

City of Lancaster

Comprehensive
Annual
Financial
Report

2016



City of Lancaster, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended

September 30, 2016

City of Lancaster, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2016
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City of Lancaster
CITY MANAGER'S OFFICE

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



March 31, 2017

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, 2016. 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, 2016, 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, 2016, 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 34 square miles, and serves an estimated 2016 population of 39,380. 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 2016, the General Fund accomplished this by having a fund balance of \$6,974,910 which exceeds reserve requirements of 15%.

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 2016 budget was prepared along with a planning budget for fiscal years 2017-20.

Cash management policies and practices: The City's current bank depository contract is with JP Morgan Chase and will be in effect through 2016. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City's investment strategies include using cash flow analysis to purchase securities; however, cash temporarily idle during the year was invested in two public funds investment pools – TexPool and LOGIC. This practice lessens the impact which rising interest rates have on the valuation changes of the portfolio. Investments in the deferred compensation plans are held by the third-party plan administrators. The investment policy is annually updated and approved by the Council in compliance with the Texas Public Funds Investment Act.

Pension and other post-employment benefit: The City participates in the Texas Municipal Retirement System (TMRS), an agency authorized by the State of Texas. Employees of the City contribute a fixed percentage of their gross pay, currently 7% in 2016. 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 7 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, CSHV 20/35, has experienced the location of many well-known national corporations like AT&T Corporation, Oncor Electric Delivery, Swift Transportation Inc., United Natural Foods, Inc., Mobis Parts America, Walmart Stores Inc., Quaker PepsiCo, just to mention a few. The interest of the development industry that specializes in logistics is strong and recently a new player in Lancaster's industrial development, The Pauls Corporation of Denver, Colorado, purchased land to construct a new industrial park. New industrial development in Lancaster is expected to continue.

The City's unemployment rate for 2016 was an average of 5.5%, which is slightly above the average unemployment rate for Dallas County of 4.2% for 2016. The City of Lancaster benefits from its proximity to the Dallas-Fort-Worth Motorplex and major transportation corridors with its location fifteen (15) miles south of Dallas. Lancaster is a part of the Best Southwest area, which includes Lancaster, Cedar Hill, DeSoto, and Duncanville. The close proximity to job opportunities in Dallas, Fort Worth and the Mid-Cities continues to contribute to growth in the City. Its estimated population of 39,380 has grown a notable over 45% 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 34 square miles, since the City is only 45-47% built out.

In fiscal year 2016, 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 2016, and anticipates a significant increase for 2017.

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 29.1 percent of total general fund revenues. This amount was above the policy guidelines set by the Council for budgetary and planning purposes. The year-end amount was above the minimum target set by the policy guidelines due to a net change in fund balance in the amount of \$306,617 for the year ended September 30, 2016.

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

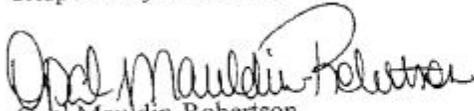
Annually, the City Council has adopted goals aimed at guiding Lancaster's future growth and development. For fiscal year 2015-2016, included initiatives are:

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

Acknowledgements

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

Respectfully submitted,


Opal Mauldin-Robertson
City Manager


Baron A. Sauls
Interim Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lancaster
Texas**

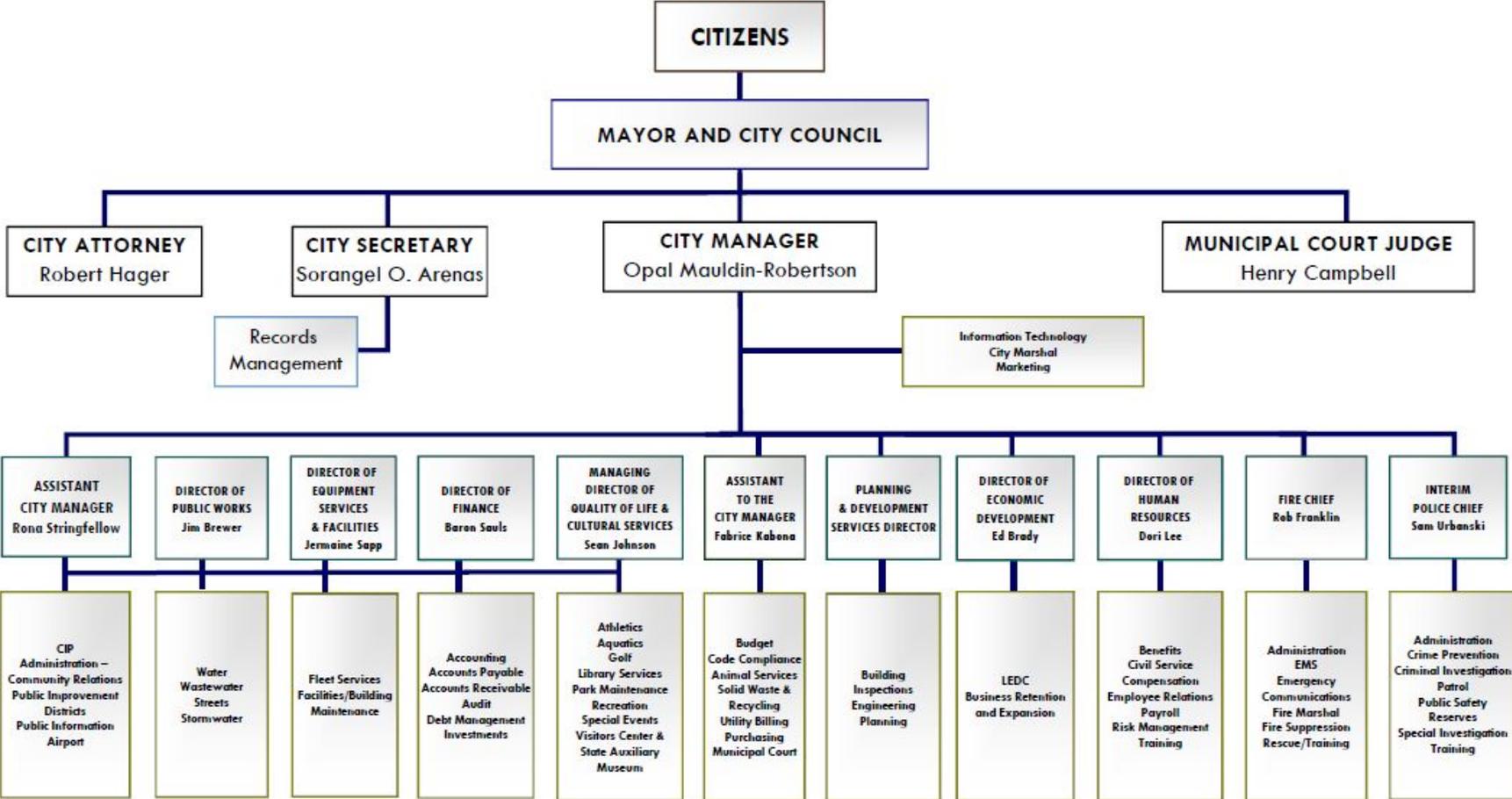
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

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.....	Mayor Pro Tem, District 1	Term Expires May 2019
Stanley Jaglowski	Dep. Mayor Pro Tem, District 2	Term Expires May 2017
Marco Mejia.....	Council Member, District 3.....	Term Expires May 2019
Spencer Hervey, Jr.	Council Member, District 4.....	Term Expires May 2017
Clyde Hairston.....	Council Member, District 5.....	Term Expires May 2019
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
Baron Sauls	Director of Finance
Rob Franklin.....	Fire Chief
Dori Lee	Director of Human Resources
Sam Urbanski	Interim Police Chief
Jim Brewer	Director of Public Works
Sean Johnson.....	Managing Director of Quality of Life & Cultural Services
Jermaine Sapp.....	Director of Equipment Services & Facilities

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lancaster, Texas (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund statements, financial statements of the discretely presented component units and the introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Honorable Mayor and
Members of the City Council
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The introductory and statistical sections have 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
March 31, 2017

City of Lancaster, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2016

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, 2016. 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 2016, resulting in \$111,647,235 of net position. Net position associated with governmental activities is approximately \$45 million, or 41% of the total net position of the City. Net position associated with business-type activities is approximately \$66 million, or 59% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is approximately \$84 million.
- Unrestricted net position, which may be used to meet the City's future obligations, consists of approximately \$25 million, or 22% of the City's total net position. Unrestricted net position for governmental activities is approximately \$1 million, or 3% of total net position for governmental activities. Unrestricted net position for business-type activities is approximately \$24 million or 36% of total net position for business-type activities.
- As of the close of fiscal year 2016, the City's Governmental Funds reported a combined ending fund balance of \$27,844,362, an increase of \$4,481,221 from the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$6,974,910. This represents approximately 29% of General Fund expenditures, which is more than the 15% required by the City's adopted fund balance policy.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains 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, 2016

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, 2016

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, 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 Non-major 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 Non-major 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, 2016, City assets and deferred outflows of resources exceeded its liabilities and deferred inflows resulting in \$111,647,235 of net position.

