prepared by BKD, LLP; the City of Lancaster's independent auditors.
2. Receive a presentation regarding the plan for reconstruction of city streets designated as high priority by the Pavement Management Program (PMP).

EXECUTIVE SESSION: The Council reserves the right to convene into executive session on any posted agenda item pursuant to Section 551.071(2) of the TEXAS GOVERNMENT CODE to seek legal advice concerning such subject.

ACCESSIBILITY STATEMENT: The Municipal Center is wheelchair-accessible. For sign interpretive services, call the City Secretary's office, 972-218-1311, or TDD 1-800-735-2989, at least 72 hours prior to the meeting. Reasonable accommodation will be made to assist your needs.

Certificate

I hereby certify the above Notice of Meeting was posted at the Lancaster City Hall on March 17, 2016 @ 4:30 PM and copies thereof were provided to the Mayor, Mayor Pro-Tempore, Deputy Mayor Pro-Tempore and Council members.

Sorangel O. Arenas
City Secretary

LANCASTER CITY COUNCIL

Work Session Agenda Communication

March 21, 2016

Receive a presentation and discuss the Comprehensive Annual Financial Report for the Fiscal Year ending September 30, 2015, as prepared by BKD, LLP; the City of Lancaster's independent auditors.

This request supports the City Council 2015-2016 Policy Agenda.

Goal: Financially Sound City Government

Background

The purpose of this agenda item is to formally submit the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015, to the City Council. The report is distributed to numerous financial institutions, bond rating agencies, the City's financial advisors, and grantors to comply with financial disclosure requirements. This report is designed to provide readers with an understanding of the financial status of the City and its results of operations.

Attached is a "DRAFT" of the FY 2015 Comprehensive Annual Financial Report (CAFR). Council will receive a presentation from BKD, LLP.

The City engaged the independent certified public accounting firm BKD, LLP to perform the annual audit of the City of Lancaster and its component units. This is the fifth year that BKD LLP has conducted the City's audit. The audit field work began in January and concluded in March, 2016. The City staff and BKD worked closely to ensure all requests and deadlines were met to accomplish this goal.

Attachments

- "DRAFT" FY 2015 CAFR
-

Submitted by:
Baron Sauls, Interim Director of Finance

DRAFT

City of Lancaster, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended

September 30, 2015

Prepared by:

BKD^{LLP}
CPAs & Advisors

City of Lancaster, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2015
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March __, 2016

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, 2015. 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, 2015, 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 unmodified (clean) opinion that the City's financial statements for the fiscal year ended September 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's 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 33 square miles, and serves an estimated 2015 population of 37,360. 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 position 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 management staff which consists of the City Manager’s office, 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 2015, the General Fund accomplished this by having a fund balance of \$6,668,293 which exceeds reserve requirements of 12%.

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 2015 budget was prepared along with a planning budget for fiscal years 2016-19.

Cash management policies and practices: The City’s current bank depository contract is with JP Morgan Chase and will be in effect through 2018. 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 three public funds investment pools – TexPool, Texas Class 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 continues to be greatly influenced by the attraction of the logistics industry to the community. Lancaster's premier industrial park has been the location of many well-known corporations like National Freight Incorporated. Other industrial sites in Lancaster's logistics corridor have seen the location of developers like Huntington Industrial Partners, Texas Nameplate Company, The Paul's Corporation, Holt Lunsford Commercial, Panattoni Development, Copeland Commercial, LLC, Van Trust Development Company and Principal Global Investors. The interest of the development industry that specializes in logistics is strong and is expected to continue.

The City's unemployment rate for 2015 was an average of 6.8%, which is significantly above the unemployment rate for Dallas County of 3.8% in December of 2015. 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, Balch Springs, Ferris, Glenn Heights, Hutchins, Midlothian, Ovilla, Red Oak, Wilmer 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 37,360 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 33 square miles, since the City is only 45-47% built out.

In fiscal year 2015, the City experienced an increase in taxable assessed valuation and a slight increase in residential values, much like other cities in the Dallas-Fort Worth area. The City also experienced an increase in building permits as well as a slight increase in sales tax for fiscal year 2015, and anticipates a significant increase for 2016.

Long-term Financial Planning

The City has a long-range financial plan and has prudent fiscal policies and processes in place. It has met or exceeded all fund reserve goals, has funds available to address the needs of the community, and responsibly manages its debt. The community continues to move toward a more competitive tax rate.

Unassigned fund balance in the general fund at year end was 27.3% of total general fund revenues. This amount was slightly above the policy guidelines set by the Council for budgetary and planning purposes. The year-end amount is above the minimum target set by the policy guidelines because of an \$810,520 excess of revenues over expenditures during the year ended September 30, 2015.

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. 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 volatile 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

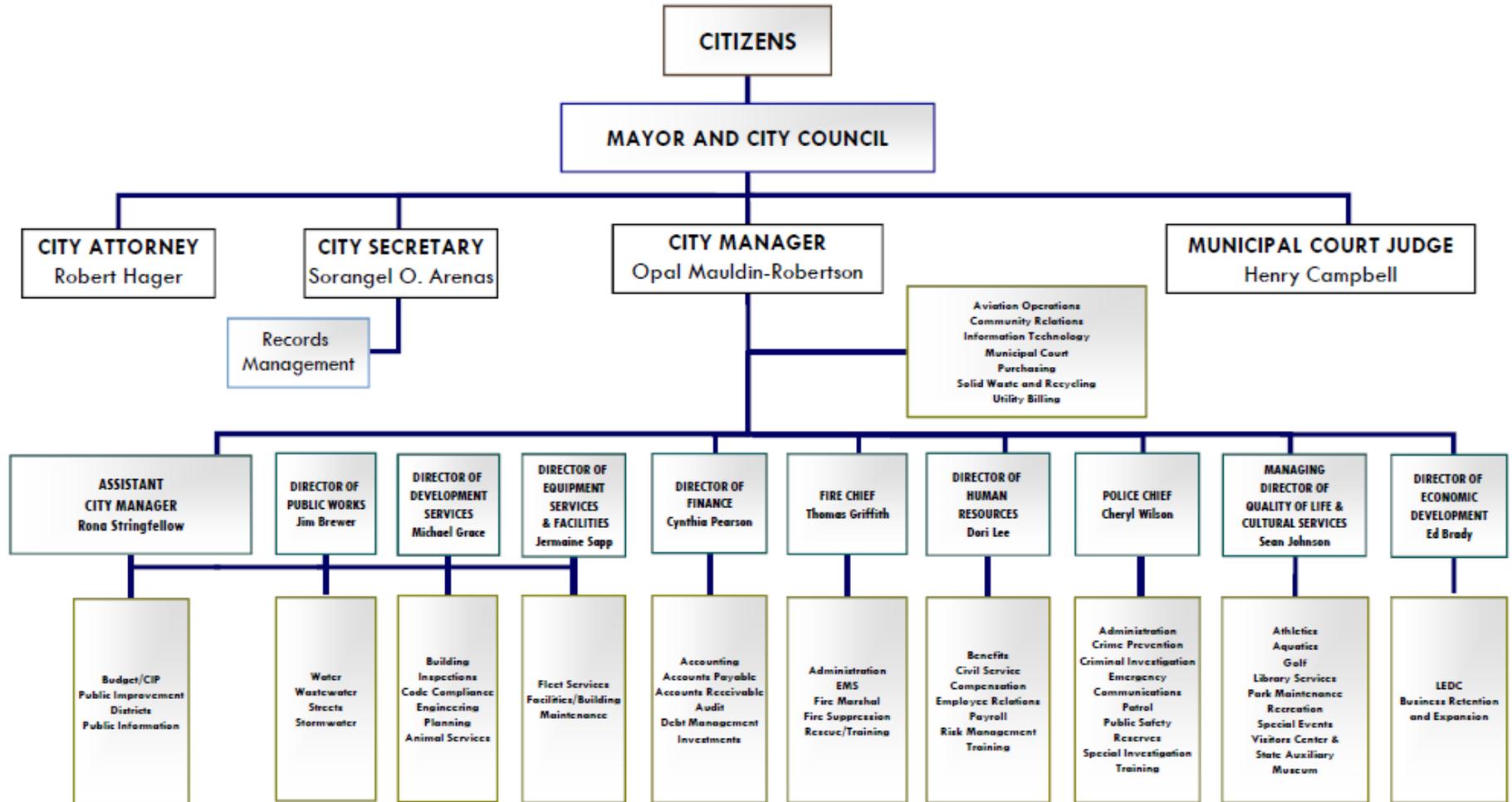
Annually, the City Council has adopted goals aimed at guiding Lancaster's future growth and development. For fiscal year 2015-2016, included initiatives are:

- Quality Development;
- Sound Infrastructure;
- Professional and committed workforce;
- Health, safe and vibrant community;
- 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.

City of Lancaster, Texas Organizational Chart



City of Lancaster, Texas List of Principal Officers

City Council

Marcus E. Knight	Mayor	Term Expires May 2018
Carol Strain-Burk.....	Council Member, District 1	Term Expires May 2016
Stanley Jaglowski	Dep. Mayor Pro Tem, 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	Council Member, 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

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

We have audited the accompanying basic 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, 2015, and the related notes to the basic 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, 2015, 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 Matter

As discussed in *Note 1* to the financial statements, in 2015, the City changed its method of accounting for pensions with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, as amended. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary, pension, and other post-employment 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 financial statements of the discretely presented component units 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.

Honorable Mayor and Members of the City Council
City of Lancaster, Texas
Page 3

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The introductory and statistical sections 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 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.

Dallas, Texas
March __, 2016

City of Lancaster, Texas Management's Discussion and Analysis (Unaudited) September 30, 2015

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, 2015. 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 2015, resulting in \$104,696,458 of net position. Net position associated with governmental activities is approximately \$47 million, or 45% of the total net position of the City. Net position associated with business-type activities is approximately \$57 million, or 55% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is approximately \$76 million.
- Unrestricted net position, which may be used to meet the City's future obligations, consists of approximately \$26 million, or 25% of the City's total net position. Unrestricted net position for governmental activities is approximately \$2 million, or 4% of total net position for governmental activities. Unrestricted net position for business-type activities is approximately \$24 million or 42% of total net position for business-type activities.
- As of the close of fiscal year 2015, the City's Governmental Funds reported a combined ending fund balance of \$23,363,141, an increase of \$6,108,630 from the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$6,668,293. This represents approximately 28% of General Fund expenditures, which is more than the 12% 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 required and 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's 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, liabilities and deferred inflows of resources, 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, 2015

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, 2015

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, 2015, City assets and deferred outflows of resources exceeded its liabilities and deferred inflows resulting in \$104,696,458 of net position.

The largest portion of the City's net position, 73%, 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.

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2015

An additional portion of the City's net position (2%) represents resources that are subject to external restriction on how they may be used. The remaining balance (unrestricted net position) \$26,088,148, or 25%, may be used to meet the City's ongoing obligations to citizens and creditors.

Statement of Net Position for Governmental and Business-type Activities

	Governmental Activities 2015	Business-type Activities 2015	Total 2015	Governmental Activities 2014	Business-type Activities 2014	Total 2014
Current and other assets	\$ 36,173,939	\$ 31,956,328	\$ 68,130,267	\$ 30,237,709	\$ 24,264,897	\$ 54,502,606
Capital assets	101,296,512	44,326,339	145,622,851	104,671,409	46,242,694	150,914,103
Total assets	<u>137,470,451</u>	<u>76,282,667</u>	<u>213,753,118</u>	<u>134,909,118</u>	<u>70,507,591</u>	<u>205,416,709</u>
Deferred outflows of resources	<u>3,490,977</u>	<u>306,506</u>	<u>3,797,483</u>	<u>999,404</u>	<u>98,916</u>	<u>1,098,320</u>
Long-term liabilities	87,472,193	14,922,865	102,395,058	75,182,225	10,808,924	85,991,149
Other liabilities	5,958,621	4,175,660	10,134,281	5,903,980	4,312,547	10,216,527
Total liabilities	<u>93,430,814</u>	<u>19,098,525</u>	<u>112,529,339</u>	<u>81,086,205</u>	<u>15,121,471</u>	<u>96,207,676</u>
Deferred inflows of resources	<u>294,825</u>	<u>29,979</u>	<u>324,804</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position						
Net investment in capital assets	43,186,713	33,117,792	76,304,505	46,504,601	38,224,476	84,729,077
Restricted	2,303,805	-	2,303,805	1,820,887	-	1,820,887
Unrestricted	1,745,271	24,342,877	26,088,148	6,496,829	17,260,560	23,757,389
Total net position	<u>\$ 47,235,789</u>	<u>\$ 57,460,669</u>	<u>\$ 104,696,458</u>	<u>\$ 54,822,317</u>	<u>\$ 55,485,036</u>	<u>\$ 110,307,353</u>

By far, the largest portion of the City's net position (73%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used 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 (2.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$26,088,148 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Analysis of City's Operations – The following table provides a summary of the City's operations for the year ended September 30, 2015. Overall, the City had a decrease in net position of \$5,610,895. During 2015, the City adopted GASB 68 that required a deduction in beginning of year net position of \$8,333,790. The 2014 balances have not been adjusted to reflect this restatement.

City of Lancaster, Texas Management's Discussion and Analysis (Unaudited) September 30, 2015

Revenues and Expenses for Governmental and Business-type Activities

	Governmental Activities 2015	Business-type Activities 2015	Total 2015	Governmental Activities 2014	Business-type Activities 2014	Total 2014
Revenues						
Program revenues						
Charges for services	\$ 3,275,363	\$ 18,909,149	\$ 22,184,512	\$ 2,846,642	\$ 17,350,050	\$ 20,196,692
Operating grant and contribution	1,351,379	-	1,351,379	1,339,640	-	1,339,640
General Revenues						
Taxes and fees	24,244,380	-	24,244,380	20,586,653	-	20,586,653
Other	505,390	802,270	1,307,660	334,862	425,212	760,074
Total revenues	<u>29,376,512</u>	<u>19,711,419</u>	<u>49,087,931</u>	<u>25,107,797</u>	<u>17,775,262</u>	<u>42,883,059</u>
Program Expenses						
General government	3,891,404	-	3,891,404	4,055,911	-	4,055,911
Public safety	16,540,660	-	16,540,660	14,898,549	-	14,898,549
Public works	6,016,140	-	6,016,140	4,926,327	-	4,926,327
Community development and recreation	1,225,730	-	1,225,730	1,260,500	-	1,260,500
Social and welfare	-	-	-	3,623	-	3,623
Interest and fiscal charges	3,379,380	-	3,379,380	3,054,899	-	3,054,899
Water and sewer	-	12,185,162	12,185,162	-	11,215,515	11,215,515
Refuse	-	2,134,898	2,134,898	-	2,153,859	2,153,859
Airport	-	909,428	909,428	-	886,065	886,065
Golf course	-	82,234	82,234	-	86,605	86,605
Total expenses	<u>31,053,314</u>	<u>15,311,722</u>	<u>46,365,036</u>	<u>28,199,809</u>	<u>14,342,044</u>	<u>42,541,853</u>
Increase (Decrease in Net Position Before Transfers)	(1,676,802)	4,399,697	2,722,895	(3,092,012)	3,433,218	341,206
Transfers	1,635,572	(1,635,572)	-	1,679,963	(1,679,963)	-
Change in Net Position	<u>(41,230)</u>	<u>2,764,125</u>	<u>2,722,895</u>	<u>(1,412,049)</u>	<u>1,753,255</u>	<u>341,206</u>
Net Position, As Previously Reported*	54,822,317	55,485,036	110,307,353	56,234,366	53,731,781	109,966,147
Change in Accounting Principle	<u>(7,545,298)</u>	<u>(788,492)</u>	<u>(8,333,790)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position, Beginning of Year	<u>47,277,019</u>	<u>54,696,544</u>	<u>101,973,563</u>	<u>56,234,366</u>	<u>53,731,781</u>	<u>109,966,147</u>
Net Position, Ending of Year	<u>\$ 47,235,789</u>	<u>\$ 57,460,669</u>	<u>\$ 104,696,458</u>	<u>\$ 54,822,317</u>	<u>\$ 55,485,036</u>	<u>\$ 110,307,353</u>

*Net position as of October 1, 2014, has been restated for the effects of adopting GASB No. 68.