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2016

Statement of Net Position for Governmental and Business-type Activities

	Governmental Activities 2016	Business-type Activities 2016	Total 2016	Governmental Activities 2015	Business-type Activities 2015	Total 2015
Current and other assets	\$ 40,373,516	\$ 30,990,099	\$ 71,363,615	\$ 36,173,939	\$ 31,956,328	\$ 68,130,267
Capital assets	<u>97,269,901</u>	<u>48,531,739</u>	<u>145,801,640</u>	<u>101,296,512</u>	<u>44,326,339</u>	<u>145,622,851</u>
Total assets	<u>137,643,417</u>	<u>79,521,838</u>	<u>217,165,255</u>	<u>137,470,451</u>	<u>76,282,667</u>	<u>213,753,118</u>
Deferred outflows of resources	6,693,077	619,139	7,312,216	3,490,977	306,506	3,797,483
Long-term liabilities	92,712,333	9,825,214	102,537,547	87,472,193	14,922,865	102,395,058
Other liabilities	<u>6,136,616</u>	<u>3,950,898</u>	<u>10,087,514</u>	<u>5,958,621</u>	<u>4,175,660</u>	<u>10,134,281</u>
Total liabilities	<u>98,848,949</u>	<u>13,776,112</u>	<u>112,625,061</u>	<u>93,430,814</u>	<u>19,098,525</u>	<u>112,529,339</u>
Deferred inflows of resources	184,133	21,042	205,175	294,825	29,979	324,804
Net position:						
Net investment in capital assets	40,966,495	42,715,806	83,682,301	43,186,713	33,117,792	76,304,505
Restricted	2,989,045	-	2,989,045	2,303,805	-	2,303,805
Unrestricted	<u>1,347,872</u>	<u>23,628,017</u>	<u>24,975,889</u>	<u>1,745,271</u>	<u>24,342,877</u>	<u>26,088,148</u>
Total net position	<u>\$ 45,303,412</u>	<u>\$ 66,343,823</u>	<u>\$ 111,647,235</u>	<u>\$ 47,235,789</u>	<u>\$ 57,460,669</u>	<u>\$ 104,696,458</u>

By far, the largest portion of the City's net position (75%) 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 (2.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$24,975,889 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, 2016. Overall, the City had an increase in net position of \$6,950,777.

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2016

Revenues and Expenses for Governmental and Business-type Activities

	Governmental Activities 2016	Business-type Activities 2016	Total 2016	Governmental Activities 2015	Business-type Activities 2015	Total 2015
Revenues						
Program Revenues:						
Charges for services	\$ 5,649,792	\$ 18,927,898	\$ 24,577,690	\$ 3,275,363	\$ 18,909,149	\$ 22,184,512
Operating grant and contribution	894,947	-	894,947	1,351,379	-	1,351,379
Capital grant and contribution	-	3,612,835	3,612,835	-	-	-
General Revenues:						
Taxes and fees	25,390,599	-	25,390,599	24,215,602	-	24,215,602
Other	404,480	1,382,953	1,787,433	505,390	802,270	1,307,660
Total revenues	<u>32,339,818</u>	<u>23,923,686</u>	<u>56,263,504</u>	<u>29,347,734</u>	<u>19,711,419</u>	<u>49,059,153</u>
Expenses						
General government	7,337,257	-	7,337,257	3,891,404	-	3,891,404
Public safety	18,522,908	-	18,522,908	16,540,660	-	16,540,660
Public works	3,651,258	-	3,651,258	5,987,362	-	5,987,362
Community development and recreation	1,366,830	-	1,366,830	1,225,730	-	1,225,730
Interest and fiscal charges	3,200,431	-	3,200,431	3,379,380	-	3,379,380
Water and sewer	-	12,960,201	12,960,201	-	12,185,162	12,185,162
Refuse	-	1,470,074	1,470,074	-	2,134,898	2,134,898
Airport	-	724,101	724,101	-	909,428	909,428
Golf course	-	79,667	79,667	-	82,234	82,234
Total expenses	<u>34,078,684</u>	<u>15,234,043</u>	<u>49,312,727</u>	<u>31,024,536</u>	<u>15,311,722</u>	<u>46,336,258</u>
Increase (Decrease) in Net Position						
Before Transfers	(1,738,866)	8,689,643	6,950,777	(1,676,802)	4,399,697	2,722,895
Transfers	(193,511)	193,511	-	1,635,572	(1,635,572)	-
Change in Net Position	<u>(1,932,377)</u>	<u>8,883,154</u>	<u>6,950,777</u>	<u>(41,230)</u>	<u>2,764,125</u>	<u>2,722,895</u>
Net Position, Beginning of Year	47,235,789	57,460,669	104,696,458	47,277,019	54,696,544	101,973,563
Net Position, Ending of Year	<u>\$ 45,303,412</u>	<u>\$ 66,343,823</u>	<u>\$ 111,647,235</u>	<u>\$ 47,235,789</u>	<u>\$ 57,460,669</u>	<u>\$ 104,696,458</u>

Governmental Activities. Governmental activities decreased the City's net position by \$1,932,377. Total revenue for the governmental activities (excluding transfers) increased from the previous year by \$2,992,084. General revenue had a net increase of \$1,074,087. Property tax collections increased \$1,648,708 as a result of new business openings and continued growth in the local economy. Program revenues, which consist of charges for services, operating and capital grants and contributions increased \$1,917,997 due to an overall increase in the continued growth in the community.

Business-type Activities. Net position from business-type activities increased by \$8,883,154. Total revenue for the business-type activities increased from the previous year by \$4,212,267 primarily due to a capital contribution to the Airport from TXDOT.

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2016

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 \$27,844,362, an increase of \$4,481,221 from the prior year. This amount includes fund balance restricted for Public Improvement Districts of \$613,074, restricted for Capital Projects of \$15,924,564, restricted for Public Works of \$2,067,582, Police Grants, Law Enforcement Purposes and Tourism of \$1,455,408. The net unassigned fund balance was \$6,803,069, an increase of approximately \$419,105 from prior year. Components of the net increase of the total fund balance are:

- In the General Fund, the original budget projected a \$847,289 decrease in fund balance this fiscal year; however, the actual increase was \$306,617. Total revenues were \$3,823,058 over budget and total expenditures were over budget by \$1,631,314, for a total excess of revenues over expenditures of \$2,191,744 under the budget. The increase in expense from the budget is majority related to Public Safety.
- Capital Projects Fund recorded a net increase in fund balance of \$3,142,071, primarily due to a transfer of debt from the Water and Sewer Fund.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$24,203,389 and the Airport Fund reported an unrestricted net position of \$(979,790).

Capital Assets

The City's capital assets for its governmental and business-type activities as of September 30, 2016, amount to \$145,801,640 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, park facilities, roads, bridges and water and sewer lines.

Additional information on capital asset activity can be found in *Note 6* of this report.