Governmental Activities. Governmental activities decreased the City's net position by \$41,230. Total revenue for the governmental activities (excluding transfers) increased from the previous year by \$4,268,715. General revenue had a net increase of \$3,828,255. Sales tax collections increased \$585,022 as a result of new business openings and continued growth in the local economy. Franchise tax revenue increased \$612,376 due to an overall increase in the continued growth in the community. Program revenues, which consist of charges for services, operating and capital grants and contributions increased \$440,460 due to an overall increase in the continued growth in the community.

Business-type Activities. Net position from business-type activities increased by \$2,764,125. Total revenue for the business-type activities increased from the previous year by \$1,936,157 primarily due to an increase in income. Overall business-type expenses increased \$969,678, some of which are due to Water and Sewer. Water purchases and wastewater treatment charges increased due to rate increases from both the City and the Trinity River Authority.

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2015

Financial Analysis of the City'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, unassigned 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 \$23,363,141, an increase of \$6,108,630 from the prior year. This amount includes fund balance restricted for Public Improvement Districts of \$443,707, restricted for Capital Projects of \$12,782,493, restricted for Public Works of \$1,704,102, Police Grants, Law Enforcement Purposes and Tourism of \$1,154,366. The net unassigned fund balance was \$6,383,964, an increase of approximately \$708,000 from prior year.

In the General Fund, the original budget projected a \$555,804 decrease in fund balance this fiscal year; however, the actual increase was \$810,520. Total revenues were \$2,094,176 over budget and total expenditures were over budget by \$2,260,763, for a total deficiency of revenues under expenditures of \$166,587. The increase in expense from the budget is majority related to Public Works, due to an increase in capital outlay improvement.

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 \$24,342,877. The total increase in unrestricted net position was approximately \$7.1 million from the prior year.

Capital Assets

The City's capital assets for its governmental and business-type activities as of September 30, 2015, amount to \$145,622,851 (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	
	2014	2015	2014	2015	2014	2015
Land	\$ 13,214,268	\$ 13,214,268	\$ 4,971,266	\$ 4,971,266	\$ 18,185,534	\$ 18,185,534
Buildings	24,487,196	24,487,196	4,950,436	4,950,436	29,437,632	29,437,632
Equipment	17,122,344	18,282,038	2,812,062	2,972,683	19,934,406	21,254,721
Construction in progress	19,396,744	8,224,067	-	70,379	19,396,744	8,294,446
Other structures	-	-	951,622	951,622	951,622	951,622
Improvements	3,536,717	3,538,774	65,739,374	65,830,044	69,276,091	69,368,818
Streets and bridges	85,199,216	97,301,007	-	-	85,199,216	97,301,007
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	(65,617,695)	(71,083,457)	(36,604,630)	(38,842,655)	(102,222,325)	(109,926,112)
Total	<u>\$ 104,671,409</u>	<u>\$ 101,296,512</u>	<u>\$ 46,242,694</u>	<u>\$ 44,326,339</u>	<u>\$ 150,914,103</u>	<u>\$ 145,622,851</u>

There were no significant capital asset activities during 2015 other than depreciation of existing assets.

City of Lancaster, Texas
Management’s Discussion and Analysis (Unaudited)
September 30, 2015

Long-term Debt

At the end of the current fiscal year, the City had total bonds outstanding of \$85,850,001, all being tax supported. The City also has approximately \$5,877,687 of additional debt through notes payable and capital leases.

	Governmental Activities		Business-type Activities		Totals	
	2014	2015	2014	2015	2014	2015
General obligation bonds	\$ 48,315,000	\$ 57,025,017	\$ 3,335,000	\$ 3,619,983	\$ 51,650,000	\$ 60,645,000
Certificates of obligation	20,960,000	14,075,105	8,390,000	11,129,896	29,350,000	25,205,001
Notes payable	5,241,512	4,710,033	17,703	-	5,259,215	4,710,033
Capital leases	314,186	1,167,654	-	-	314,186	1,167,654
Total	<u>\$ 74,830,698</u>	<u>\$ 76,977,809</u>	<u>\$ 11,742,703</u>	<u>\$ 14,749,879</u>	<u>\$ 86,573,401</u>	<u>\$ 91,727,688</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 2016 budget, General Fund revenues are budgeted to increase by 2.5% from the 2015 budget year. This increase is mostly attributed to an increase in property tax revenue due to an expanding residential sector as well as from fines and forfeitures.

Property taxes make up about 50% of budgeted revenues and sales tax make up about 22% of budgeted revenues.

Request for Information

For additional information please contact Director of Finance, Baron Sauls, at 972-218-1333 or Finance Department, City of Lancaster, Texas, P.O. Box 940, Lancaster, Texas, 75146, email bsauls@lancaster-tx.com.

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Basic Financial Statements

City of Lancaster, Texas
Statement of Net Position
September 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Lancaster Economic Development Corporation	Lancaster Recreational Development Corporation
Assets					
Cash and cash equivalents	\$ 22,365,496	\$ 25,122,010	\$ 47,487,506	\$ 4,082,332	\$ 1,116,457
Receivables (net of allowance)					
Notes	9,151,950	-	9,151,950	-	-
Delinquent taxes	689,175	-	689,175	-	-
Accounts	1,236,944	2,113,583	3,350,527	-	-
Sales tax	920,335	-	920,335	184,067	375,494
Fines	1,088,114	-	1,088,114	-	-
Due from other governments	4,395	-	4,395	-	-
Due from component unit	528,753	-	528,753	-	-
Prepaid expenses	175,855	20,748	196,603	12,314	15,707
Inventory	12,922	22,158	35,080	-	-
Restricted assets					
Cash and cash equivalents	-	4,677,829	4,677,829	-	-
Capital assets					
Land and construction in progress	21,438,335	5,041,645	26,479,980	100,378	989,118
Other capital assets, net of accumulated depreciation	79,858,177	39,284,694	119,142,871	-	9,812,484
Total assets	<u>137,470,451</u>	<u>76,282,667</u>	<u>213,753,118</u>	<u>4,379,091</u>	<u>12,309,260</u>
Deferred Outflows of Resources					
Deferred loss on refunding	1,721,779	126,609	1,848,388	-	-
Deferred pension contributions	1,273,993	129,543	1,403,536	13,104	62,613
Difference in projected and actual earnings on pension plan investments	495,205	50,354	545,559	5,094	24,338
Total deferred outflows of resources	<u>3,490,977</u>	<u>306,506</u>	<u>3,797,483</u>	<u>18,198</u>	<u>86,951</u>
Liabilities					
Accounts payable and contracts payable	696,011	2,054,223	2,750,234	-	114,323
Accrued liabilities	655,933	150,733	806,666	1,282	127,322
Accrued interest	406,021	44,086	450,107	10,906	32,875
Due to primary government	-	-	-	-	528,753
Deposits	387,684	1,014,338	1,402,022	-	-
General obligation bonds	2,107,380	431,604	2,538,984	-	-
Certificates of obligation	727,857	473,159	1,201,016	-	-
Notes payable	504,512	-	504,512	140,000	470,000
Compensated absences	245,941	7,517	253,458	-	-
Capital leases	227,282	-	227,282	-	-
Noncurrent liabilities					
General obligation bonds	58,021,845	3,311,055	61,332,900	-	-
Certificates of obligation	13,309,473	10,658,769	23,968,242	-	-
Notes payable	4,205,521	-	4,205,521	1,776,950	6,765,000
Compensated absences	2,213,467	56,689	2,270,156	-	-
OPEB liability	175,460	-	175,460	-	-
Capital leases	940,372	-	940,372	-	-
Net pension liability	8,606,055	896,352	9,502,407	95,378	444,082
Total liabilities	<u>93,430,814</u>	<u>19,098,525</u>	<u>112,529,339</u>	<u>2,024,516</u>	<u>8,482,355</u>
Deferred Inflows of Resources					
Difference in expected and actual experience	294,825	29,979	324,804	3,033	14,890
Total deferred inflows of resources	<u>294,825</u>	<u>29,979</u>	<u>324,804</u>	<u>3,033</u>	<u>14,890</u>
Net Position					
Net investment in capital assets	43,186,713	33,117,792	76,304,505	100,378	3,566,602
Restricted for					
Court Security	25,509	-	25,509	-	-
Court Technology	77,596	-	77,596	-	-
Debt service	602,627	-	602,627	-	-
Public improvement districts	443,707	-	443,707	-	-
Tourism, convention centers, arts	535,168	-	535,168	-	-
Law enforcement purposes	619,198	-	619,198	-	-
Unrestricted	1,745,271	24,342,877	26,088,148	2,269,362	332,364
Total net position	<u>\$ 47,235,789</u>	<u>\$ 57,460,669</u>	<u>\$ 104,696,458</u>	<u>\$ 2,369,740</u>	<u>\$ 3,898,966</u>

City of Lancaster, Texas
Statement of Activities
For the Year Ended September 30, 2015

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Functions/program			
Primary government			
Governmental activities			
General government	\$ 3,891,404	\$ -	\$ -
Public safety	16,540,660	1,436,765	-
Public works	6,016,140	1,838,598	-
Community development and recreation	1,225,730	-	-
Social and welfare	-	-	1,351,379
Interest and fiscal charges	3,379,380	-	-
	<u>31,053,314</u>	<u>3,275,363</u>	<u>1,351,379</u>
Total governmental activities			
Business-type activities			
Water and sewer	12,185,162	15,807,876	-
Refuse	2,134,898	2,281,175	-
Airport	909,428	748,077	-
Golf course	82,234	72,021	-
	<u>15,311,722</u>	<u>18,909,149</u>	<u>-</u>
Total business-type activities			
Total primary government	<u>\$ 46,365,036</u>	<u>\$ 22,184,512</u>	<u>\$ 1,351,379</u>
Component units			
Lancaster Economic Development Corporation	\$ 540,476	\$ -	\$ -
Lancaster Recreational Development Corporation	2,804,224	570,942	48,982
	<u>\$ 3,344,700</u>	<u>\$ 570,942</u>	<u>\$ 48,982</u>
Total component units			
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, Beginning of Year, as Previously Reported			
Change in Accounting Principle			
Net position, beginning of year			
Net position, end of year			

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
\$ (3,891,404)	\$ -	\$ (3,891,404)	\$ -	\$ -
(15,103,895)	-	(15,103,895)	-	-
(4,177,542)	-	(4,177,542)	-	-
(1,225,730)	-	(1,225,730)	-	-
1,351,379	-	1,351,379	-	-
(3,379,380)	-	(3,379,380)	-	-
<u>(26,426,572)</u>	<u>-</u>	<u>(26,426,572)</u>	<u>-</u>	<u>-</u>
-	3,622,714	3,622,714	-	-
-	146,277	146,277	-	-
-	(161,351)	(161,351)	-	-
<u>-</u>	<u>(10,213)</u>	<u>(10,213)</u>	<u>-</u>	<u>-</u>
-	3,597,427	3,597,427	-	-
<u>\$ (26,426,572)</u>	<u>\$ 3,597,427</u>	<u>\$ (22,829,145)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (540,476)	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,184,300)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (540,476)</u>	<u>\$ (2,184,300)</u>
\$ 14,047,562	\$ -	\$ 14,047,562	\$ -	\$ -
5,545,413	-	5,545,413	1,109,083	2,176,600
2,127,730	-	2,127,730	-	-
2,523,675	-	2,523,675	-	-
15,923	14,728	30,651	2,645	478
489,467	787,542	1,277,009	-	396,433
1,635,572	(1,635,572)	-	-	-
<u>26,385,342</u>	<u>(833,302)</u>	<u>25,552,040</u>	<u>1,111,728</u>	<u>2,573,511</u>
<u>(41,230)</u>	<u>2,764,125</u>	<u>2,722,895</u>	<u>571,252</u>	<u>389,211</u>
54,822,317	55,485,036	110,307,353	1,882,955	3,901,704
<u>(7,545,298)</u>	<u>(788,492)</u>	<u>(8,333,790)</u>	<u>(84,467)</u>	<u>(391,949)</u>
<u>47,277,019</u>	<u>54,696,544</u>	<u>101,973,563</u>	<u>1,798,488</u>	<u>3,509,755</u>
<u>\$ 47,235,789</u>	<u>\$ 57,460,669</u>	<u>\$ 104,696,458</u>	<u>\$ 2,369,740</u>	<u>\$ 3,898,966</u>