City of Lancaster, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2016

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	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	18,479,939	18,282,038	3,316,510	2,972,683	21,796,449	21,254,721
Construction in progress	9,015,471	8,224,067	1,156,566	70,379	10,172,037	8,294,446
Other structures	-	-	951,622	951,622	951,622	951,622
Improvements	1,697,940	3,538,774	65,830,044	65,830,044	67,527,984	69,368,818
Streets and bridges	99,045,749	97,301,007	-	-	99,045,749	97,301,007
Drainage	7,433,204	7,332,619	-	-	7,433,204	7,332,619
Runways and taxiways	-	-	7,663,689	3,422,564	7,663,689	3,422,564
Accumulated depreciation	(76,103,866)	(71,083,457)	(40,308,394)	(38,842,655)	(116,412,260)	(109,926,112)
Total	<u>\$ 97,269,901</u>	<u>\$ 101,296,512</u>	<u>\$ 48,531,739</u>	<u>\$ 44,326,339</u>	<u>\$ 145,801,640</u>	<u>\$ 145,622,851</u>

Long-term Debt

At the end of the current fiscal year, the City had total bonds outstanding of \$82,110,001, all being tax supported. The City also has approximately \$5,091,849 of additional debt through notes payable and capital leases.

Additional information on long-term debt activity can be found in *Note 7* of this report.

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 55,260,017	\$ 57,025,017	\$ 2,844,983	\$ 3,619,983	\$ 58,105,000	\$ 60,645,000
Certificates of obligation	17,360,105	14,075,105	6,644,896	11,129,896	24,005,001	25,205,001
Notes payable	4,151,493	4,710,033	-	-	4,151,493	4,710,033
Capital leases	940,356	1,167,654	-	-	940,356	1,167,654
Total	<u>\$ 77,711,971</u>	<u>\$ 76,977,809</u>	<u>\$ 9,489,879</u>	<u>\$ 14,749,879</u>	<u>\$ 87,201,850</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 2017 budget, General Fund revenues are budgeted to increase by 10% from the 2016 budget year. This increase is mostly attributed to an increase in property tax revenue due to an expanding residential sector as well as from charges of services.

Property taxes make up about 53% 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@lanaster-tx.com.

Basic Financial Statements

City of Lancaster, Texas
Statement of Net Position
September 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Lancaster Economic Development Corporation	Lancaster Recreational Development Corporation
Assets					
Cash and cash equivalents	\$ 27,044,477	\$ 24,069,536	\$ 51,114,013	\$ 4,457,568	\$ 1,203,491
Receivables (net of allowance)					
Notes	8,541,950	-	8,541,950	-	-
Delinquent taxes	731,549	-	731,549	-	-
Accounts	1,473,050	2,142,928	3,615,978	-	-
Sales tax	1,028,751	-	1,028,751	205,750	411,495
Fines	960,489	-	960,489	-	-
Due from other governments	4,395	-	4,395	-	-
Due from component unit	528,753	-	528,753	-	-
Prepaid items	51,874	-	51,874	-	15,707
Inventory	8,228	14,056	22,284	-	-
Restricted assets					
Cash and cash equivalents	-	4,763,579	4,763,579	-	-
Capital assets					
Land and construction in progress	22,229,739	6,127,832	28,357,571	100,378	989,118
Other capital assets, net of accumulated depreciation	75,040,162	42,403,907	117,444,069	-	9,460,168
Total assets	<u>137,643,417</u>	<u>79,521,838</u>	<u>217,165,255</u>	<u>4,763,696</u>	<u>12,079,979</u>
Deferred Outflows of Resources					
Deferred charges on refunding	1,579,517	109,702	1,689,219	-	-
Deferred outflows on pensions - contributions	1,242,354	126,444	1,368,798	12,773	60,957
Deferred outflows on pensions - assumption changes	589,344	57,735	647,079	6,171	30,845
Deferred outflows on pensions - experience	116,944	13,364	130,308	1,133	4,484
Deferred outflows on pensions - difference in earnings	3,164,918	311,894	3,476,812	33,048	164,061
Total deferred outflows of resources	<u>6,693,077</u>	<u>619,139</u>	<u>7,312,216</u>	<u>53,125</u>	<u>260,347</u>
Liabilities					
Accounts payable and contracts payable	597,822	1,501,471	2,099,293	1,708	66,679
Accrued liabilities	1,159,730	144,587	1,304,317	34	194,819
Accrued interest	457,449	38,272	495,721	10,194	31,088
Due to primary government	-	-	-	-	528,753
Deposits	189,839	1,083,133	1,272,972	-	-
General obligation bonds	1,895,000	770,000	2,665,000	-	-
Certificates of obligation	834,507	405,493	1,240,000	-	-
Notes payable	539,828	-	539,828	145,000	480,000
Compensated absences	293,683	7,942	301,625	-	-
Capital leases	168,758	-	168,758	-	-
Noncurrent liabilities					
General obligation bonds	56,018,264	2,191,185	58,209,449	-	-
Certificates of obligation	16,490,725	6,239,403	22,730,128	-	-
Notes payable	3,611,665	-	3,611,665	1,631,950	6,285,000
Compensated absences	2,643,147	71,479	2,714,626	-	-
OPEB liability	214,307	-	214,307	-	-
Capital leases	771,598	-	771,598	-	-
Net pension liability	12,962,627	1,323,147	14,285,774	140,994	672,090
Total liabilities	<u>98,848,949</u>	<u>13,776,112</u>	<u>112,625,061</u>	<u>1,929,880</u>	<u>8,258,429</u>
Deferred Inflows of Resources					
Deferred inflows on pensions - experience	184,133	21,042	205,175	1,784	7,060
Total deferred inflows of resources	<u>184,133</u>	<u>21,042</u>	<u>205,175</u>	<u>1,784</u>	<u>7,060</u>
Net Position					
Net investment in capital assets	40,966,495	42,715,806	83,682,301	100,378	3,684,286
Restricted for					
Court Security	29,106	-	29,106	-	-
Court Technology	82,633	-	82,633	-	-
Debt service	808,824	-	808,824	-	-
Public improvement districts	613,074	-	613,074	-	-
Tourism, convention centers, arts	621,137	-	621,137	-	-
Law enforcement purposes	834,271	-	834,271	-	-
Unrestricted	1,347,872	23,628,017	24,975,889	2,784,779	390,551
Total net position	<u>\$ 45,303,412</u>	<u>\$ 66,343,823</u>	<u>\$ 111,647,235</u>	<u>\$ 2,885,157</u>	<u>\$ 4,074,837</u>