City of Lancaster, Texas Balance Sheet – Governmental Funds September 30, 2015

	General Fund	HUD Fund	Capital Projects Fund	General Obligation Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 6,178,752	\$ -	\$ 12,882,207	\$ 182,349	\$ 3,122,188	\$ 22,365,496
Receivables (net of allowance for uncollectibles)						
Notes	-	-	-	9,151,950	-	9,151,950
Delinquent taxes	477,130	-	-	202,044	10,001	689,175
Accounts	972,711	-	-	-	264,233	1,236,944
Sales tax	920,335	-	-	-	-	920,335
Fines	1,088,114	-	-	-	-	1,088,114
Due from						
Other governments	4,395	-	-	-	-	4,395
Component unit	528,753	-	-	-	-	528,753
Other funds	-	-	-	483,084	-	483,084
Inventory, at cost	12,922	-	-	-	-	12,922
Prepaid items	168,302	-	-	-	7,553	175,855
	<u>\$ 10,351,414</u>	<u>\$ -</u>	<u>\$ 12,882,207</u>	<u>\$ 10,019,427</u>	<u>\$ 3,403,975</u>	<u>\$ 36,657,023</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts and contracts payable	\$ 509,767	\$ -	\$ 99,714	\$ 76,555	\$ 9,975	\$ 696,011
Accrued liabilities	581,343	-	-	-	74,590	655,933
Deposits	387,684	-	-	-	-	387,684
Due to other funds	483,084	-	-	-	-	483,084
	<u>1,961,878</u>	<u>-</u>	<u>99,714</u>	<u>76,555</u>	<u>84,565</u>	<u>2,222,712</u>
Total liabilities						
Deferred inflows of resources	1,721,243	-	-	9,340,245	9,682	11,071,170
Fund balances						
Nonspendable for inventory and prepaid items	181,224	-	-	-	7,553	188,777
Restricted for						
Court security	25,509	-	-	-	-	25,509
Court technology	77,596	-	-	-	-	77,596
Capital projects	-	-	12,782,493	-	-	12,782,493
Debt service	-	-	-	602,627	-	602,627
Public works	-	-	-	-	1,704,102	1,704,102
Public improvement districts	-	-	-	-	443,707	443,707
Police grants	-	-	-	-	34,805	34,805
Tourism, convention centers, arts	-	-	-	-	535,168	535,168
Law enforcement purposes	-	-	-	-	584,393	584,393
Unassigned	6,383,964	-	-	-	-	6,383,964
	<u>6,668,293</u>	<u>-</u>	<u>12,782,493</u>	<u>602,627</u>	<u>3,309,728</u>	<u>23,363,141</u>
Total fund balances						
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,351,414</u>	<u>\$ -</u>	<u>\$ 12,882,207</u>	<u>\$ 10,019,427</u>	<u>\$ 3,403,975</u>	<u>\$ 36,657,023</u>

City of Lancaster, Texas

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

September 30, 2015

Total fund balances – governmental funds \$ 23,363,141

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. 101,296,512

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. (406,021)

Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements. 1,919,220

Notes receivable are not measurable and available within 60 days of year-end, and therefore are entirely deferred in the fund financial statements. 9,151,950

Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:

Deferred outflows of resources	1,721,779	
Employer contributions	1,273,993	
Investment return difference (GASB 68)	495,205	
Experience difference (GASB 68)	<u>(294,825)</u>	3,196,152

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 at year-end consist of:

General obligation bonds	(57,025,017)	
Certificates of obligation	(14,075,105)	
Note payable	(4,710,033)	
Premiums on bond debt	(3,066,433)	
Net pension liability	(8,606,055)	
Compensated absences	(2,459,408)	
OPEB liability	(175,460)	
Capital leases	<u>(1,167,654)</u>	<u>(91,285,165)</u>

Total net position of governmental activities \$ 47,235,789

City of Lancaster, Texas Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Year Ended September 30, 2015

	General Fund	HUD Fund	Capital Projects Fund	General Obligation Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes and fees	\$ 17,301,959	\$ -	\$ -	\$ 4,307,762	\$ 1,967,916	\$ 23,577,637
Licenses and permits	657,735	-	-	-	294,025	951,760
Intergovernmental	758,579	-	-	1,187,800	-	1,946,379
Charges for services	886,838	-	-	-	-	886,838
Fines and forfeits	1,264,493	-	172,272	-	-	1,436,765
Interest	3,918	-	9,908	665	1,432	15,923
Miscellaneous	272,160	-	202,000	-	15,307	489,467
Total revenues	<u>21,145,682</u>	<u>-</u>	<u>384,180</u>	<u>5,496,227</u>	<u>2,278,680</u>	<u>29,304,769</u>
Expenditures						
Current						
General government	3,800,206	-	-	-	-	3,800,206
Public safety	14,866,020	-	-	-	112,912	14,978,932
Public works	1,655,802	-	-	-	1,084,462	2,740,264
Community development and recreation	808,467	-	-	-	236,059	1,044,526
Social and welfare	-	-	-	-	-	-
Capital outlay	1,283,191	-	774,738	-	32,936	2,090,865
Debt service						
Principal retirement	652,660	-	-	2,451,133	64,218	3,168,011
Interest and fiscal charges	338,630	-	-	2,889,821	19,713	3,248,164
Cost of issuance of bonds	-	-	67,309	226,750	-	294,059
Total expenditures	<u>23,404,976</u>	<u>-</u>	<u>842,047</u>	<u>5,567,704</u>	<u>1,550,300</u>	<u>31,365,027</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,259,294)</u>	<u>-</u>	<u>(457,867)</u>	<u>(71,477)</u>	<u>728,380</u>	<u>(2,060,258)</u>
Other financing sources (uses)						
Operating transfers in	1,900,157	35,952	-	56,000	-	1,992,109
Operating transfers out	(80,343)	(234,194)	-	-	(42,000)	(356,537)
Proceeds from issuance of capital lease	1,250,000	-	-	-	-	1,250,000
Proceeds from issuance of bonds	-	-	4,580,316	-	-	4,580,316
Proceeds from refunding bonds issued	-	-	-	16,934,701	-	16,934,701
Bond premium	-	-	482,784	1,684,904	-	2,167,688
Payment to refunded bond escrow agent	-	-	-	(18,399,389)	-	(18,399,389)
Total other financing sources (uses)	<u>3,069,814</u>	<u>(198,242)</u>	<u>5,063,100</u>	<u>276,216</u>	<u>(42,000)</u>	<u>8,168,888</u>
Net Change in Fund Balances	810,520	(198,242)	4,605,233	204,739	686,380	6,108,630
Fund Balances, Beginning of Year	<u>5,857,773</u>	<u>198,242</u>	<u>8,177,260</u>	<u>397,888</u>	<u>2,623,348</u>	<u>17,254,511</u>
Fund Balances, End of Year	<u>\$ 6,668,293</u>	<u>\$ -</u>	<u>\$ 12,782,493</u>	<u>\$ 602,627</u>	<u>\$ 3,309,728</u>	<u>\$ 23,363,141</u>

City of Lancaster, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2015

Net change in fund balances – total governmental funds \$ 6,108,630

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. 2,090,865

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. (5,465,762)

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	19,689,897	
Notes payable	531,479	
Capital leases	396,532	20,617,908

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 assets with related costs amortized over the life of the bonds. Differences consist of the following:

Issuance of general obligation bonds	(16,934,701)	
Certificate of obligations bonds	(4,580,316)	
Capital lease	(1,250,000)	
Bond premium	(2,034,010)	
Deferred loss on refunding	815,814	
Amortization of deferred loss	(101,089)	
Amortization of bond premium/discount	227,897	(23,856,405)

Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances. 413,616

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. (65,508)

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. 36,035

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. 79,391

Change in net position of governmental activities \$ (41,232)

City of Lancaster, Texas
Statement of Net Position
Proprietary Funds
September 30, 2015

Assets	Water and Sewer	Airport Fund	Nonmajor Enterprise Funds	Total Proprietary Funds
Current Assets				
Cash and cash equivalents	\$ 24,913,924	\$ 190	\$ 207,896	\$ 25,122,010
Receivables (net of allowance for uncollectibles)				
Accounts	835,459	14,198	103,652	953,309
Unbilled	1,019,556	-	140,718	1,160,274
Prepaid expenses	19,080	1,668	-	20,748
Inventory	-	22,158	-	22,158
	<u>26,788,019</u>	<u>38,214</u>	<u>452,266</u>	<u>27,278,499</u>
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	4,677,829	-	-	4,677,829
Capital Assets				
Nondepreciable	233,926	4,458,165	349,554	5,041,645
Depreciable (net of accumulated depreciation)	36,120,883	1,365,356	1,798,455	39,284,694
	<u>41,032,638</u>	<u>5,823,521</u>	<u>2,148,009</u>	<u>49,004,168</u>
Total noncurrent assets	<u>41,032,638</u>	<u>5,823,521</u>	<u>2,148,009</u>	<u>49,004,168</u>
Total assets	<u>67,820,657</u>	<u>5,861,735</u>	<u>2,600,275</u>	<u>76,282,667</u>
Deferred Outflows of Resources				
Deferred loss on refunding	123,876	2,733	-	126,609
Deferred pension contributions	114,188	15,355	-	129,543
Difference in projected and actual earnings on pension plan investments	44,386	5,968	-	50,354
Total deferred outflows of resources	<u>282,450</u>	<u>24,056</u>	<u>-</u>	<u>306,506</u>
Liabilities				
Current Liabilities				
Accounts and contracts payable	313,510	988,790	751,923	2,054,223
Accrued liabilities	100,490	25,434	24,809	150,733
Accrued interest	43,570	516	-	44,086
Deposits	1,014,338	-	-	1,014,338
General obligation bonds	429,810	2,810	-	432,620
Certificates of obligation	472,143	-	-	472,143
Compensated absences	7,299	-	218	7,517
	<u>2,381,160</u>	<u>1,017,550</u>	<u>776,950</u>	<u>4,175,660</u>
Total current liabilities	<u>2,381,160</u>	<u>1,017,550</u>	<u>776,950</u>	<u>4,175,660</u>
Noncurrent Liabilities				
General obligation bonds	3,218,865	92,190	-	3,311,055
Certificates of obligation	10,658,769	-	-	10,658,769
Compensated absences	56,035	-	654	56,689
Net pension liability	788,512	107,840	-	896,352
	<u>14,722,181</u>	<u>200,030</u>	<u>654</u>	<u>14,922,865</u>
Total noncurrent liabilities	<u>14,722,181</u>	<u>200,030</u>	<u>654</u>	<u>14,922,865</u>
Total liabilities	<u>17,103,341</u>	<u>1,217,580</u>	<u>777,604</u>	<u>19,098,525</u>
Deferred Inflows of Resources				
Difference in expected and actual experience	26,425	3,554	-	29,979
Net Position				
Net investment in capital assets	25,241,262	5,728,521	2,148,009	33,117,792
Unrestricted	25,732,079	(1,063,864)	(325,338)	24,342,877
Total net position	<u>\$ 50,973,341</u>	<u>\$ 4,664,657</u>	<u>\$ 1,822,671</u>	<u>\$ 57,460,669</u>

City of Lancaster, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2015

	Water and Sewer Fund	Airport Fund	Nonmajor Enterprise Funds	Total Proprietary Funds
Operating Revenues				
Charges for services	\$ 15,807,876	\$ 748,077	\$ 2,353,196	\$ 18,909,149
Intergovernmental	-	40,730	-	40,730
Miscellaneous	626,947	-	3,836	630,783
Impact fee revenue	598,767	-	-	598,767
	<u>17,033,590</u>	<u>788,807</u>	<u>2,357,032</u>	<u>20,179,429</u>
Operating Expenses				
Personnel services	1,082,645	180,531	-	1,263,176
Maintenance	447,731	92,717	191,875	732,323
Purchase of water	2,344,969	-	-	2,344,969
Materials and supplies	118,930	435,106	-	554,036
Heat, light and power	212,910	44,473	188	257,571
Depreciation	2,096,637	63,707	77,681	2,238,025
Benefit payments	345,448	53,034	-	398,482
Sewage treatment	5,073,498	-	-	5,073,498
Special services	319,981	18,346	1,947,013	2,285,340
Miscellaneous	135,197	-	-	135,197
Equipment rental	7,216	21,514	375	29,105
	<u>12,185,162</u>	<u>909,428</u>	<u>2,217,132</u>	<u>15,311,722</u>
Operating Income	<u>4,848,428</u>	<u>(120,621)</u>	<u>139,900</u>	<u>4,867,707</u>
Nonoperating Revenues (Expenses)				
Interest revenue	14,634	-	94	14,728
Interest and fiscal charges	(488,439)	(3,993)	-	(492,432)
Other nonoperating revenue	-	9,694	-	9,694
	<u>(473,805)</u>	<u>5,701</u>	<u>94</u>	<u>(468,010)</u>
Income Before Transfers	<u>4,374,623</u>	<u>(114,920)</u>	<u>139,994</u>	<u>4,399,697</u>
Transfers				
Operating transfers in	44,391	-	-	44,391
Operating transfers out	(1,466,963)	-	(213,000)	(1,679,963)
	<u>(1,422,572)</u>	<u>-</u>	<u>(213,000)</u>	<u>(1,635,572)</u>
Change in Net Position	2,952,051	(114,920)	(73,006)	2,764,125
Net Position, Beginning of Year, As Previously Reported	<u>48,714,726</u>	<u>4,874,633</u>	<u>1,895,677</u>	<u>55,485,036</u>
Change in Accounting Principle	<u>(693,436)</u>	<u>(95,056)</u>	<u>-</u>	<u>(788,492)</u>
Net Position, Beginning of Year, As Restated	<u>48,021,290</u>	<u>4,779,577</u>	<u>1,895,677</u>	<u>54,696,544</u>
Net Position, End of Year	<u>\$ 50,973,341</u>	<u>\$ 4,664,657</u>	<u>\$ 1,822,671</u>	<u>\$ 57,460,669</u>

City of Lancaster, Texas

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2015

	Water and Sewer Fund	Airport Fund	Nonmajor Enterprise Fund	Total
Operating Activities				
Receipts from customers and users	\$ 16,224,601	\$ 784,844	\$ 2,354,486	\$ 19,363,931
Payments to employees	(1,465,166)	(233,629)	8,034	(1,690,761)
Payments to suppliers	(8,714,577)	(510,154)	(2,144,994)	(11,369,725)
Impact fees collected	598,767	-	-	598,767
	6,643,625	41,061	217,526	6,902,212
Net cash provided by operating activities				
Noncapital and Related Financing Activities				
Transfers to other funds	(1,466,963)	-	(213,000)	(1,679,963)
Proceeds from other nonoperating revenue	(473,805)	-	-	(473,805)
	(1,940,768)	-	(213,000)	(2,153,768)
Net cash provided by (used in) noncapital financing activities				
Capital and Related Financing Activities				
Acquisition and construction of capital assets	(308,171)	(13,499)	-	(321,670)
Principal payments on debt	(1,296,685)	(33,263)	-	(1,329,948)
Interest payments on debt	(382,549)	(3,993)	-	(386,542)
Cost of issuance of bonds	(100,000)	-	-	(100,000)
Proceeds from issuance of bonds	4,808,000	-	-	4,808,000
Utility deposits collected	46,646	-	-	46,646
	2,767,241	(50,755)	-	2,716,486
Net cash used in capital and financing activities				
Investing Activities				
Interest on investments	-	-	94	94
Proceeds from other nonoperating revenue	-	9,694	-	9,694
	-	9,694	94	9,788
Net cash provided by investing activities				
Increase in Cash and Cash Equivalents	7,470,098	-	4,620	7,474,718
Cash and Cash Equivalents, Beginning of Year	22,121,655	190	203,276	22,325,121
Cash and Cash Equivalents, End of Year	\$ 29,591,753	\$ 190	\$ 207,896	\$ 29,799,839
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 4,848,428	\$ (120,621)	\$ 139,900	\$ 4,867,707
Item not requiring cash				
Depreciation	2,096,637	63,707	77,681	2,238,025
Changes in				
Accounts receivable	(210,222)	(3,963)	1,232	(212,953)
Inventories	-	16,988	-	16,988
Prepays	(19,080)	(1,668)	-	(20,748)
Other assets	-	-	-	-
Accounts payable	7,914	93,302	(9,321)	91,895
Accrued expenses	(42,979)	(1,699)	8,034	(36,644)
Employer contribution	(2,639)	(64)	-	(2,703)
Compensated absences	(34,434)	(4,921)	-	(39,355)
	6,643,625	41,061	217,526	6,902,212
Net cash provided by operating activities				

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

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, 2015

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 was 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 provided housing assistance to low income families. The Program ceased operation in 2015.

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.

*The City has permanently designated this fund as a major governmental fund.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

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, deferred outflows of resources 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 balances 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 and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available.

City of Lancaster, Texas Notes to Basic Financial Statements September 30, 2015

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

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

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

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.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

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, 2015, were \$734,030 for uncollectible taxes, \$2,429,163 for water and sewer billings, \$362,705 for court fees and fines and \$487,617 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 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.

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.

All items purchased with a price of \$5,000 or greater and a useful life exceeding one year is placed on the fixed asset list. Each department is required to monitor their inventory and is accountable for the location of the asset. Asset tags are issued after payment has been processed. The Purchasing Agent conducts a yearly inventory to verify the inventory.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

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

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 City has the following items that qualify for reporting in this category.

- **Deferred loss on refunding** – 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.
- **Employer Contributions – Pensions** – These contributions are those made after the measurement date through the fiscal year end (January 1st – September 30th) resulting in a cash outlay not yet recognized under GASB 68. This amount is deferred and recognized in the following fiscal year.
- **Investment difference – Pensions** – These amounts represent the difference in projected and actual earnings on pension plan assets. These differences are deferred and amortized over a closed five year period.

In addition to liabilities, the statement of net position or balance sheet 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. The City has the following items that qualify for reporting in this category.

- **Experience difference – Pensions** – These amounts represent the difference in expected and actual pension experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- **Unavailable revenue** – This amount represents uncollected property taxes. This amount is deferred and recognized once payments are made in the following fiscal year.

Accumulated Unpaid Vacations, Sick Leave and Other Employee Benefit Amounts

Sick leave is recorded on governmental activities for the Fire and Police Departments. All other 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.

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2015

The liability for unused vested vacation leave as of September 30, 2015, 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.

New Financial Reporting Requirements

The GASB has issued the following statement, which became effective for fiscal year 2015. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date.

Adoption of GASB 68 resulted in the following adjustments to beginning net position at October 1, 2014:

	Government-wide Statement of Activities			
	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Lancaster Economic Development Corporation	Lancaster Recreational Development Corporation
Net position at September 30, 2014, as previously reported	\$ 54,822,317	\$ 55,485,036	\$ 1,882,955	\$ 3,901,704
Recording of net pension liability as of September 30, 2014	(8,759,063)	(915,332)	(98,055)	(454,999)
Deferral for pension contributions made after the measurement date	1,213,765	126,840	13,588	63,050
Net position at September 30, 2014, as restated	\$ 47,277,019	\$ 54,696,544	\$ 1,798,488	\$ 3,509,755

Pensions

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

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

Note 2: Deposits and Investments

The deposit and investment policies of the City are governed by State Statutes and the adopted City Investment Policy. City policies governing bank deposits require depositories to be FDIC-insured institutions, and depositories must fully collateralize all deposits in excess of FDIC insurance limits.

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agency securities, repurchase agreements and municipal pools.

The City utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

During the year ended September 30, 2015, the City invested in TexCLASS, TexPool, and LOGIC, which are investment pools 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. The pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pools is the same as the value of the pools shares.

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, 2015

Cash equivalents at year-end are shown below:

	Carrying Amount	Fair Value	Weighted- Average Maturity (Years)
Primary Government			
TexPool	\$ 24,676,975	\$ 24,676,975	0.003
LOGIC	22,117,570	22,117,570	0.003
Texas Class	1,358,243	1,358,243	0.003
Total primary government	48,152,788	48,152,788	
Component Units			
TexPool	2,594,743	2,594,743	0.003
LOGIC	2,325,626	2,325,626	0.003
Texas Class	142,817	142,817	0.003
Total component units	5,177,855	5,177,855	
Total	\$ 53,330,643	\$ 53,330,643	

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, 2015, were 96.68% 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, 2015, 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, 2015

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

Interfund Transfers

At September 30, 2015, interfund balances and transactions, excluding discretely presented component units were as follows:

	Transfers In	Transfers Out
General Fund	\$ 1,900,157	\$ 80,343
HUD Fund	35,952	234,194
General Obligation Debt Service Fund	56,000	-
Nonmajor Governmental Funds	-	42,000
Water and Sewer Fund	44,391	1,466,963
Nonmajor Enterprise Funds	-	213,000
	\$ 2,036,500	\$ 2,036,500

The interfund transfer to the General Fund from the Nonmajor Governmental Funds, Water and Sewer Funds, Refuse 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.

Interfund Assets/Liabilities

Interfund balances reflect payments made by one fund on behalf of another fund for which cash settlement has not been made as of the end of the accounting period. Amounts due to and from other funds will be settled within the next accounting period. As of September 30, 2015 the only interfund balances outstanding were between the General and Debt Service funds as follows:

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

	Due to Other Funds	Due from Other Funds
General Fund	\$ 483,084	\$ -
General Obligation Debt Service Fund	-	483,084
	\$ 483,084	\$ 483,084

The advances between the General Fund and Debt Service Fund are the result of the Debt Service Fund lending funds to cover debt payments.

Note 5: Fixed Assets

Governmental Funds

Capital assets of the Governmental Activities are as follows:

	Balance September 30, 2014	Increases	Transfers	Balance September 30, 2015
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 13,214,268	\$ -	\$ -	\$ 13,214,268
Construction in progress	19,396,744	708,091	(11,880,768)	8,224,067
	-	-	-	-
Total capital assets not being depreciated	32,611,012	708,091	(11,880,768)	21,438,335
Capital assets being depreciated				
Buildings	24,487,196	-	-	24,487,196
Infrastructure and improvements	96,068,552	223,080	11,880,768	108,172,400
Equipment and furniture	17,122,344	1,159,694	-	18,282,038
Total capital assets being depreciated	137,678,092	1,382,774	11,880,768	150,941,634
Less accumulated depreciation	65,617,695	5,465,762	-	71,083,457
Total capital assets being depreciated, net	72,060,397	(4,082,988)	11,880,768	79,858,177
Governmental activities capital assets, net	\$ 104,671,409	\$ (3,374,897)	\$ -	\$ 101,296,512

City of Lancaster, Texas Notes to Basic Financial Statements September 30, 2015

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

General and administrative	\$ 446,954
Public safety	1,561,728
Public works	3,275,876
Community development and recreation	<u>181,204</u>
Total depreciation expense – governmental activities	<u><u>\$ 5,465,762</u></u>

Enterprise Funds

Capital assets of the Enterprise Funds are as follows:

	Balance September 30, 2014	Increases	Balance September 30, 2015
Business-type Activities			
Capital assets not being depreciated			
Land	\$ 4,971,266	\$ -	\$ 4,971,266
Construction in progress	<u>-</u>	<u>70,379</u>	<u>70,379</u>
Total capital assets not being depreciated	<u>4,971,266</u>	<u>70,379</u>	<u>5,041,645</u>
Capital assets being depreciated			
Plants and buildings	4,950,436	-	4,950,436
Other improvements	65,739,374	90,670	65,830,044
Runways and taxiways	3,422,564	-	3,422,564
Other structures	951,622	-	951,622
Machinery and equipment	<u>2,812,062</u>	<u>160,621</u>	<u>2,972,683</u>
Total capital assets being depreciated	77,876,058	251,291	78,127,349
Less accumulated depreciation	<u>36,604,630</u>	<u>2,238,025</u>	<u>38,842,655</u>
Total capital assets being depreciated, net	<u>41,271,428</u>	<u>(1,986,734)</u>	<u>39,284,694</u>
Business-type activities capital assets, net	<u><u>\$ 46,242,694</u></u>	<u><u>\$ (1,916,355)</u></u>	<u><u>\$ 44,326,339</u></u>

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

Water and Sewer	\$ 2,096,637
Airport	63,707
Golf	<u>77,681</u>
Total depreciation expense – business-type activities	<u><u>\$ 2,238,025</u></u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

Discretely Presented Component Units

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

	Balance September 30, 2014	Increases	Balance September 30, 2015
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>\$ 100,378</u>

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

	Balance September 30, 2014	Increases	Balance September 30, 2015
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>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>151,563</u>	<u>600,687</u>
Total capital assets being depreciated	20,212,293	151,563	20,363,856
Less accumulated depreciation	<u>10,139,316</u>	<u>412,056</u>	<u>10,551,372</u>
Total capital assets being depreciated, net	<u>10,072,977</u>	<u>(260,493)</u>	<u>9,812,484</u>
Lancaster Recreational Development Corporation capital assets, net	<u>\$ 11,062,095</u>	<u>\$ (260,493)</u>	<u>\$ 10,801,602</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

Note 6: Long-term Liabilities

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

	Balance September 30, 2014	Additions	Retirements	Balance September 30, 2015	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 48,315,000	\$ 21,515,017	\$ (12,805,000)	57,025,017	\$ 2,107,380
Certificates of obligation	20,960,000	-	(6,884,895)	14,075,105	727,857
Notes payable	5,241,512	-	(531,479)	4,710,033	504,512
Premiums on bond debt	1,260,320	2,167,688	(361,575)	3,066,433	-
Compensated absences	2,438,636	646,526	(625,754)	2,459,408	245,941
OPEB liability	130,724	44,736	-	175,460	-
Net pension liability	8,759,063	-	(153,008)	8,606,055	-
Capital leases	314,186	1,250,000	(396,532)	1,167,654	227,282
Total governmental activities	<u>\$ 87,419,441</u>	<u>\$ 25,623,967</u>	<u>\$ (21,758,243)</u>	<u>\$ 91,285,165</u>	<u>\$ 3,812,972</u>
Business-type Activities					
General obligation bonds	\$ 3,335,000	\$ 1,014,983	\$ (730,000)	\$ 3,619,983	\$ 432,620
Notes payable	17,703	-	(17,703)	-	-
Certificates of obligation	8,390,000	4,080,000	(1,340,104)	11,129,896	472,143
Premiums on bond debt	146,566	91,259	(113,117)	124,708	-
Net pension liability	915,332	-	(18,980)	896,352	-
Compensated absences	69,689	51,051	(49,278)	71,461	7,517
Total business-type activities	<u>\$ 12,874,290</u>	<u>\$ 5,237,293</u>	<u>\$ (2,269,182)</u>	<u>\$ 15,842,400</u>	<u>\$ 912,280</u>
Discretely Presented Component Units					
Notes payable to primary government	\$ 9,746,950	\$ -	\$ (595,000)	\$ 9,151,950	\$ 610,000
Net pension liability	553,054	-	(13,594)	539,460	-
Total discretely presented component units	<u>\$ 10,300,004</u>	<u>\$ -</u>	<u>\$ (608,594)</u>	<u>\$ 9,691,410</u>	<u>\$ 610,000</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.

During fiscal year 2015, the City executed a current refunding in the amount of \$22,530,000 of series 2007 General Obligation Refunding and Improvement Bonds and Tax, and Waterworks and Sewer System Surplus Revenue Certificates of Obligation. The bonds were refunded with \$22,530,000 Series 2015 General Obligation Refunding and Improvement Bonds dated July 15, 2015, bearing interest rates ranging from 3.00% to 5.00%. The Bonds were issued at a premium of \$2,258,944 and incurred issuance costs of \$295,244. As a result of the current refunding, the City increased total debt service payments over the next 10 years by \$579,995, and recorded a deferred loss on refunding of \$868,064.

City of Lancaster, Texas Notes to Basic Financial Statements September 30, 2015

The City also issued Series 2015 Tax and Waterworks and Sewer System Revenue Certificates of Obligation in the amount of \$4,080,000 dated July 15, 2015 bearing interest rates of 2.00% to 3.75%. The Certificates incurred issuance cost of \$75,991. These bonds were issued to 1) construct and improve streets and roads, including related drainage and required utility lines, landscaping, lighting, and signage related thereto; 2) constructing and improving a public parking lot; 3) purchasing a radio communication system for the public safety department; 4) purchasing a new fire apparatus and related equipment for the fire department and 3) for paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects.

General obligation bonds, revenue bonds, certificates of obligation, notes payable and capital leases outstanding at September 30, 2015, 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%	\$ 4,360,000	\$ 2,270,000	\$ 15,000	\$ 6,645,000
\$22,995,000, 2010 General Obligation Build America Bonds, due in annual installments through February 15, 2040, 1.82% – 6.53%	21,010,000	-	-	21,010,000
\$12,240,000, 2012 General Obligation Refunding Bonds, due in annual installments through February 15, 2024, 2.00% – 5.00%	10,140,000	250,000	70,000	10,460,000
\$22,530,000, 2015 General Obligation Refunding Bonds, due in annual installments through February 15, 2035, 2.00% – 3.75%	21,515,017	1,014,983	-	22,530,000
	\$ 57,025,017	\$ 3,534,983	\$ 85,000	\$ 60,645,000
<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%	\$ 3,105,104	\$ 624,896	\$ -	\$ 3,730,000
\$12,000,000, 2010 Certificate of Obligation Build America Bonds, due in annual installments through February 15, 2040, 1.82% – 6.53%	10,970,000	-	-	10,970,000
\$7,585,000, 2011 Certificate of Obligation Bonds, due in annual installments through August 15, 2031, 2.00% – 3.50%	-	6,425,000	-	6,425,000
\$4,080,000, 2015 Certificate of Obligation Bonds, due in annual installments through February 15, 2035, 2.00% – 3.75%	-	4,080,000	-	4,080,000
	\$ 14,075,104	\$ 11,129,896	\$ -	\$ 25,205,000

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

	Governmental Activities	Total Primary Government	Discretely Presented Component Units
<u>Note Payable</u>			
\$11,650,000 note payable, due in annual installments through February 15, 2024; 3.00% – 4.50%	\$ -	\$ -	\$ 7,235,000
\$3,035,000 note payable, due in annual installments through February 15, 2027; 4.00% – 4.375%	-	-	1,916,950
\$5,690,000 note payable, due in annual installments beginning October 2013 through October 2022; 7.00%	<u>4,710,033</u>	<u>4,710,033</u>	<u>-</u>
	<u><u>\$ 4,710,033</u></u>	<u><u>\$ 4,710,033</u></u>	<u><u>\$ 9,151,950</u></u>
 <u>Capital Leases</u>			
\$366,345 Lease Purchase Agreement due in monthly installments through November 4, 2016; 2.15%	\$ 87,430	\$ 87,430	\$ -
\$1,250,000 Lease Purchase Agreement due in monthly installments through January 15, 2024; 2.08%	<u>1,080,224</u>	<u>1,080,224</u>	<u>-</u>
	<u><u>\$ 1,167,654</u></u>	<u><u>\$ 1,167,654</u></u>	<u><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, 2015, property and equipment under capital leases is carried at \$2,106,777, with \$827,174 in accumulated depreciation.