City of Lancaster, Texas
Statement of Activities
For the Year Ended September 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Lancaster Economic Development Corporation	Lancaster Recreational Development Corporation
Functions/program									
Primary government									
Governmental activities:									
General government	\$ 7,337,257	\$ -	\$ -	\$ -	\$ (7,337,257)	\$ -	\$ (7,337,257)	\$ -	\$ -
Public safety	18,522,908	2,303,526	300,054	-	(15,919,328)	-	(15,919,328)	-	-
Public works	3,651,258	3,346,266	-	-	(304,992)	-	(304,992)	-	-
Community development and recreation	1,366,830	-	594,893	-	(771,937)	-	(771,937)	-	-
Interest and fiscal charges	3,200,431	-	-	-	(3,200,431)	-	(3,200,431)	-	-
Total governmental activities	<u>34,078,684</u>	<u>5,649,792</u>	<u>894,947</u>	<u>-</u>	<u>(27,533,945)</u>	<u>-</u>	<u>(27,533,945)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and sewer	12,960,201	15,708,146	-	-	-	2,747,945	2,747,945	-	-
Refuse	1,470,074	2,374,754	-	-	-	904,680	904,680	-	-
Airport	724,101	775,416	-	3,612,835	-	3,664,150	3,664,150	-	-
Golf course	79,667	69,582	-	-	-	(10,085)	(10,085)	-	-
Total business-type activities	<u>15,234,043</u>	<u>18,927,898</u>	<u>-</u>	<u>3,612,835</u>	<u>-</u>	<u>7,306,690</u>	<u>7,306,690</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 49,312,727</u>	<u>\$ 24,577,690</u>	<u>\$ 894,947</u>	<u>\$ 3,612,835</u>	<u>\$ (27,533,945)</u>	<u>\$ 7,306,690</u>	<u>\$ (20,227,255)</u>	<u>\$ -</u>	<u>\$ -</u>
Component units:									
Lancaster Economic Development Corporation	\$ 624,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (624,205)	\$ -
Lancaster Recreational Development Corporation	2,728,490	603,664	12,792	-	-	-	-	-	(2,112,034)
Total component units	<u>\$ 3,352,695</u>	<u>\$ 603,664</u>	<u>\$ 12,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (624,205)</u>	<u>\$ (2,112,034)</u>
General revenues									
Taxes									
Property taxes					\$ 15,696,270	\$ -	\$ 15,696,270	\$ -	\$ -
Sales taxes					5,633,760	-	5,633,760	1,126,752	2,253,504
Franchise taxes					2,041,390	-	2,041,390	-	-
Other local taxes					2,019,179	-	2,019,179	-	-
Interest on investments					111,569	89,948	201,517	12,870	2,832
Miscellaneous					292,911	1,293,005	1,585,916	-	31,569
Transfers					(193,511)	193,511	-	-	-
Total general revenues and transfers					<u>25,601,568</u>	<u>1,576,464</u>	<u>27,178,032</u>	<u>1,139,622</u>	<u>2,287,905</u>
Change in net position					(1,932,377)	8,883,154	6,950,777	515,417	175,871
Net Position, Beginning of Year					<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>
Net position, End of Year					<u>\$ 45,303,412</u>	<u>\$ 66,343,823</u>	<u>\$ 111,647,235</u>	<u>\$ 2,885,157</u>	<u>\$ 4,074,837</u>

City of Lancaster, Texas
Balance Sheet – Governmental Funds
September 30, 2016

	General Fund	Capital Projects Fund	General Obligation Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 6,054,404	\$ 16,194,031	\$ 798,110	\$ 3,997,932	\$ 27,044,477
Receivables (net of allowance for uncollectibles):					
Notes	-	-	8,541,950	-	8,541,950
Delinquent taxes	505,350	-	223,844	2,355	731,549
Accounts	1,215,332	-	-	257,718	1,473,050
Sales tax	1,028,751	-	-	-	1,028,751
Fines	960,489	-	-	-	960,489
Due from:					
Other governments	4,395	-	-	-	4,395
Component unit	528,753	-	-	-	528,753
Inventory, at cost	8,228	-	-	-	8,228
Prepaid items	51,874	-	-	-	51,874
	<u>\$ 10,357,576</u>	<u>\$ 16,194,031</u>	<u>\$ 9,563,904</u>	<u>\$ 4,258,005</u>	<u>\$ 40,373,516</u>
Total assets	\$ 10,357,576	\$ 16,194,031	\$ 9,563,904	\$ 4,258,005	\$ 40,373,516
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts and contracts payable	\$ 271,394	\$ 269,467	\$ -	\$ 56,961	\$ 597,822
Accrued liabilities	1,096,786	-	-	62,944	1,159,730
Deposits	189,839	-	-	-	189,839
	<u>1,558,019</u>	<u>269,467</u>	<u>-</u>	<u>119,905</u>	<u>1,947,391</u>
Total liabilities	1,558,019	269,467	-	119,905	1,947,391
Deferred inflows of resources	1,824,647	-	8,755,080	2,036	10,581,763
	<u>1,824,647</u>	<u>-</u>	<u>8,755,080</u>	<u>2,036</u>	<u>10,581,763</u>
Fund balances					
Nonspendable for inventory and prepaid items	60,102	-	-	-	60,102
Restricted for					
Court security	29,106	-	-	-	29,106
Court technology	82,633	-	-	-	82,633
Capital projects	-	15,924,564	-	-	15,924,564
Debt service	-	-	808,824	-	808,824
Public works	-	-	-	2,067,582	2,067,582
Public improvement districts	-	-	-	613,074	613,074
Police grants	-	-	-	57,184	57,184
Tourism, convention centers, arts	-	-	-	621,137	621,137
Law enforcement purposes	-	-	-	777,087	777,087
Unassigned	6,803,069	-	-	-	6,803,069
	<u>6,974,910</u>	<u>15,924,564</u>	<u>808,824</u>	<u>4,136,064</u>	<u>27,844,362</u>
Total fund balances	6,974,910	15,924,564	808,824	4,136,064	27,844,362
Total liabilities, deferred inflows of resources and fund balances	\$ 10,357,576	\$ 16,194,031	\$ 9,563,904	\$ 4,258,005	\$ 40,373,516

City of Lancaster, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2016

Total fund balances – governmental funds \$ 27,844,362

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. 97,269,901

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. (457,451)

Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements. 2,039,813

Notes receivable are not measurable and available within 60 days of year-end, and therefore are entirely deferred in the fund financial statements. 8,541,950

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 charges on refunding	1,579,517	
Employer contributions	1,242,354	
Investment return difference (GASB 68)	3,164,918	
Assumption changes (GASB 68)	589,344	
Experience difference (GASB 68)	<u>(67,189)</u>	6,508,944

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	(55,260,017)	
Certificates of obligation	(17,360,105)	
Note payable	(4,151,493)	
Premiums on bond debt	(2,618,372)	
Net pension liability	(12,962,627)	
Compensated absences	(2,936,830)	
OPEB liability	(214,307)	
Capital leases	<u>(940,356)</u>	<u>(96,444,107)</u>

Total net position of governmental activities \$ 45,303,412

City of Lancaster, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
For the Year Ended September 30, 2016

	General Fund	Capital Projects Fund	General Obligation Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and fees	\$ 18,439,703	\$ -	\$ 4,816,509	\$ 2,013,804	\$ 25,270,016
Licenses and permits	1,522,638	-	-	307,441	1,830,079
Intergovernmental	369,534	-	1,135,413	-	1,504,947
Charges for services	1,516,187	-	-	-	1,516,187
Fines and forfeits	1,257,743	1,045,783	-	-	2,303,526
Interest	26,187	71,700	2,764	10,918	111,569
Miscellaneous	261,553	6,471	-	24,887	292,911
	<u>23,393,545</u>	<u>1,123,954</u>	<u>5,954,686</u>	<u>2,357,050</u>	<u>32,829,235</u>
Total revenues					
Expenditures					
Current:					
General government	4,171,215	-	-	-	4,171,215
Public safety	16,110,529	-	-	4,461	16,114,990
Public works	1,191,225	-	-	1,052,649	2,243,874
Community development and recreation	889,728	-	-	244,858	1,134,586
Capital outlay	481,788	1,149,422	-	137,988	1,769,198
Debt service:					
Principal retirement	558,540	-	2,757,298	30,000	3,345,838
Interest and fiscal charges	388,853	-	3,047,191	18,758	3,454,802
	<u>23,791,878</u>	<u>1,149,422</u>	<u>5,804,489</u>	<u>1,488,714</u>	<u>32,234,503</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>(398,333)</u>	<u>(25,468)</u>	<u>150,197</u>	<u>868,336</u>	<u>594,732</u>
Other financing sources (uses):					
Transfers in	1,673,308	-	56,000	-	1,729,308
Transfers out	(968,358)	(912,461)	-	(42,000)	(1,922,819)
Issuance of bonds	-	4,080,000	-	-	4,080,000
	<u>704,950</u>	<u>3,167,539</u>	<u>56,000</u>	<u>(42,000)</u>	<u>3,886,489</u>
Total other financing sources (uses)					
Net Change in Fund Balances	<u>306,617</u>	<u>3,142,071</u>	<u>206,197</u>	<u>826,336</u>	<u>4,481,221</u>
Fund Balances, Beginning of Year	<u>6,668,293</u>	<u>12,782,493</u>	<u>602,627</u>	<u>3,309,728</u>	<u>23,363,141</u>
Fund Balances, End of Year	<u>\$ 6,974,910</u>	<u>\$ 15,924,564</u>	<u>\$ 808,824</u>	<u>\$ 4,136,064</u>	<u>\$ 27,844,362</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, 2016