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2015

The annual requirements to amortize the long-term debt as of September 30, 2015, are as follows:

General Obligation Bonds						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 2,107,380	\$ 2,799,776	\$ 4,907,156	\$ 432,620	\$ 155,886	\$ 588,506
2017	2,209,415	2,744,333	4,953,748	455,584	135,462	591,046
2018	2,539,375	2,644,031	5,183,406	495,625	112,300	607,925
2019	2,156,486	2,523,098	4,679,584	258,514	94,035	352,549
2020	2,809,587	2,382,138	5,191,725	125,413	84,717	210,130
2021-2025	15,071,924	9,903,305	24,975,229	708,075	338,267	1,046,342
2026-2030	12,678,628	6,454,303	19,132,931	701,373	170,996	872,369
2031-2035	11,377,222	3,351,274	14,728,496	442,779	31,882	474,661
2036-2040	6,075,000	1,025,058	7,100,058	-	-	-
Total	\$ 57,025,017	\$ 33,827,316	\$ 90,852,333	\$ 3,619,983	\$ 1,123,545	\$ 4,743,528

Certificates of Obligation						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 727,857	\$ 787,574	\$ 1,515,431	\$ 472,143	\$ 334,080	\$ 806,223
2017	754,506	757,495	1,512,001	485,493	327,252	812,745
2018	780,318	725,218	1,505,536	499,682	315,348	815,030
2019	811,130	690,890	1,502,020	513,870	302,877	816,747
2020	392,409	663,879	1,056,288	437,591	291,837	729,428
2021-2025	2,204,478	2,982,954	5,187,432	2,535,520	1,281,488	3,817,008
2026-2030	2,508,720	2,297,879	4,806,599	3,476,280	825,491	4,301,771
2031-2035	2,715,686	1,478,865	4,194,551	2,709,317	258,861	2,968,178
2036-2040	3,180,000	535,949	3,715,949	-	-	-
Total	\$ 14,075,104	\$ 10,920,703	\$ 24,995,807	\$ 11,129,896	\$ 3,937,234	\$ 15,067,130

Note Payable						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 504,512	\$ 305,624	\$ 810,136	\$ -	\$ -	\$ -
2017	539,828	270,308	810,136	-	-	-
2018	577,616	232,520	810,136	-	-	-
2019	618,049	192,087	810,136	-	-	-
2020	661,313	148,824	810,137	-	-	-
2021 - 2022	1,808,714	155,532	1,964,246	-	-	-
Total	\$ 4,710,032	\$ 1,304,895	\$ 6,014,927	\$ -	\$ -	\$ -

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

Note Payable			
Fiscal Year	Discretely Presented Component Units		
	Principal	Interest	Total
2016	\$ 610,000	\$ 350,250	\$ 960,250
2017	625,000	330,250	955,250
2018	840,000	304,375	1,144,375
2019	880,000	273,400	1,153,400
2020	915,000	223,647	1,138,647
2021-2025	4,340,000	496,859	4,836,859
2026-2027	941,950	19,469	961,419
Total	\$ 9,151,950	\$ 1,998,250	\$ 11,150,200

Capital Leases			
Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2016	\$ 240,154	\$ 23,635	\$ 263,789
2017	155,901	19,292	175,193
2018	159,144	16,049	175,193
2019	162,454	12,739	175,193
2020	90,000	9,360	99,360
2021-2025	360,000	18,720	378,720
Total	\$ 1,167,653	\$ 99,795	\$ 1,267,448

Note 7: Employee Retirement System

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, 2015

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,	
	2015	2014
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	100% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI Repeating	50% of CPI Repeating

At the December 31, 2014, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	159
Inactive employees entitled to but not yet receiving benefits	188
Active employees	223
	570

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the entry age normal actuarial cost method beginning with the 2013 valuations. 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, 2012, valuation is effective for the rates beginning January 1, 2014).

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2014, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.0% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010, valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a *Mortality Experience Investigation Study* covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013, valuation along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

City of Lancaster, Texas Notes to Basic Financial Statements September 30, 2015

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	100.00%	

Discount Rate:

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute, and was projected over a period of 100 years. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability(a) - (b)
Balances as of 9/30/2014	\$ 66,392,037	\$ 56,164,588	\$ 10,227,449
Changes for the year:			
Service cost	1,754,296	-	1,754,296
Interest on total pension liability	4,600,939	-	4,600,939
Effect of plan changes	-	-	-
Effect of difference in expected and actual experience	(470,634)	-	(470,634)
Benefit payments	(3,082,997)	(3,082,997)	-
Administrative expenses	-	(33,545)	33,545
Member contributions	-	943,452	(943,452)
Net investment income	-	3,212,784	(3,212,784)
Employer contributions	-	1,950,250	(1,950,250)
Other	-	(2,758)	2,758
Net changes	2,801,604	2,987,186	(185,582)
Balances as of 9/30/15	\$ 69,193,641	\$ 59,151,774	\$ 10,041,867

City of Lancaster, Texas Notes to Basic Financial Statements September 30, 2015

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.00%)	Current Single Rate Assumption (7.00%)	1% Increase (8.00%)
City's net pension liability	\$ 20,755,493	\$ 10,041,866	\$ 1,389,027

Pension Plan Fiduciary Net Position:

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

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$1,532,003.

At September 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (342,327)
Difference between projected and actual earnings on pension plan investments	574,991	-
Contributions subsequent to the measurement date	1,479,253	-
	\$ 2,054,244	\$ (342,327)

For the year ended September 30, 2015, the City reported \$1,479,252 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and prior to year-end. This amount will be recognized as a reduction in the net pension liability at September 30, 2016.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

2015	\$	15,439
2016		15,439
2017		58,038
2018		143,747
		143,747
		\$ 232,663

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 post-employment 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, 2015, 2014 and 2013, were \$21,234, \$19,176 and \$18,072, respectively, which equaled the required contributions each year.

Note 8: Other Post-employment Benefits

Plan Description

The City provides post-employment 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.

City of Lancaster, Texas Notes to Basic Financial Statements September 30, 2015

Benefits Provided

The City provides post-employment 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.

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 \$518 per month for retiree-only coverage, \$1,140 per month for retiree and spouse, and \$1,765 per month for retiree and family. Members receiving PPO medical benefits contribute \$574 per month for retiree-only coverage, \$1,264 per month for retiree and spouse, and \$1,956 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.

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, 2015, 2014 and 2013:

	September 30,		
	2015	2014	2013
Annual required contribution	\$ 74,211	\$ 82,341	\$ 79,943
Interest on prior year net OPEB obligation	5,883	5,478	20,509
Adjustment to annual required contribution	<u>(5,450)</u>	<u>(5,075)</u>	<u>(4,586)</u>
Annual OPEB cost	74,644	82,744	95,866
Contributions made	<u>(29,908)</u>	<u>(73,754)</u>	<u>(68,578)</u>
Increase in net OPEB obligation	44,736	8,990	27,288
Net obligation, beginning of year	<u>130,724</u>	<u>121,734</u>	<u>94,446</u>
Net obligation, end of year	<u>\$ 175,460</u>	<u>\$ 130,724</u>	<u>\$ 121,734</u>
Percentage of OPEB costs contributed	40.1%	89.1%	71.5%

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2015

Funded Status and Funding Progress

The funded status of the plan as of actuarial measurement date of December 31, 2014, was as follows:

Actuarial accrued liability	\$ 876,821
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	\$ 876,821
Funded ratio	0.00%
Covered payroll	\$ 13,863,623
Unfunded actuarial accrued liability as a percentage of covered payroll	6.3%

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, 2014, 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: Litigation

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City’s legal counsel and management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe the amount is probable.

The City is involved in a litigation case with White Rock Commercial, LLC (White Rock). The case involves the City paying \$2.1 million dollars over a 20 year period to repay the cost of infrastructure improvements place by White Rock. To date, an amount to repay is indeterminable due to the imposition of impact fees and other considerations. This case is currently not set for trial and a motion for summary judgment is currently pending.

Note 10: 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

City of Lancaster, Texas

Notes to Basic Financial Statements

September 30, 2015

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, 2015, was \$4,743,589, for the Ten Mile Creek Regional Wastewater System and \$110,389, 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, 2015.

Federal and State Programs

The City participates in several federal and state 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 collectability of any related receivable at September 30, 2015, may be impaired.

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 in the accompanying financial statements.

Required Supplementary Information

City of Lancaster, Texas
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
September 30, 2015

	Measurement Year
	2014
Total Pension Liability:	
Service cost	\$ 1,754,296
Interest (on the Total Pension Liability)	4,600,938
Changes in benefit terms	-
Differences between expected and actual experience	(470,634)
Benefit payments, including refunds of employee contributions	(3,082,997)
Net change in total pension liability	2,801,603
Total pension liability – Beginning	66,392,037
Total pension liability – Ending (a)	\$ 69,193,640
Plan Fiduciary Net Position:	
Contributions – employer	\$ 1,950,250
Contributions – employee	943,452
Net investment income	3,212,784
Benefit payments, including refunds of employee contributions	(3,082,997)
Administrative expense	(33,545)
Other	(2,758)
Net change in plan fiduciary net position	2,987,186
Plan fiduciary net position – Beginning	56,164,588
Plan fiduciary net position – Ending (b)	\$ 59,151,774
City’s net pension liability – Ending (a) – (b)	\$ 10,041,866
Plan fiduciary net position as a percentage of the total pension liability	85.49%
Covered employee payroll	\$ 13,477,886
City’s net pension liability as a percentage of covered employee payroll	74.51%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City’s measurement date (December 31).

City of Lancaster, Texas
Required Supplementary Information
Schedule of Contributions
Texas Municipal Retirement System
September 30, 2015

	Fiscal Year 2015
Actuarially determined contribution	\$ 2,012,259
Contributions in relation to the actuarially determined contribution	2,012,259
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 13,863,623
Contributions as a percentage of covered-payroll	14.51%

Notes to Schedule Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00%, including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the the City's most recent fiscal year-end (September 30).

City of Lancaster, Texas
Required Supplementary Information
Employees' Other Post-employment Benefits Plan
Analysis of Funding Progress
September 30, 2015

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]
2009	\$ -	\$ 498,266	0.0%	\$ 498,266	\$ 13,887,238	3.6%
2010	\$ -	\$ 1,138,842	0.0%	\$ 1,138,842	\$ 13,835,321	8.2%
2011	\$ -	\$ 1,138,842	0.0%	\$ 1,138,842	\$ 12,581,296	9.1%
2012	\$ -	\$ 886,334	0.0%	\$ 886,334	\$ 12,440,548	7.1%
2013	\$ -	\$ 886,334	0.0%	\$ 886,334	\$ 12,377,458	7.2%
2014	\$ -	\$ 876,821	0.0%	\$ 876,821	\$ 13,863,623	6.3%

City of Lancaster, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and fees	\$ 16,438,366	\$ 16,438,366	\$ 17,301,959	\$ 863,593
Licenses and permits	681,700	681,700	657,735	(23,965)
Intergovernmental	-	-	758,579	758,579
Charges for services	717,850	717,850	886,838	168,988
Fines and forfeits	675,300	675,300	1,264,493	589,193
Interest	4,000	4,000	3,918	(82)
Grant and other income	478,240	478,240	-	(478,240)
Miscellaneous	56,050	56,050	272,160	216,110
	<u>19,051,506</u>	<u>19,051,506</u>	<u>21,145,682</u>	<u>2,094,176</u>
Expenditures				
Current				
General government	3,773,776	3,773,776	3,800,206	(26,430)
Public safety	14,142,267	14,142,267	14,866,020	(723,753)
Public works	412,836	412,836	1,655,802	(1,242,966)
Community development and recreation	1,659,781	1,659,781	808,467	851,314
Capital outlay	1,155,553	1,155,553	1,283,191	(127,638)
Debt service				
Principal retirement	-	-	652,660	(652,660)
Interest and fiscal charges	-	-	338,630	(338,630)
	<u>21,144,213</u>	<u>21,144,213</u>	<u>23,404,976</u>	<u>(2,260,763)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,092,707)</u>	<u>(2,092,707)</u>	<u>(2,259,294)</u>	<u>(166,587)</u>
Other financing sources (uses)				
Operating transfers in	1,736,903	1,736,903	1,900,157	163,254
Capital leases issued	-	-	1,250,000	1,250,000
Operating transfers out	(200,000)	(200,000)	(80,343)	119,657
	<u>1,536,903</u>	<u>1,536,903</u>	<u>3,069,814</u>	<u>1,532,911</u>
Net Change in Fund Balances	(555,804)	(555,804)	810,520	1,366,324
Fund Balance, Beginning of Year	<u>5,857,773</u>	<u>5,857,773</u>	<u>5,857,773</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,301,969</u>	<u>\$ 5,301,969</u>	<u>\$ 6,668,293</u>	<u>\$ 1,366,324</u>

City of Lancaster, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Stormwater Drainage Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and fees	\$ 1,400,000	\$ 1,400,000	\$ 1,510,592	\$ 110,592
Interest	-	-	688	688
Total revenues	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,511,280</u>	<u>111,280</u>
Expenditures				
Current				
Public works	1,170,094	1,170,094	1,084,462	85,632
Capital outlay	4,569	4,569	22,041	(17,472)
Debt service				
Principal retirement	30,000	30,000	30,000	-
Interest and fiscal charges	19,713	19,713	19,713	-
Total expenditures	<u>1,224,376</u>	<u>1,224,376</u>	<u>1,156,216</u>	<u>68,160</u>
Excess of revenues over expenditures	<u>175,624</u>	<u>175,624</u>	<u>355,064</u>	<u>179,440</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	133,624	133,624	313,064	179,440
Fund Balance, Beginning of Year	<u>1,398,591</u>	<u>1,398,591</u>	<u>1,398,591</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,532,215</u>	<u>\$ 1,532,215</u>	<u>\$ 1,711,655</u>	<u>\$ 179,440</u>

City of Lancaster, Texas
Notes to Required Supplementary Information
September 30, 2015

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 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.

DRAFT

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

City of Lancaster, Texas
Nonmajor Governmental Funds
September 30, 2015

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, 2015

	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
Assets							
Cash and cash equivalents	\$ 1,567,047	\$ 444,372	\$ 3,519	\$ 31,286	\$ 506,370	\$ 569,594	\$ 3,122,188
Receivables (net of allowance for uncollectibles)							
Delinquent taxes	-	10,001	-	-	-	-	10,001
Accounts receivable	211,873	-	-	-	30,611	21,749	264,233
Prepaid items	7,553	-	-	-	-	-	7,553
	<u>1,786,473</u>	<u>454,373</u>	<u>3,519</u>	<u>31,286</u>	<u>536,981</u>	<u>591,343</u>	<u>3,403,975</u>
Total assets	<u>\$ 1,786,473</u>	<u>\$ 454,373</u>	<u>\$ 3,519</u>	<u>\$ 31,286</u>	<u>\$ 536,981</u>	<u>\$ 591,343</u>	<u>\$ 3,403,975</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts and contracts payable	\$ 919	\$ 984	\$ -	\$ -	\$ 1,813	\$ 6,259	\$ 9,975
Accrued liabilities	73,899	-	-	-	-	691	74,590
	<u>74,818</u>	<u>984</u>	<u>-</u>	<u>-</u>	<u>1,813</u>	<u>6,950</u>	<u>84,565</u>
Total liabilities	<u>74,818</u>	<u>984</u>	<u>-</u>	<u>-</u>	<u>1,813</u>	<u>6,950</u>	<u>84,565</u>
Deferred inflows of resources	-	9,682	-	-	-	-	9,682
	<u>-</u>	<u>9,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,682</u>
Fund balances							
Nonspendable for inventory and prepaid items	7,553	-	-	-	-	-	7,553
Restricted for							
Public works	1,704,102	-	-	-	-	-	1,704,102
Public improvement districts	-	443,707	-	-	-	-	443,707
Police grants	-	-	3,519	31,286	-	-	34,805
Tourism, convention centers, arts	-	-	-	-	535,168	-	535,168
Law enforcement purposes	-	-	-	-	-	584,393	584,393
	<u>1,711,655</u>	<u>443,707</u>	<u>3,519</u>	<u>31,286</u>	<u>535,168</u>	<u>584,393</u>	<u>3,309,728</u>
Total fund balances	<u>1,711,655</u>	<u>443,707</u>	<u>3,519</u>	<u>31,286</u>	<u>535,168</u>	<u>584,393</u>	<u>3,309,728</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,786,473</u>	<u>\$ 454,373</u>	<u>\$ 3,519</u>	<u>\$ 31,286</u>	<u>\$ 536,981</u>	<u>\$ 591,343</u>	<u>\$ 3,403,975</u>

City of Lancaster, Texas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended September 30, 2015

	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	\$ 1,510,592	\$ 311,821	\$ -	\$ -	\$ 145,503	\$ -	\$ 1,967,916
Licenses and permits	-	-	-	-	-	294,025	294,025
Miscellaneous	-	508	1,781	-	-	13,018	15,307
Interest	688	238	10	15	208	273	1,432
Total revenues	<u>1,511,280</u>	<u>312,567</u>	<u>1,791</u>	<u>15</u>	<u>145,711</u>	<u>307,316</u>	<u>2,278,680</u>
Expenditures							
Current							
Public safety	-	-	7,138	-	-	105,774	112,912
Public works	1,084,462	-	-	-	-	-	1,084,462
Community development and recreation	-	192,198	-	-	43,861	-	236,059
Capital outlay	22,041	895	10,000	-	-	-	32,936
Debt service							
Principal retirement	30,000	-	-	-	-	34,218	64,218
Interest and fiscal charges	19,713	-	-	-	-	-	19,713
Total expenditures	<u>1,156,216</u>	<u>193,093</u>	<u>17,138</u>	<u>-</u>	<u>43,861</u>	<u>139,992</u>	<u>1,550,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>355,064</u>	<u>119,474</u>	<u>(15,347)</u>	<u>15</u>	<u>101,850</u>	<u>167,324</u>	<u>728,380</u>
Other Financing Uses							
Operating transfers out	(42,000)	-	-	-	-	-	(42,000)
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	313,064	119,474	(15,347)	15	101,850	167,324	686,380
Fund Balances, Beginning of Year	<u>1,398,591</u>	<u>324,233</u>	<u>18,866</u>	<u>31,271</u>	<u>433,318</u>	<u>417,069</u>	<u>2,623,348</u>
Fund Balances, End of Year	<u>\$ 1,711,655</u>	<u>\$ 443,707</u>	<u>\$ 3,519</u>	<u>\$ 31,286</u>	<u>\$ 535,168</u>	<u>\$ 584,393</u>	<u>\$ 3,309,728</u>

City of Lancaster, Texas
Nonmajor Enterprise Funds
September 30, 2015

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, 2015

Assets	Golf Course Fund	Refuse Fund	Total Nonmajor Enterprise Funds
Current Assets			
Cash and cash equivalents	\$ 207,896	\$ -	\$ 207,896
Receivables (net of allowance for uncollectibles)			
Accounts	-	103,652	103,652
Unbilled	-	140,718	140,718
	207,896	244,370	452,266
Total current assets			
	207,896	244,370	452,266
Noncurrent Assets			
Capital assets			
Nondepreciable	349,554	-	349,554
Depreciable (net of accumulated depreciation)	1,798,455	-	1,798,455
	2,148,009	-	2,148,009
Total noncurrent assets			
	2,148,009	-	2,148,009
Total assets			
	2,355,905	244,370	2,600,275
Liabilities			
Current Liabilities			
Accounts and contracts payable	58	751,865	751,923
Accrued liabilities	330	24,479	24,809
Compensated absences	-	218	218
	388	776,562	776,950
Total current liabilities			
	388	776,562	776,950
Noncurrent Liabilities			
Compensated absences	-	654	654
	-	654	654
Total noncurrent liabilities			
	-	654	654
Total liabilities			
	388	777,216	777,604
Net Position (Deficit)			
Net investment in capital assets	2,148,009	-	2,148,009
Unrestricted	207,508	(532,846)	(325,338)
	\$ 2,355,517	\$ (532,846)	\$ 1,822,671

City of Lancaster, Texas
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended September 30, 2015

	Golf Course Fund	Refuse Fund	Total Nonmajor Enterprise Funds
Operating Revenues			
Charges for services	\$ 72,021	2,281,175	\$ 2,353,196
Miscellaneous	3,836	-	3,836
	<u>75,857</u>	<u>2,281,175</u>	<u>2,357,032</u>
Total operating revenues			
Operating Expenses			
Maintenance	1,281	190,594	191,875
Heat, light and power	188	-	188
Depreciation	77,681	-	77,681
Special services	3,084	1,943,929	1,947,013
Equipment rental	-	375	375
	<u>82,234</u>	<u>2,134,898</u>	<u>2,217,132</u>
Total operating expenses			
Operating Income (Loss)	<u>(6,377)</u>	<u>146,277</u>	<u>139,900</u>
Nonoperating Revenues (Expenses)			
Interest revenue	94	-	94
	<u>94</u>	<u>-</u>	<u>94</u>
Total nonoperating revenues (expenses)			
Income (Loss) Before Transfers	(6,283)	146,277	139,994
Transfers out	<u>(63,000)</u>	<u>(150,000)</u>	<u>(213,000)</u>
Change in Net Position (Deficit)	(69,283)	(3,723)	(73,006)
Net Position (Deficit), Beginning of Year	<u>2,424,800</u>	<u>(529,123)</u>	<u>1,895,677</u>
Net Position (Deficit), End of Year	<u>\$ 2,355,517</u>	<u>\$ (532,846)</u>	<u>\$ 1,822,671</u>

City of Lancaster, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2015

	Golf Course Fund	Refuse Fund	Total Nonmajor Enterprise Fund
Operating Activities			
Receipts from customers and users	\$ 72,079	\$ 2,282,407	\$ 2,354,486
Payments to employees	-	8,034	8,034
Payments to suppliers	(4,553)	(2,140,441)	(2,144,994)
Net cash provided by operating activities	<u>67,526</u>	<u>150,000</u>	<u>217,526</u>
Noncapital and Related Financing Activities			
Operating transfers out to other funds	(63,000)	(150,000)	(213,000)
Net cash used in noncapital financing activities	<u>(63,000)</u>	<u>(150,000)</u>	<u>(213,000)</u>
Investing Activities			
Interest on investments	94	-	94
Net cash provided by investing activities	<u>94</u>	<u>-</u>	<u>94</u>
Increase in Cash and Cash Equivalents	4,620	-	4,620
Cash and Cash Equivalents, Beginning of Year	<u>203,276</u>	<u>-</u>	<u>203,276</u>
Cash and Cash Equivalents, End of year	<u><u>\$ 207,896</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 207,896</u></u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (6,377)	\$ 146,277	\$ 139,900
Item not requiring cash			
Depreciation	77,681	-	77,681
Changes in			
Accounts receivable	-	1,232	1,232
Accounts payable	(3,778)	(5,543)	(9,321)
Accrued expenses	-	8,034	8,034
Net cash provided by operating activities	<u><u>\$ 67,526</u></u>	<u><u>\$ 150,000</u></u>	<u><u>\$ 217,526</u></u>

City of Lancaster, Texas
Discretely Presented Component Units
September 30, 2015

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, 2015

Assets	
Cash and cash equivalents	\$ 4,082,332
Sales tax receivable	184,067
Prepaid expenses	<u>12,314</u>
Total assets	<u>4,278,713</u>
 Liabilities	
Accrued liabilities	<u>1,282</u>
Total liabilities	<u>1,282</u>
 Fund Balances	
Nonspendable for prepaid items	12,314
Unassigned	<u>4,265,117</u>
Total fund balances	<u>4,277,431</u>
Total Liabilities and Fund Balance	<u>\$ 4,278,713</u>

City of Lancaster, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Economic Development Corporation
September 30, 2015

Total fund balance	\$ 4,277,431
<p>Amounts reported 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 balance sheet.</p>	(10,906)
<p>Capital assets used in governmental activities are not financial resources; therefore, are not reported as assets in fund financial statements. 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>	(2,012,328)
<p>Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:</p>	
Employer contributions	13,104
Investment return difference (GASB 68)	5,094
Experience difference (GASB 68)	(3,033)
	(3,033)
Total net position	\$ 2,369,740

City of Lancaster, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Economic Development Corporation
For the Year Ended September 30, 2015

Revenues	
Sales taxes	\$ 1,109,083
Interest	1,957
	<u>1,111,040</u>
Total revenues	<u>1,111,040</u>
Expenditures	
Cultural and recreation	451,980
Debt service	
Repayment of note payable to primary government	135,000
Repayment of interest to primary government	92,750
	<u>679,730</u>
Total expenditures	<u>679,730</u>
Excess of revenues over expenditures	<u>431,310</u>
Net Change in Fund Balance	431,310
Fund Balance, Beginning of Year	<u>3,846,121</u>
Fund Balance, End of Year	<u>\$ 4,277,431</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
For the Year Ended September 30, 2015

Net change in fund balance	\$ 431,310	
Amounts reported in the statement of activities are different because:		
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.	135,000	
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.	4,254	
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.	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">688</td> </tr> </table>	688
688		
Change in net position	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">\$ 571,252</td> </tr> </table>	\$ 571,252
\$ 571,252		

City of Lancaster, Texas
Balance Sheet
Recreational Development Corporation
September 30, 2015

Assets	
Cash and cash equivalents	\$ 1,116,457
Sales tax receivable	375,494
Prepaid Expenses	<u>15,707</u>
Total assets	<u>1,507,658</u>
Liabilities and Deferred Inflows of Resources	
Accounts payable	114,323
Accrued liabilities	127,322
Due to primary government	<u>528,753</u>
Total liabilities	<u>770,398</u>
Deferred inflows of resources	<u>38,691</u>
Fund Balance	
Nonspendable for prepaid items	15,707
Unassigned	<u>682,862</u>
Total fund balances	<u>698,569</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,507,658</u>

City of Lancaster, Texas
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
Recreational Development Corporation
September 30, 2015

Total fund balance	\$ 698,569
Amounts reported in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in fund financial statements. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	10,801,602
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.	38,691
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the balance sheet.	(32,875)
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.	(7,679,082)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:	
Employer contributions	62,613
Investment return difference (GASB 68)	24,338
Experience difference (GASB 68)	<u>(14,890)</u>

City of Lancaster, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Recreational Development Corporation
For the Year Ended September 30, 2015

Revenues	
Sales taxes	\$ 2,176,600
Charges for services	532,251
Intergovernmental	48,982
Other revenues	383,863
Interest	<u>478</u>
Total revenues	<u>3,142,174</u>
Expenditures	
Cultural and recreation	2,126,949
Capital outlay	153,003
Debt service	
Repayment of note payable to primary government	460,000
Repayment of interest to primary government	<u>272,300</u>
Total expenditures	<u>3,012,252</u>
Excess of revenues over expenditures	<u>129,922</u>
Net Change in Fund Balance	129,922
Fund Balance, Beginning of Year	<u>568,647</u>
Fund Balance, End of Year	<u><u>\$ 698,569</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
For the Year Ended September 30, 2015

Net change in fund balance	\$ 129,922
Amounts reported 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 as depreciation expense. This amount is the amount of capital outlay recorded as capital assets in the current period.	153,003
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.	(412,056)
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.	460,000
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.	20,328
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.	<u>38,014</u>
Change in net position	<u><u>\$ 389,211</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
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.</i>	
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
Revenue Capacity – <i>These tables contain information to help the reader assess one of the City's most significant revenue sources, the property tax.</i>	
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 nine years ago
H	<i>Ad Valorem</i> tax levies and collections, last ten fiscal years
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>	
I	Ratios of outstanding debt by type, last ten fiscal years
J	Ratios of net general bonded debt to assessed value and net bonded debt <i>per capita</i> , 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
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.</i>	
N	Demographic and Economic Statistics, last ten calendar years
O	Principal employers, current and six years ago
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.</i>	
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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net investment in capital assets	\$ 59,998,301	\$ 54,560,297	\$ 50,425,678	\$ 40,366,067	\$ 51,819,877	\$ 50,606,700	\$ 55,109,346	\$ 46,231,794	\$ 46,504,601	\$ 43,186,713
Restricted for										
Housing and Urban Development	-	-	-	-	-	-	-	201,618	198,242	-
Court Security	-	-	-	-	-	-	-	-	-	25,509
Court Technology	-	-	-	-	-	-	-	-	-	77,596
Debt service	684,097	602,144	297,651	620,279	222,762	718,522	242,823	352,439	397,888	602,627
Public improvement districts	-	-	-	-	-	-	-	254,959	324,233	443,707
Tourism, convention centers, arts	-	-	-	-	-	-	-	367,370	433,318	535,168
Law enforcement purposes	-	-	-	-	-	-	-	616,916	467,206	619,198
Unrestricted	(1,825,206)	7,297,462	10,496,418	20,277,619	6,060,550	5,465,566	2,408,817	8,209,270	6,496,829	1,070,880
Total governmental activities net asset	\$ 58,857,192	\$ 62,459,903	\$ 61,219,747	\$ 61,263,965	\$ 58,103,189	\$ 56,790,788	\$ 57,760,986	\$ 56,234,366	\$ 54,822,317	\$ 46,561,398
Business-type Activities										
Net investment in capital assets	\$ 32,552,943	\$ 29,528,199	\$ 29,900,904	\$ 33,653,811	\$ 38,435,110	\$ 38,270,127	\$ 37,955,920	\$ 37,933,467	\$ 38,224,476	\$ 33,117,792
Restricted for										
Debt service	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	15,650,205	14,484,020	10,060,820	7,595,677	1,936,585	11,135,037	13,121,089	15,798,314	17,260,560	24,342,877
Total business-type activities net asset	\$ 48,672,148	\$ 48,874,540	\$ 46,993,736	\$ 47,309,313	\$ 46,539,151	\$ 49,405,164	\$ 51,077,009	\$ 53,731,781	\$ 55,485,036	\$ 57,460,669
Primary Government										
Net investment in capital assets	\$ 92,551,244	\$ 84,088,496	\$ 80,326,582	\$ 74,019,878	\$ 90,254,987	\$ 88,876,827	\$ 93,065,266	\$ 84,165,261	\$ 84,729,077	\$ 76,304,505
Restricted for										
Housing and Urban Development	-	-	-	-	-	-	-	201,618	198,242	-
Court Security	-	-	-	-	-	-	-	-	-	25,509
Court Technology	-	-	-	-	-	-	-	-	-	77,596
Public improvement districts	-	-	-	-	-	-	-	254,959	324,233	443,707
Tourism, convention centers, arts	-	-	-	-	-	-	-	367,370	433,318	535,168
Law enforcement purposes	-	-	-	-	-	-	-	616,916	467,206	619,198
Debt service	1,153,097	602,144	2,118,561	1,352,266	954,749	718,522	242,823	352,439	397,888	602,627
Impact fees	-	4,862,321	-	-	-	-	-	-	-	-
Capital	-	-	5,211,102	5,327,838	5,435,469	-	-	-	-	-
Governmental funded construction costs	-	-	-	-	-	-	-	-	-	-
Unrestricted	13,824,999	21,781,482	20,557,238	27,873,296	7,997,135	16,600,603	15,529,906	24,007,584	23,757,389	25,413,757
Total primary governmental net assets	\$ 107,529,340	\$ 111,334,443	\$ 108,213,483	\$ 108,573,278	\$ 104,642,340	\$ 106,195,952	\$ 108,837,995	\$ 109,966,147	\$ 110,307,353	\$ 104,022,067