Net change in fund balances – total governmental funds		\$ 4,481,221
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.		1,813,329
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.		(5,170,409)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:		
General and certificates of obligation bonds	2,560,000	
Notes payable	558,540	
Capital leases	<u>227,298</u>	3,345,838
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:		
Certificate of obligations bonds	(4,080,000)	
Amortization of deferred loss	(142,262)	
Amortization of bond premium/discount	<u>448,061</u>	(3,774,201)
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.		(901,519)
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.		(516,269)
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.		(51,430)
The effect of transfers involving capital assets that decreased net assets		(669,531)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.		<u>(489,406)</u>
Change in net position of governmental activities		<u><u>\$ (1,932,377)</u></u>

City of Lancaster, Texas
Statement of Net Position
Proprietary Funds
September 30, 2016

Assets and Deferred Outflows of Resources	Water and Sewer	Airport Fund	Non-major Enterprise Funds	Total Proprietary Funds
Current Assets				
Cash and cash equivalents	\$ 23,753,708	\$ 190	\$ 315,638	\$ 24,069,536
Receivables (net of allowance for uncollectibles):				
Accounts	1,107,895	14,022	148,260	1,270,177
Unbilled	763,600	-	109,151	872,751
Inventory	-	14,056	-	14,056
Total current assets	<u>25,625,203</u>	<u>28,268</u>	<u>573,049</u>	<u>26,226,520</u>
Non-current Assets				
Restricted assets:				
Cash and cash equivalents	4,763,579	-	-	4,763,579
Capital Assets				
Nondepreciable	497,142	5,281,136	349,554	6,127,832
Depreciable (net of accumulated depreciation)	<u>35,077,200</u>	<u>5,575,778</u>	<u>1,750,929</u>	<u>42,403,907</u>
Total non-current assets	<u>40,337,921</u>	<u>10,856,914</u>	<u>2,100,483</u>	<u>53,295,318</u>
Total assets	<u>65,963,124</u>	<u>10,885,182</u>	<u>2,673,532</u>	<u>79,521,838</u>
Deferred Outflows of Resources				
Deferred charges on refunding	107,100	2,602	-	109,702
Deferred outflows on pensions - contributions	111,460	14,984	-	126,444
Deferred outflows on pensions - assumption changes	50,817	6,918	-	57,735
Deferred outflows on pensions - experience	11,829	1,535	-	13,364
Deferred outflows on pensions - difference in earnings	<u>274,587</u>	<u>37,307</u>	<u>-</u>	<u>311,894</u>
Total deferred outflows of resources	<u>555,793</u>	<u>63,346</u>	<u>-</u>	<u>619,139</u>
Liabilities, Deferred Inflows or Resources and Net Position				
Current Liabilities				
Accounts and contracts payable	484,303	886,972	130,196	1,501,471
Accrued liabilities	91,075	15,949	37,563	144,587
Accrued interest	37,756	516	-	38,272
Deposits	1,083,133	-	-	1,083,133
General obligation bonds	765,000	5,000	-	770,000
Certificates of obligation	405,493	-	-	405,493
Compensated absences	<u>7,129</u>	<u>595</u>	<u>218</u>	<u>7,942</u>
Total current liabilities	<u>2,873,889</u>	<u>909,032</u>	<u>167,977</u>	<u>3,950,898</u>
Non-current Liabilities				
General obligation bonds	2,116,958	74,227	-	2,191,185
Certificates of obligation	6,239,403	-	-	6,239,403
Compensated absences	67,453	3,372	654	71,479
Net pension liability	<u>1,164,166</u>	<u>158,981</u>	<u>-</u>	<u>1,323,147</u>
Total non-current liabilities	<u>9,587,980</u>	<u>236,580</u>	<u>654</u>	<u>9,825,214</u>
Total liabilities	<u>12,461,869</u>	<u>1,145,612</u>	<u>168,631</u>	<u>13,776,112</u>
Deferred Inflows of Resources				
Deferred inflows on pensions - experience	<u>18,625</u>	<u>2,417</u>	<u>-</u>	<u>21,042</u>
Net Position				
Net investment in capital assets	29,835,034	10,780,289	2,100,483	42,715,806
Unrestricted	<u>24,203,389</u>	<u>(979,790)</u>	<u>404,418</u>	<u>23,628,017</u>
Total net position	<u>\$ 54,038,423</u>	<u>\$ 9,800,499</u>	<u>\$ 2,504,901</u>	<u>\$ 66,343,823</u>

City of Lancaster, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2016

	Water and Sewer	Airport Fund	Non-major Enterprise Funds	Total Proprietary Funds
Operating Revenues				
Charges for services	\$ 15,708,146	\$ 775,416	\$ 2,444,336	\$ 18,927,898
Intergovernmental	-	13,424	-	13,424
Miscellaneous	613,780	-	-	613,780
Impact fee revenue	<u>1,026,782</u>	<u>-</u>	<u>-</u>	<u>1,026,782</u>
Total operating revenues	<u>17,348,708</u>	<u>788,840</u>	<u>2,444,336</u>	<u>20,581,884</u>
Operating Expenses				
Personnel services and benefits	1,642,615	259,785	-	1,902,400
Maintenance	1,171,687	60,994	77,253	1,309,934
Purchase of water	2,673,492	-	-	2,673,492
Materials and supplies	69,438	285,834	-	355,272
Heat, light and power	203,299	44,250	3,992	251,541
Sewage treatment	5,396,431	-	-	5,396,431
Special services	404,352	22,462	1,420,960	1,847,774
Equipment rental	11,386	20,074	-	31,460
Depreciation	<u>1,387,501</u>	<u>30,702</u>	<u>47,536</u>	<u>1,465,739</u>
Total operating expenses	<u>12,960,201</u>	<u>724,101</u>	<u>1,549,741</u>	<u>15,234,043</u>
Operating Income	<u>4,388,507</u>	<u>64,739</u>	<u>894,595</u>	<u>5,347,841</u>
Non-operating Revenues (Expenses)				
Interest revenue	89,313	-	635	89,948
Interest and fiscal charges	<u>(358,248)</u>	<u>(2,733)</u>	<u>-</u>	<u>(360,981)</u>
Total non-operating revenues (expenses)	<u>(268,935)</u>	<u>(2,733)</u>	<u>635</u>	<u>(271,033)</u>
Income Before Transfers and Capital Contributions	<u>4,119,572</u>	<u>62,006</u>	<u>895,230</u>	<u>5,076,808</u>
Transfers and Capital Contributions				
Transfers in	343,827	1,461,001	-	1,804,828
Transfers out	(1,398,317)	-	(213,000)	(1,611,317)
Capital Contributions	<u>-</u>	<u>3,612,835</u>	<u>-</u>	<u>3,612,835</u>
Total transfers and capital contributions	<u>(1,054,490)</u>	<u>5,073,836</u>	<u>(213,000)</u>	<u>3,806,346</u>
Change in Net Position	3,065,082	5,135,842	682,230	8,883,154
Net Position, Beginning of Year	<u>50,973,341</u>	<u>4,664,657</u>	<u>1,822,671</u>	<u>57,460,669</u>
Net Position, End of Year	<u>\$ 54,038,423</u>	<u>\$ 9,800,499</u>	<u>\$ 2,504,901</u>	<u>\$ 66,343,823</u>

City of Lancaster, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	Water and Sewer Fund	Airport Fund	Non-major Enterprise Funds	Total
Operating Activities				
Receipts from customers and users	\$ 16,305,446	\$ 789,016	\$ 2,445,212	\$ 19,539,674
Payments to employees	(1,639,887)	(259,414)	-	(1,899,301)
Payments to suppliers	(9,678,147)	(520,274)	(2,125,105)	(12,323,526)
Impact fees collected	1,026,782	-	-	1,026,782
Net cash provided by operating activities	<u>6,014,194</u>	<u>9,328</u>	<u>320,107</u>	<u>6,343,629</u>
Noncapital and Related Financing Activities				
Transfers in	343,827	1,461,001	-	1,804,828
Transfers out	(1,398,317)	-	(213,000)	(1,611,317)
Net cash provided by (used in) noncapital financing activities	<u>(1,054,490)</u>	<u>1,461,001</u>	<u>(213,000)</u>	<u>193,511</u>
Capital and Related Financing Activities				
Acquisition and construction of capital assets	(607,034)	(1,461,001)	-	(2,068,035)
Principal payments on debt	(1,155,524)	(16,336)	-	(1,171,860)
Interest payments on debt	(349,720)	(2,733)	-	(352,453)
Transfer of unspent bond proceeds	(4,080,000)	-	-	(4,080,000)
Utility deposits collected	68,795	-	-	68,795
Net cash used in capital and financing activities	<u>(6,123,483)</u>	<u>(1,480,070)</u>	<u>-</u>	<u>(7,603,553)</u>
Investing Activities				
Interest on investments	89,313	-	635	89,948
Proceeds from other nonoperating revenue	-	9,741	-	9,741
Net cash provided by investing activities	<u>89,313</u>	<u>9,741</u>	<u>635</u>	<u>99,689</u>
Increase in Cash and Cash Equivalents	(1,074,466)	-	107,742	(966,724)
Cash and Cash Equivalents, Beginning of Year	<u>29,591,753</u>	<u>190</u>	<u>207,896</u>	<u>29,799,839</u>
Cash and Cash Equivalents, End of Year	<u>\$ 28,517,287</u>	<u>\$ 190</u>	<u>\$ 315,638</u>	<u>\$ 28,833,115</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 4,388,507	\$ 64,739	\$ 894,595	\$ 5,347,841
Item not requiring cash				
Depreciation	1,387,501	30,702	47,536	1,465,739
Amortization	9,043	-	-	9,043
Changes in				
Accounts receivable	(16,480)	176	(13,041)	(29,345)
Inventories	-	8,102	-	8,102
Prepays	19,080	1,668	-	20,748
Accounts payable	170,793	(101,818)	(621,737)	(552,762)
Accrued expenses	(7,643)	(4,824)	12,754	287
Net pension liability, net of related deferred resources	77,735	15,503	-	93,238
Compensated absences	(14,342)	(4,921)	-	(19,263)
Net cash provided by operating activities	<u>\$ 6,014,194</u>	<u>\$ 9,327</u>	<u>\$ 320,107</u>	<u>\$ 6,343,628</u>
Supplemental Disclosure of Noncash Capital and Related Financing Activities				
Capital contributions	<u>\$ -</u>	<u>\$ 3,603,094</u>	<u>\$ -</u>	<u>\$ 3,603,094</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

Note 1: Summary of Significant Accounting Policies

The accounting and reporting policies of the City of Lancaster conform to the generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. 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, 2016

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 properly not 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 non-major 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.

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

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

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

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.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

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.

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, fines and forfeits, 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), 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 and Cash Equivalents

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

Investments

Investments in external investment pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the City's fiscal year end. In instances where pools transact at amortized cost, no readily determinable fair value is deemed available.

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, 2016, were \$763,378 for uncollectible taxes, \$2,507,819 for water and sewer billings, \$882,865 for court fees and fines and \$728,954 for ambulance fees.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

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 for 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.”

Interfund Transactions

Interfund services provided and used 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 acquisition 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 capital 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.

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	40 years
Improvements	5 – 50 years
Machinery and equipment	5 – 10 years

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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 in 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.
- 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.
- Assumption changes – Pensions – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension liability. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement 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.

- Unavailable revenue – This amount represents uncollected property taxes, municipal court fees, ambulance fees, and notes receivables. This amount is deferred and recognized once payments are made in the follow fiscal year.
- 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.

Compensated Absences

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.

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The liability for unused vested vacation leave as of September 30, 2016, 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.

Defined Benefit Pension Plans

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' 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. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Fund allocation of related balances is determined by individual employee assignment. This assignment is uniform with regard to liquidation of the liability.

New Pronouncements

The City has adopted (early adopted GASB 82) and implemented the following GASB statements which have become effective for the fiscal year 2016:

GASB Statement No. 72, *Fair Value Measurement and Application*.

- This Statement requires disclosures to be made about fair value measurements of certain applicable assets and liabilities, the level of fair value hierarchy and valuation techniques.
- This Statement also added clarification to the term *investment*, to be defined as a security or other asset a government holds primarily for the purpose of income or profit, and has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. No financial statement reclassifications were made as a result of implementation.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

- This statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and modifies GAAP hierarchy to include GASB Implementation Guides as authoritative guidance. Additionally, this statement emphasizes considerations under situations not specified in authoritative guidance and requires consideration of consistency with the GASB Concept Statements with nonauthoritative literature.

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GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*.

- This statement clarifies that a *deviation*, as defined by the Actuarial Standards of Practice, issued by the Actuarial Standards Board, is not considered to be in conformity with the requirements of GASB Statements No. 67, No. 68 and No. 73 for the selection of assumptions used to measure the total pension liability and related measures. Additionally, this statement requires member contributions paid by the employer, to be excluded from employer contributions and from corresponding pension related deferred resources. GASB 82 also requires presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, to be included in RSI.

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, 2016, the City invested in Texas CLASS, TexPool, and LOGIC, which are investment pools authorized by the Texas Legislature.

Texas CLASS Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS was created specifically for the use of Texas local government entities and seeks to provide safety, liquidity, convenience, and competitive rates of return. Public Trust Advisors, LLC serves as the pool's administrator and investment adviser. The marketing and operation functions of the portfolio are also performed by Public Trust Advisors, LLC. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board, both of which are elected by the Texas CLASS Participants. Wells Fargo Bank, N.A. serves as custodian for the pool. The investment objective and strategy of the pool is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The pool offers same day access to investment funds. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques. Texas CLASS limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. Texas CLASS is rated AAAM by Standard & Poor's.

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The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poor's. TexPool is not registered with the Securities and Exchange Commission (SEC) as an investment company.

LOGIC was established pursuant to an Interlocal Agreement, which was subsequently amended and is now entitled Participation Agreement and Trust Instrument (the "Agreement") between participating Government Entities. Participation in the Pool is limited to those eligible Government Entities which have become parties to the Agreement ("Participants"). Participants' assets in the Pool are represented by units of beneficial interest ("Units"), which are issued in discrete series (each a "Portfolio"), as authorized from time to time by the Board. Assets invested in any Portfolio will be managed separately, and segregated from, the assets of every other Portfolio. Since September 2005, J.P. Morgan Investment Management Inc. (JPMIM) has served as investment adviser to LOGIC. FirstSouthwest, a Division of Hilltop Securities (FirstSouthwest) and JPMIM serve as coadministrators to LOGIC, and FirstSouthwest provides administrative, participant support, and marketing services. JPMorgan Chase Bank N.A. provides custodial services. The investment objective and strategy of the pool is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The pool offers same day access to investment funds. LOGIC is rated AAAM by Standard & Poor's.

TexPool is carried at amortized cost. Texas CLASS and LOGIC are carried at net asset value. Accordingly, the fair value of the position in the pools is the same as the value of the pools shares.

As of September 30, 2016, the City held the following investments:

	Carring Value	Weighted- Average Maturity (Days)
Primary Government		
TexPool	\$ 28,487,030	1
LOGIC	20,368,353	1
Texas Class	<u>4,087,514</u>	1
Total primary government	<u>52,942,897</u>	
Component Units		
TexPool	3,034,787	1
LOGIC	2,169,887	1
Texas Class	<u>435,452</u>	1
Total component units	<u>5,640,126</u>	
Total investments	<u><u>\$ 58,583,023</u></u>	

City of Lancaster, Texas
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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

It is the City's policy to follow statutes, which authorize the City to invest in obligations of the U. S. Treasury agencies and instrumentalities, obligations of the state of Texas and related agencies, obligations of states, agencies, counties, cities and other political subdivisions of any state rated "A" or above by Standard & Poor's Corporation or Moody's, repurchase agreements and designated investment pools. The City's assets in investment pools meet this requirement as noted above.