Source: Comprehensive Annual Financial Report

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities										
General government	\$ 4,538,632	\$ 4,274,611	\$ 5,395,286	\$ 3,689,422	\$ 4,603,846	\$ 4,254,835	\$ 3,642,761	\$ 4,171,973	\$ 4,055,911	\$ 3,899,052
Public safety	13,718,040	13,169,737	14,116,941	14,487,896	14,829,005	14,333,669	14,232,681	14,350,239	14,898,549	16,540,660
Public works	1,129,462	3,176,963	3,162,728	4,902,806	5,678,976	4,832,457	5,119,834	4,991,125	4,926,327	6,016,140
Community development and recreation	3,937,805	3,635,543	4,290,873	1,506,422	1,317,628	1,048,563	1,173,498	1,238,745	1,260,500	1,225,730
Community service	775	29,037	-	-	-	-	-	-	-	-
Social and welfare	7,659,020	8,071,230	9,015,301	8,496,435	8,599,376	8,640,215	8,493,007	2,048,769	3,623	-
Nondepartmental	2,703,926	1,949,265	-	-	-	-	-	-	-	-
Interest and fiscal charges	879,335	1,514,305	2,367,768	2,053,606	2,880,768	2,837,440	2,367,927	1,836,254	3,054,899	3,379,380
Total governmental activities expenses	<u>34,566,995</u>	<u>35,820,691</u>	<u>38,348,897</u>	<u>35,136,587</u>	<u>37,909,599</u>	<u>35,947,179</u>	<u>35,029,708</u>	<u>28,637,105</u>	<u>28,199,809</u>	<u>31,060,962</u>
Business-type activities										
Water and sewer	8,597,834	9,806,091	10,479,809	9,621,112	10,082,971	9,178,117	10,085,993	9,945,611	11,215,515	12,185,162
Refuse	-	1,794,083	2,026,237	1,247,727	1,769,530	2,196,791	2,509,957	2,050,731	2,153,859	2,134,898
Airport	305,457	1,154,670	914,387	923,923	810,211	905,354	982,868	852,874	886,065	909,428
Golf course	187,650	125,495	107,311	135,276	86,966	83,002	139,621	108,196	86,605	78,398
Total business-type activities expenses	<u>9,090,941</u>	<u>12,880,339</u>	<u>13,527,744</u>	<u>11,928,038</u>	<u>12,749,678</u>	<u>12,363,264</u>	<u>13,718,439</u>	<u>12,957,412</u>	<u>14,342,044</u>	<u>15,307,886</u>
Total primary government expenses	<u>\$ 43,657,936</u>	<u>\$ 48,701,030</u>	<u>\$ 51,876,641</u>	<u>\$ 47,064,625</u>	<u>\$ 50,659,277</u>	<u>\$ 48,310,443</u>	<u>\$ 48,748,147</u>	<u>\$ 41,594,517</u>	<u>\$ 42,541,853</u>	<u>\$ 46,368,848</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ -	\$ -	\$ 25,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	2,249,380	2,041,552	1,610,438	1,759,314	1,759,747	1,394,684	1,529,136	787,570	990,079	1,436,765
Public works	812,042	876,625	989,766	927,298	920,361	1,261,640	682,137	1,863,869	1,856,563	1,838,598
Community development and recreation	2,793,345	1,654,124	1,056,471	542,632	518,507	-	-	-	-	-
Community service	90,669	93,292	-	-	-	-	-	-	-	-
Social and welfare	-	-	-	-	-	-	2,814,031	1,339,640	-	1,946,379
Operating grants and contributions	9,385,998	8,922,577	10,588,454	8,424,486	8,817,871	8,765,448	8,171,297	-	-	-
Capital grants and contributions	5,066,852	6,557,823	132,158	1,384,895	1,866,380	1,740,834	1,146,735	-	-	-
Total governmental activities program revenues	<u>20,398,286</u>	<u>20,145,993</u>	<u>\$ 14,402,697</u>	<u>\$ 13,038,625</u>	<u>\$ 13,882,866</u>	<u>\$ 13,162,606</u>	<u>\$ 11,529,305</u>	<u>\$ 5,465,470</u>	<u>\$ 4,186,282</u>	<u>\$ 5,221,742</u>

City of Lancaster, Texas
Table B – Change in Net Position (Continued)
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities										
Charges for services										
Water and sewer	\$ 11,332,581	\$ 10,076,290	\$ 10,065,258	\$ 10,869,572	\$ 10,924,161	\$ 11,480,609	\$ 14,209,081	\$ 14,251,489	\$ 14,291,481	\$ 15,807,876
Refuse	-	1,701,763	1,988,397	1,465,835	1,799,068	2,124,940	2,077,599	2,171,652	2,190,122	2,281,175
Airport	148,476	429,206	682,872	541,019	576,949	726,819	806,724	750,308	788,602	748,077
Golf course	73,279	56,304	66,487	80,749	72,550	84,542	94,847	85,595	79,845	72,021
Operating grants and contributions	-	61,998	19,281	30,695	382,600	50,089	-	-	-	-
Capital grants and contributions	1,246,609	1,475,994	-	530,710	565,364	-	300,000	-	-	-
<u>Total business-type activities program revenues</u>	<u>12,800,945</u>	<u>13,801,555</u>	<u>12,822,295</u>	<u>13,518,580</u>	<u>14,320,692</u>	<u>14,466,999</u>	<u>17,488,251</u>	<u>17,259,044</u>	<u>17,350,050</u>	<u>18,909,149</u>
<u>Total primary government program revenues</u>	<u>\$ 33,199,231</u>	<u>\$ 33,947,548</u>	<u>\$ 27,224,992</u>	<u>\$ 26,557,205</u>	<u>\$ 28,203,558</u>	<u>\$ 27,629,605</u>	<u>\$ 29,017,556</u>	<u>\$ 22,724,514</u>	<u>\$ 21,536,332</u>	<u>\$ 24,130,891</u>
Net (Expenses) Revenues										
Governmental activities	\$ (14,168,709)	\$ (15,674,698)	\$ (23,946,200)	\$ (22,097,962)	\$ (24,026,733)	\$ (22,784,573)	\$ (23,500,403)	\$ (23,171,635)	\$ (24,013,527)	\$ (25,839,220)
Business-type activities	3,710,004	921,216	(705,449)	1,590,542	1,571,014	2,103,735	3,769,812	4,301,632	3,008,006	3,601,263
<u>Total primary government net expenses</u>	<u>\$ (10,458,705)</u>	<u>\$ (14,753,482)</u>	<u>\$ (24,651,649)</u>	<u>\$ (20,507,420)</u>	<u>\$ (22,455,719)</u>	<u>\$ (20,680,838)</u>	<u>\$ (19,730,591)</u>	<u>\$ (18,870,003)</u>	<u>\$ (21,005,521)</u>	<u>\$ (22,237,957)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property taxes	\$ 9,332,956	\$ 10,627,693	\$ 12,617,630	\$ 13,426,315	\$ 12,194,286	\$ 13,621,585	\$ 13,255,066	\$ 12,299,191	\$ 12,240,385	\$ 14,047,562
Sales taxes	3,628,772	3,667,558	3,463,123	3,881,711	4,532,556	4,693,061	5,676,841	4,845,324	4,960,391	5,545,413
Franchise taxes	1,608,721	1,820,777	2,158,341	1,822,233	1,722,966	2,477,222	3,526,875	2,969,849	3,337,767	2,127,730
Other local taxes	39,734	48,275	41,853	146,970	116,535	127,887	51,632	-	48,110	1,261,932
Interest on investments	267,652	914,385	1,141,586	156,990	36,118	40,627	44,197	22,654	10,241	15,923
Miscellaneous	385,520	310,259	204,380	1,380,725	1,374,279	1,180,897	484,754	343,709	324,621	489,467
Transfers	(236,396)	794,510	1,327,654	1,327,236	2,381,236	(669,107)	1,431,236	1,856,628	1,679,963	1,635,572
<u>Total governmental activities</u>	<u>15,026,959</u>	<u>18,183,457</u>	<u>20,954,567</u>	<u>22,142,180</u>	<u>22,357,976</u>	<u>21,472,172</u>	<u>24,470,601</u>	<u>22,337,355</u>	<u>22,601,478</u>	<u>25,123,599</u>
Business-type activities										
Interest on investments	526,003	523,640	143,189	30,087	15,963	15,105	30,081	26,255	9,682	14,728
Miscellaneous	6,970	2,971	9,110	22,184	24,097	78,066	(696,812)	511,763	415,530	783,706
Transfers	236,396	(794,510)	(1,327,654)	(1,327,236)	(2,381,236)	669,107	(1,431,236)	(1,856,628)	(1,679,963)	(1,635,572)
<u>Total business-type activities</u>	<u>769,369</u>	<u>(267,899)</u>	<u>(1,175,355)</u>	<u>(1,274,965)</u>	<u>(2,341,176)</u>	<u>762,278</u>	<u>(2,097,967)</u>	<u>(1,318,610)</u>	<u>(1,254,751)</u>	<u>(837,138)</u>
<u>Total primary government</u>	<u>15,796,328</u>	<u>17,915,558</u>	<u>19,779,212</u>	<u>20,867,215</u>	<u>20,016,800</u>	<u>22,234,450</u>	<u>22,372,634</u>	<u>21,018,745</u>	<u>21,346,727</u>	<u>24,286,461</u>
Change in Net Position										
Governmental activities	858,250	2,508,759	(2,991,633)	44,218	(1,668,757)	(1,312,401)	970,198	(834,280)	(1,412,049)	(715,621)
Business-type activities	4,479,373	653,317	(1,880,804)	315,577	(770,162)	2,866,013	1,671,845	2,983,022	1,753,255	2,764,125
<u>Total primary government</u>	<u>\$ 5,337,623</u>	<u>\$ 3,162,076</u>	<u>\$ (4,872,437)</u>	<u>\$ 359,795</u>	<u>\$ (2,438,919)</u>	<u>\$ 1,553,612</u>	<u>\$ 2,642,043</u>	<u>\$ 2,148,742</u>	<u>\$ 341,206</u>	<u>\$ 2,048,504</u>

Source: Comprehensive Annual Financial Report

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

	Fiscal Year (Pre-GASB 54)				
	2006	2007	2008	2009	2010
General Fund					
Reserved for					
Unreserved and designated	\$ 213,937	\$ 93,632	\$ -	\$ 100,721	\$ 100,721
Unreserved and undesignated	<u>5,338,325</u>	<u>3,355,937</u>	<u>2,677,344</u>	<u>3,740,866</u>	<u>3,584,666</u>
Total general fund	<u>\$ 5,552,262</u>	<u>\$ 3,449,569</u>	<u>\$ 2,677,344</u>	<u>\$ 3,841,587</u>	<u>\$ 3,685,387</u>
All Other Governmental Funds					
Reserved for					
Housing and Urban Development	\$ 726,346	\$ 770,244	\$ 982,226	\$ 884,078	\$ 960,264
Inventory and prepaid items	15,676	417	3,929	870	690,548
Court technology	-	-	-	35,871	35,871
Westwood wall	-	-	-	30,000	30,000
Capital projects	(8,072,596)	10,826,744	474,461	(8,485,282)	19,428,162
Debt service	558,690	923,684	295,932	586,712	1,081,805
Unreserved and undesignated – special revenue funds	<u>828,009</u>	<u>2,244,427</u>	<u>1,320,503</u>	<u>871,868</u>	<u>(176,741)</u>
Total all other governmental funds	<u>\$ (5,943,875)</u>	<u>\$ 14,765,516</u>	<u>\$ 3,077,051</u>	<u>\$ (6,075,883)</u>	<u>\$ 22,049,909</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)