Note 3: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2016:

City of Lancaster, Texas
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	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2016				
Investments measured at net asset value				
LOGIC	\$ 22,538,240			
TexCLASS	<u>4,522,966</u>			
	<u>27,061,206</u>			
Investments measured at amortized cost				
TexPool	<u>31,521,817</u>			
Total investments	<u>\$ 58,583,023</u>			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

Note 4: 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, 2016, were 98% 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 in governmental funds. 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, 2016, 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.

City of Lancaster, Texas
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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.

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 5: Interfund Transactions

Interfund Transfers

For the year ended September 30, 2016, interfund transactions, excluding discretely presented component units were as follows:

	Transfers In	Transfers Out
General Fund	\$ 1,673,308	\$ 968,358
Capital Projects Fund	-	912,461
General Obligation Debt Service Fund	56,000	-
Nonmajor Governmental Funds	-	42,000
Water and Sewer Fund	343,827	1,398,317
Airport Fund	1,461,001	-
Nonmajor Enterprise Funds	-	213,000
	\$ 3,534,136	\$ 3,534,136

The interfund transfer to the General Fund from the Non-major 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. The interfund transfer to the Water and Sewer Fund from the General Fund is contributions of capital assets. The interfund transfer to the Airport Fund from the General Fund and Capital Projects Fund is contributions of capital assets.

City of Lancaster, Texas
Notes to Basic Financial Statements
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Note 6: Capital Assets

Governmental Activities

Capital assets of the Governmental Activities are as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 13,214,268	\$ -	\$ -	\$ -	\$ 13,214,268
Construction in progress	8,224,067	1,460,935	-	(669,531)	9,015,471
		-	-	-	
Total capital assets not being depreciated	<u>21,438,335</u>	<u>1,460,935</u>	<u>-</u>	<u>(669,531)</u>	<u>22,229,739</u>
Capital assets being depreciated					
Buildings	24,487,196	-	-	-	24,487,196
Infrastructure, improvements, equipment, and furniture	126,454,438	352,394	(150,000)	-	126,656,832
Total capital assets being depreciated	150,941,634	352,394	(150,000)	-	151,144,028
Less accumulated depreciation for:					
Buildings	6,788,838	616,141	-	-	7,404,979
Infrastructure, improvements, equipment and furniture	64,294,619	4,554,268	(150,000)	-	68,698,887
Total accumulated depreciation	<u>71,083,457</u>	<u>5,170,409</u>	<u>(150,000)</u>	<u>-</u>	<u>76,103,866</u>
Total capital assets being depreciated, net	<u>79,858,177</u>	<u>(4,818,015)</u>	<u>-</u>	<u>-</u>	<u>75,040,162</u>
Governmental activities capital assets, net	<u>\$ 101,296,512</u>	<u>\$ (3,357,080)</u>	<u>\$ -</u>	<u>\$ (669,531)</u>	<u>\$ 97,269,901</u>

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

General and administrative	\$ 1,747,394
Public safety	2,407,918
Public works	782,853
Community development and recreation	<u>232,244</u>
Total depreciation expense – governmental activities	<u>\$ 5,170,409</u>

During fiscal year 2016, the City transferred \$669,531 of capital assets from Governmental Activities to Airport Fund (Business-type Activities). The capital assets were put into service and are being used by the Airport Fund as of September 30, 2016.

City of Lancaster, Texas
Notes to Basic Financial Statements
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Business-type Activities

Capital assets of the Business-type Activities are as follows:

	Beginning Balance	Increases	Transfers	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 4,971,266	\$ -	\$ -	\$ 4,971,266
Construction in progress	<u>70,379</u>	<u>4,657,781</u>	<u>(3,571,594)</u>	<u>1,156,566</u>
Total capital assets not being depreciated	<u>5,041,645</u>	<u>4,657,781</u>	<u>(3,571,594)</u>	<u>6,127,832</u>
Capital assets being depreciated				
Plants and buildings	4,950,436	-	-	4,950,436
Other improvements	65,830,044	-	-	65,830,044
Runways and taxiways	3,422,564	-	4,241,125	7,663,689
Other structures	951,622	-	-	951,622
Machinery and equipment	<u>2,972,683</u>	<u>343,827</u>	<u>-</u>	<u>3,316,510</u>
Total capital assets being depreciated	78,127,349	343,827	4,241,125	82,712,301
Less accumulated depreciation for:				
Plants and buildings	2,987,051	22,274	-	3,009,325
Other improvements	29,931,735	1,264,485	-	31,196,220
Runways and taxiways	2,484,709	52,867	-	2,537,576
Other structures	814,337	5,832	-	820,169
Machinery and equipment	<u>2,624,823</u>	<u>120,281</u>	<u>-</u>	<u>2,745,104</u>
Total accumulated depreciation	<u>38,842,655</u>	<u>1,465,739</u>	<u>-</u>	<u>40,308,394</u>
Total capital assets being depreciated, net	<u>39,284,694</u>	<u>(1,121,912)</u>	<u>4,241,125</u>	<u>42,403,907</u>
Business-type activities capital assets, net	<u>\$ 44,326,339</u>	<u>\$ 3,535,869</u>	<u>\$ 669,531</u>	<u>\$ 48,531,739</u>

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

Water and Sewer	\$ 1,387,501
Airport	30,702
Golf	<u>47,536</u>
Total depreciation expense – business-type activities	<u>\$ 1,465,739</u>

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Discretely Presented Component Units

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

	Beginning Balance	Increases	Ending Balance
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:

	Beginning Balance	Increases	Ending Balance
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>600,687</u>	<u>12,792</u>	<u>613,479</u>
Total capital assets being depreciated	20,363,856	12,792	20,376,648
Less accumulated depreciation for:			
Buildings	6,168,484	320,141	6,488,625
Park structures	3,965,809	-	3,965,809
Equipment and furniture	<u>417,079</u>	<u>44,967</u>	<u>462,046</u>
Total accumulated depreciation	<u>10,551,372</u>	<u>365,108</u>	<u>10,916,480</u>
Total capital assets being depreciated, net	<u>9,812,484</u>	<u>(352,316)</u>	<u>9,460,168</u>
Lancaster Recreational Development Corporation capital assets, net	<u>\$ 10,801,602</u>	<u>\$ (352,316)</u>	<u>\$ 10,449,286</u>

City of Lancaster, Texas
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Note 7: Long-term Liabilities

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 57,025,017	\$ -	\$ (1,765,000)	55,260,017	\$ 1,895,000
Certificates of obligation	14,075,105	4,080,000	(795,000)	17,360,105	834,507
Notes payable	4,710,033	-	(558,540)	4,151,493	539,828
Premiums on bond debt	3,066,433	-	(448,061)	2,618,372	-
Compensated absences	2,459,408	2,936,830	(2,459,408)	2,936,830	293,683
OPEB liability	175,460	38,847	-	214,307	-
Net pension liability	8,606,055	4,356,572	-	12,962,627	-
Capital leases	1,167,654	-	(227,298)	940,356	168,758
Total governmental activities	<u>\$ 91,285,165</u>	<u>\$ 11,412,249</u>	<u>\$ (6,253,307)</u>	<u>\$ 96,444,107</u>	<u>\$ 3,731,776</u>
Business-type Activities					
General obligation bonds	\$ 3,619,983	\$ -	\$ (775,000)	\$ 2,844,983	\$ 770,000
Certificates of obligation	11,129,896	-	(4,485,000)	6,644,896	405,493
Premiums on bond debt	124,708	-	(8,506)	116,202	-
Net pension liability	896,352	426,795	-	1,323,147	-
Compensated absences	71,461	79,421	(71,461)	79,421	7,942
Total business-type activities	<u>\$ 15,842,400</u>	<u>\$ 506,216</u>	<u>\$ (5,339,967)</u>	<u>\$ 11,008,649</u>	<u>\$ 1,183,435</u>
Discretely Presented Component Units					
Notes payable to primary government	\$ 9,151,950	\$ -	\$ (610,000)	\$ 8,541,950	\$ 625,000
Net pension liability	539,460	273,624	-	813,084	-
Total discretely presented component units	<u>\$ 9,691,410</u>	<u>\$ 273,624</u>	<u>\$ (610,000)</u>	<u>\$ 9,355,034</u>	<u>\$ 625,000</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 recorded the Series 2015 Tax and Waterworks and Sewer System Revenue Certificates of Obligation in the amount of \$4,080,000 in the Water and Sewer Fund. In fiscal year 2016, the City decided the certificate of obligation will be paid from the Capital Projects Fund (Governmental Activities) instead of the Water and Sewer Fund. A transfer was made to remove the debt from the Water and Sewer Fund and add to Governmental Activities.