	Fiscal Year (Post-GASB 54)				
	2011	2012	2013	2014	2015
General Fund					
Nonspendable	\$ -	\$ -	\$ 50,317	\$ 181,550	\$ 181,224
Court security	-	-	-	-	25,509
Court technology	-	-	-	-	77,596
Unassigned	<u>4,554,413</u>	<u>6,793,956</u>	<u>6,447,889</u>	<u>5,676,223</u>	<u>6,383,964</u>
Total general fund	<u>\$ 4,554,413</u>	<u>\$ 6,793,956</u>	<u>\$ 6,498,206</u>	<u>\$ 5,857,773</u>	<u>\$ 6,668,293</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ 3,519	\$ 3,519	\$ 7,553
Restricted for					
Housing and Urban Development	1,097,652	950,820	201,618	198,242	-
Capital projects	15,286,477	9,723,620	8,742,773	8,177,260	12,782,493
Debt service	718,522	242,823	352,439	397,888	602,627
Public works	467,955	832,928	1,085,362	1,395,072	1,704,102
Public improvement districts	85,076	189,076	254,959	324,233	443,707
Police grants	9,477	7,539	7,299	50,137	34,805
Tourism, convention centers arts	252,144	298,965	367,370	433,318	535,168
Law enforcement purposes	<u>240,589</u>	<u>395,610</u>	<u>609,617</u>	<u>417,069</u>	<u>584,393</u>
Total all other governmental funds	<u>\$ 18,157,892</u>	<u>\$ 12,641,381</u>	<u>\$ 11,624,956</u>	<u>\$ 11,396,738</u>	<u>\$ 16,694,848</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										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues											
Taxes and fees	\$ 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	\$ 21,269,177	\$ 23,577,637
Licenses and permits	1,034,360	1,327,956	1,030,736	991,440	746,037	807,945	773,463	857,841	1,148,329	975,217	951,760
Intergovernmental	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	1,339,640	1,946,379
Charges for services	910,666	844,018	996,431	455,084	517,691	516,420	533,411	671,295	715,540	881,346	886,838
Fines and forfeitures	1,764,638	1,658,662	1,824,412	1,524,133	1,075,935	906,897	909,658	884,828	787,570	990,079	1,436,765
Interest	190,921	267,652	946,133	1,141,586	156,990	36,118	40,934	44,197	22,654	10,241	15,923
Miscellaneous	787,793	2,051,537	1,334,997	2,190,957	2,000,345	727,462	481,671	484,754	343,709	324,621	489,467
Total revenues	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	25,790,321	29,304,769
Expenditures											
Current											
General government	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	3,437,170	3,800,206
Public safety	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	13,652,389	14,978,932
Public works	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	2,446,367	2,740,264
Community development and recreation	3,731,559	3,668,960	3,719,050	4,077,685	1,379,462	1,186,687	908,906	1,028,649	1,087,215	1,093,189	1,044,526
Community service	11,023	775	19,073	-	-	-	-	-	-	-	-
Non departmental	1,726,818	2,612,449	1,606,171	-	-	-	-	-	-	-	-
Social and welfare	8,162,741	7,659,020	7,412,359	9,015,301	8,496,435	8,599,376	8,640,215	8,493,007	2,048,769	3,623	-
Capital outlay	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	1,938,125	2,090,865
Debt Service											
Principal retirement	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	2,614,905	3,168,011
Interest and fiscal charges	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	3,102,850	3,248,164
Cost of issuance of bonds	-	-	-	-	-	-	-	94,871	-	-	294,059
Total expenditures	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	28,288,618	31,365,027
Excess (deficiency) of revenues over (under) expenditures	(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)	(2,498,297)	(2,060,258)
Other Financing Sources (Uses)											
Notes issued	\$ -	\$ -	\$ (3,035,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds issued	-	-	29,550,000	-	-	34,995,000	-	5,690,060	-	-	4,580,316
Capital leases issued	-	-	-	-	-	-	-	366,345	-	-	1,250,000
Payment to refunding escrow agent	-	-	(1,439,882)	-	-	-	-	(12,972,717)	-	-	(18,399,389)
Premium on issuance of bonds	-	-	340,132	-	-	-	-	1,417,588	-	-	2,167,688
Proceeds from refunding bonds issued	-	-	-	-	-	-	-	11,650,000	-	-	16,934,701
Proceeds from capital lease	-	-	-	732,858	265,987	-	-	-	-	-	-
Transfers from other funds	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	1,807,362	1,992,109
Transfers to other funds	(373,833)	(1,755,045)	(595,195)	(1,182,588)	(108,768)	(104,000)	(2,204,343)	(104,000)	(104,000)	(127,399)	(356,537)
Total other financing sources (uses)	460,012	(236,396)	26,209,760	2,060,512	1,593,223	37,376,236	(669,107)	7,582,512	1,856,628	1,679,963	8,168,888
Net Change in Fund Balances	(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)	(818,334)	6,108,630
Debt service as a percentage of noncapital expenditures	4.2%	9.0%	5.9%	11.1%	9.7%	10.8%	14.1%	14.5%	15.2%	21.7%	22.9%

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
2006	972,961,625	338,111,031	240,416,328	49,315,300	1,502,173,684	\$ 0.67170	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	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	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	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	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	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	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	100.00%
2014	853,863,082	466,827,012	321,175,960	83,824,650	1,558,041,404	\$ 0.86750	1,558,041,404	100.00%
2015	925,157,825	497,341,044	354,216,361	87,588,750	1,689,126,480	\$ 0.86750	1,689,126,480	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 its market value. Tax rates are per \$100 of assessed value.

^a Includes adjustments to certified rolls.

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 Obligation Debt Service	Total Direct	Lancaster Independent School District	Dallas Independent School District	Lancaster MUD#1	Dallas County	Dallas County Hospital (Parkland)
2006	0.609100	0.062600	0.67170	1.726000	1.502640	0.900000	0.213900	0.254000
2007	0.609100	0.128400	0.73750	1.407700	1.199643	0.900000	0.228100	0.254000
2008	0.644100	0.133400	0.77750	1.412700	1.183402	0.900000	0.228100	0.254000
2009	0.614100	0.163400	0.77750	1.412700	1.040050	1.060000	0.228100	0.274000
2010	0.650200	0.217300	0.86750	1.412700	1.040050	1.060000	0.243100	0.271000
2011	0.601200	0.266300	0.86750	1.412700	1.040050	1.060000	0.243100	0.271000
2012	0.601200	0.266300	0.86750	1.418000	1.040050	1.060000	0.243100	0.271000
2013	0.601200	0.266300	0.86750	1.418000	1.040050	1.060000	0.243100	0.271000
2014	0.601200	0.266300	0.86750	1.418000	1.040050	1.060000	0.243100	0.271000
2015	0.601200	0.266300	0.86750	1.540000	1.040050	1.060000	0.243100	0.286000

Source: Dallas County

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

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^a	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^a
Prologis Na2 Us LLC	\$ 113,672,640	1	6.73%			
Oncor Electric Delivery Co	54,599,070	2	3.23%			
United Natural Foods Inc	36,088,501	3	2.14%			
AT&T Corp	35,451,498	4	2.10%			
Mobis Parts America	33,336,878	5	1.97%			
Walmart Stores Inc	24,086,600	6	1.43%			
BMW of North America	22,743,520	7	1.35%			
Quaker Pepsico	20,349,120	8	1.20%			
Brasscraft Manufacturing Co	15,846,592	9	0.94%			
M&A Texas Lancaster LTD	12,659,950	10	0.75%			
Southwestern Bell	-		0.00%	\$ 48,352,220	1	3.22%
Texas Utilities Elec Co	-		0.00%	34,415,693	2	2.29%
Brasscraft Manufacturing Co	-		0.00%	14,935,743	3	0.99%
Swift Transportation Inc	-		0.00%	12,989,288	4	0.86%
Ericsson Inc	-		0.00%	12,735,776	5	0.85%
Brenntag Southwest, Inc.	-		0.00%	11,069,982	6	0.74%
Walmart Real Est Bus	-		0.00%	9,975,000	7	0.66%
	<u>\$ 368,834,369</u>		<u>21.84%</u>	<u>\$ 144,473,702</u>		<u>9.61%</u>

Source: City of Lancaster, Budget Document and the Dallas Central Appraisal District.

Note: ^a Taxpayers are assessed on January 1st of each 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		Delinquent Tax Collections	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2014	12,731,142	12,710,498	99.84%	333,520	13,044,018	102.46%
2015	13,892,617	14,015,979	100.89%	298,426	14,314,405	103.04%

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 General Obligation Bonds & Certificates of Obligation	Airport Bonds	Other Obligations			
2006	15,249,865	2,910,000	2,324,214	8,313,946	176,190	955,377	29,929,592	N/A	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	11.29%	2,393
2014	48,315,000	20,960,000	5,555,698	11,625,000	100,000	17,703	86,573,401	11.24%	2,274
2015	51,395,000	17,180,000	5,085,000	11,610,000	100,000	480,000	85,850,000	11.61%	2,244

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.

City of Lancaster, Texas
Table J – Ratios 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		
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
2014	\$ 48,315,000	\$ 20,960,000	\$ 69,275,000	4.45%	1,820
2015	\$ 51,395,000	\$ 17,180,000	\$ 68,575,000	4.06%	1,793

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.

City of Lancaster, Texas Table K – Legal Debt Margin Information Last Ten Fiscal Years (Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	<u>0.6717</u>	<u>0.7375</u>	<u>0.7775</u>	<u>0.7775</u>	<u>0.8675</u>	<u>0.8675</u>	<u>0.8675</u>	<u>0.8675</u>	<u>0.8675</u>	<u>0.8675</u>
Available tax rate	<u>\$ 1.83</u>	<u>\$ 1.76</u>	<u>\$ 1.72</u>	<u>\$ 1.72</u>	<u>\$ 1.63</u>					

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, 2015 (Unaudited)

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable ^a	City Share of Overlapping Debt
Lancaster ISD	\$ 144,583,846	86.43%	\$ 124,963,818
Dallas County	84,725,000	0.97%	821,833
Dallas County Hospital District	728,005,000	0.94%	6,843,247
Dallas County Schools	60,215,000	0.94%	566,021
Dallas ISD	2,552,990,000	0.04%	1,021,196
Ferris ISD	30,950,148	0.05%	15,475
Dallas County Community College District	321,510,000	0.90%	2,893,590
	<u>3,922,978,994</u>		<u>137,125,180</u>
City of Lancaster (Direct Debt)	<u>85,850,000</u>	100.00%	<u>85,850,000</u>
Total Direct and Overlapping Debt	<u><u>\$ 4,008,828,994</u></u>		<u><u>\$ 222,975,180</u></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)

Water and Sewer System General Obligation Bonds and Certificates of Oligation					
Less:					
Fiscal Year	Total Revenues^a	Operating Expenses^b	Net Available Revenue	Annual Requirement^c	Times Coverage
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
2014	15,026,427	9,359,770	5,666,657	1,648,888	3.44
2015	17,044,261	13,552,343	3,491,918	1,504,088	2.32

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 Personal Income^b	Median Age^b	Median Household Income^b	School Enrollment^c	Unemployment Rate^d
2006	33,294	*	*	*	52,752	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	803,407,386	21,202	35	46,254	6,538	8.8%
2014	38,071	771,661,099	20,269	32	53,652	6,823	7.0%
2015	38,256	775,410,864	22,347	32	53,652	6,910	6.8%

Sources:

- ^a Estimated Population – City of Lancaster from Census.Gov
- ^b Per Capital Income, Median Age & Median Household Income – U.S. Census Bureau, 2005 – 2014 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

City of Lancaster, Texas
Table O – Principal Employers
Current and Six Years Ago (Unaudited)

Employer	2015			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lancaster ISD	695	1	3.20%	600	1	2.76%
Walmart	480	2	2.21%	450	2	2.07%
Brass Craft	300	3	1.38%	260	3	1.20%
Oak Creek Homes	260	4	1.20%	240	4	1.10%
Cedar Valley College	230	5	1.06%	200	5	0.92%
United National Foods	220	6	1.01%	195	6	0.90%
AT&T Material Distribution	210	7	0.97%	190	7	0.87%
Swift Transportation	205	8	0.94%	185	8	0.85%
Consolidated Mail Pharmacy	200	9	0.92%	180	9	0.83%
Bentwood Companies	180	10	0.83%	170	10	0.78%
FFE Transportation	170	11	0.78%	160	11	0.74%
	<u>3,150</u>		<u>14.48%</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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government Division	15	15	19	19	16	17	15	17	41	44
Public Safety Division	131	136	144	145	147	134	132	133	140	141
Public Works Division	6	6	8	7	7	6	5	5	4	4
Community Development Division	16	16	18	18	16	13	11	10	13	17
Nondepartmental Division	6	7	7	7	7	6	5	5	-	-
Water and Sewer	27	32	34	33	29	31	30	28	22	22
Airport	-	1	1	2	5	4	4	4	5	5
4A LEDC Fund	3	3	3	2	2	2	1	1	1	1
4B LRDC Fund – Library	-	-	-	4	9	9	8	9	8	8
Parks and Recreation Fund	22	25	29	28	45	29	32	32	24	25
Housing	12	12	12	12	12	12	9	4	-	-
Stormwater Fund	8	10	12	13	13	12	11	13	13	13
Total	246	263	287	290	308	273	262	260	271	280

Sources: City of Lancaster Budget Document

City of Lancaster, Texas
Table Q – Operating Indicators by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Number of police officers	57	59	63	59	59	52	51	51	49	54
Number of violations (citations)	31,882	16,694	11,418	12,083	7,927	11,731	12,269	9,432	8,185	5,808
Municipal Court										
Number of traffic cases	9,432	12,110	8,662	9,139	5,356	11,056	19,434	8,865	4,283	5,101
Number of city ordinance cases	2,992	289	772	652	1,116	485	2,298	322	85	1,098
Fire										
Number of fire fighters	47	50	52	59	59	57	56	56	62	62
Number of emergency fire responses	1,921	2,082	1,927	2,021	1,632	1,916	1,846	1,792	1,826	1,913
Number of medical emergencies	2,779	3,269	3,508	3,364	3,748	3,664	4,017	4,268	4,353	4,632
Development Services										
Total number of building permits ^a	792	328	107	95	51	26	38	64	1,090	982
Estimated valuation ^a	114,850,421	47,489,907	22,001,131	17,560,945	8,471,688	4,888,776	5,966,006	10,569,845	40,776,897	54,551,440
Parks and Recreation										
Number of acres	461	491	530	530	863	1,070	1,070	1,070	1,087	1,087
Number of recreation center participants	1,761	1,954	2,448	2,650	2,504	3,279	4,541	3,690	4,375	6,175
Library										
Volumes in collection ^b	76,316	81,812	80,727	85,483	84,786	90,117	90,972	87,468	77,020	86,411
Number of library cardholders	5,671	6,432	9,537	17,913	9,343	6,412	23,701	27,584	30,011	35,892
Water and Wastewater										
Number of water accounts	11,711	12,036	12,223	12,285	12,334	12,543	12,611	12,613	12,723	12,845
Average daily water consumption (millions of gallons)	4	4	4	4	4	5	4	4	4	4
Average daily effluent (millions of gallons)	4	4	4	4	5	4	4	5	5	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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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										
Number of parks	21	21	22	22	24	25	25	25	25	25
Number of baseball diamonds	8	8	8	8	8	8	8	8	8	8
Number of soccer/football fields	12	12	12	12	12	13	13	13	13	13
Public swimming pools	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	3	3	3	3	3	3	3
Library	1	1	1	1	1	1	1	1	1	1
Water and Wastewater										
Water mains (miles)	187	187	187	187	187	187	187	187	188	190
Sanitary sewer mains (miles)	160	160	160	160	160	160	160	160	161	163
Fire hydrants	1,554	1,554	1,554	1,554	1,554	1,554	1,554	1,554	1,558	1,598

Sources: City Departments

LANCASTER CITY COUNCIL
Work Session Agenda Communication
March 21, 2016

Receive a presentation regarding the plan for reconstruction of city streets designated as high priority by the Pavement Management Program (PMP).

This request supports the City Council 2015-2016 Policy Agenda.

Goal: Sound Infrastructure

Background

The City of Lancaster has made a concentrated effort for the last five years to reduce and lessen the deterioration of the streets by sealing cracks, overlaying streets or sections of streets, and reconstructing streets. Staff has partnered with Simon Engineering & Consulting (SEC) to assist in developing a more comprehensive plan and approach for reconstructing streets to provide city crews with guidance for long term maintenance. Council will receive a presentation regarding the FY 2016/2017 plan.

Submitted by:
Jim Brewer, Public Works Director