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For the governmental activities, compensated absences and net pension liabilities are generally liquidated in the General Fund and Stormwater Fund. The net OPEB obligation is generally liquidated in the General Fund.

General obligation bonds, revenue bonds, certificates of obligation, notes payable and capital leases outstanding at September 30, 2016, 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%	\$ 3,890,000	\$ 1,510,000	\$ -	\$ 5,400,000
\$22,995,000, 2010 General Obligation Build America Bonds, due in annual installments through February 15, 2040, 1.82% – 6.53%	20,485,000	-	-	20,485,000
\$12,240,000, 2012 General Obligation Refunding Bonds, due in annual installments through February 15, 2024, 2.00% – 5.00%	9,470,000	250,000	70,000	9,790,000
\$22,530,000, 2015 General Obligation Refunding Bonds, due in annual installments through February 15, 2035, 2.00% – 3.75%	21,415,017	1,014,983	-	22,430,000
	<u>\$ 55,260,017</u>	<u>\$ 2,774,983</u>	<u>\$ 70,000</u>	<u>\$ 58,105,000</u>
<u>Certificates of Obligation</u>				
\$14,565,000, 2007 Certificate of Obligation Bonds, due in annual installments through February 15, 2032, 4.00% – 4.375%	\$ 2,660,104	\$ 519,896	\$ -	\$ 3,180,000
\$12,000,000, 2010 Certificate of Obligation Build America Bonds, due in annual installments through February 15, 2040, 1.82% – 6.53%	10,700,000	-	-	10,700,000
\$7,585,000, 2011 Certificate of Obligation Bonds, due in annual installments through August 15, 2031, 2.00% – 3.50%	-	6,125,000	-	6,125,000
\$4,080,000, 2015 Certificate of Obligation Bonds, due in annual installments through February 15, 2035, 2.00% – 3.75%	4,000,000	-	-	4,000,000
	<u>\$ 17,360,104</u>	<u>\$ 6,644,896</u>	<u>\$ -</u>	<u>\$ 24,005,000</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

The city has pledged future water customer revenues, net of specified operating expenses, to repay \$3.1 million and \$7.6 million in water system revenue bonds issued in 2007 and 2011, respectively. Proceeds from the bonds provided financing for the improvement to the Airport. The bonds are payable solely from water customer net revenues and are payable through 2032. Annual principal and interest payments on the bonds are expected to require less than 25 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$8,402,863. Principal and interest paid for the current year and total customer net revenues were \$609,987 and \$3,340,512, respectively.

	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%	\$ -	\$ -	\$ 6,765,000
\$3,035,000 note payable, due in annual installments through February 15, 2027; 4.00% – 4.375%	-	-	1,776,950
\$5,690,000 note payable, due in annual installments beginning October 2013 through October 2022; 7.00%	<u>4,151,493</u>	<u>4,151,493</u>	<u>-</u>
	<u>\$ 4,151,493</u>	<u>\$ 4,151,493</u>	<u>\$ 8,541,950</u>
<u>Capital Leases</u>			
\$366,345 Lease Purchase Agreement due in monthly installments through November 4, 2016; 2.15%	\$ 12,856	\$ 12,856	\$ -
\$1,250,000 Lease Purchase Agreement due in monthly installments through January 15, 2024; 2.08%	<u>927,500</u>	<u>927,500</u>	<u>-</u>
	<u>\$ 940,356</u>	<u>\$ 940,356</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.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

As of September 30, 2016, property and equipment under capital leases is carried at \$2,573,129, with \$1,106,406 in accumulated depreciation, included in fixed assets. Amortization of these assets is included with depreciation expense.

The annual requirements to amortize the long-term debt as of September 30, 2016, are as follows:

General Obligation Bonds						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 1,895,000	\$ 2,768,769	\$ 4,663,769	\$ 770,000	\$ 111,025	\$ 881,025
2018	2,220,000	2,684,356	4,904,356	815,000	71,975	886,975
2019	2,380,000	2,590,334	4,970,334	35,000	51,300	86,300
2020	2,810,000	2,470,380	5,280,380	125,000	47,475	172,475
2021	2,975,000	2,326,325	5,301,325	130,000	41,100	171,100
2022-2026	14,670,000	9,367,147	24,037,147	655,000	106,325	761,325
2027-2031	13,290,017	5,934,829	19,224,846	314,983	17,768	332,751
2032-2036	10,060,000	2,816,715	12,876,715	-	-	-
2037-2040	4,960,000	664,876	5,624,876	-	-	-
Total	\$ 55,260,017	\$ 31,623,731	\$ 86,883,748	\$ 2,844,983	\$ 446,968	\$ 3,291,951

Certificates of Obligation						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 834,507	\$ 890,825	\$ 1,725,332	\$ 405,493	\$ 193,922	\$ 599,415
2018	860,318	856,748	1,717,066	419,682	183,818	603,500
2019	891,130	820,420	1,711,550	433,870	173,347	607,217
2020	472,409	791,409	1,263,818	357,591	164,307	521,898
2021	486,571	769,002	1,255,573	373,429	156,764	530,193
2022-2026	2,915,292	3,445,748	6,361,040	2,104,708	620,097	2,724,805
2027-2031	3,617,097	2,590,314	6,207,411	2,547,903	265,711	2,813,614
2032-2036	4,687,780	1,466,397	6,154,177	2,220	-	2,220
2037-2040	2,595,001	347,453	2,942,454	-	-	-
Total	\$ 17,360,105	\$ 11,978,316	\$ 29,338,421	\$ 6,644,896	\$ 1,757,966	\$ 8,402,862

Note Payable						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	707,605	102,532	810,137	-	-	-
2022 - 2023	1,047,082	53,000	1,100,082	-	-	-
Total	\$ 4,151,493	\$ 999,271	\$ 5,150,764	\$ -	\$ -	\$ -

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

Note Payable			
Fiscal Year	Discretely Presented Component Units		
	Principal	Interest	Total
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	960,000	188,238	1,148,238
2022-2026	3,595,000	323,169	3,918,169
2027	<u>726,950</u>	<u>4,923</u>	<u>731,873</u>
Total	<u>\$ 8,541,950</u>	<u>\$ 1,648,001</u>	<u>\$ 10,189,951</u>

Capital Leases			
Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2017	\$ 168,758	\$ 19,327	\$ 188,085
2018	159,144	16,049	175,193
2019	162,454	12,739	175,193
2020	90,000	9,360	99,360
2021	90,000	7,488	97,488
2022-2025	<u>270,000</u>	<u>11,232</u>	<u>281,232</u>
Total	<u>\$ 940,356</u>	<u>\$ 76,195</u>	<u>\$ 1,016,551</u>

Note 8: 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. Lancaster Economic Development Corporation and Lancaster Recreational Development Corporation contribute to the plan with a cost share of 0.93% and 4.45%, respectively. There were no significant changes in the component unit's proportion to the plan during fiscal year 2016.

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, 2016

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:

Deposit rate	7.00%
Matching ratio (City to employee)	2 – 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI Repeating

At the December 31, 2015, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	170
Inactive employees entitled to but not yet receiving benefits	198
Active employees	243
	<u>611</u>

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’s contributions to TMRS for the year ended September 30, 2016, were \$2,002,110, and were equal to the required contributions.

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, 2016

Net Pension Liability

Actuarial Assumptions:

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality 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, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% and the inflation rate from 3% to 2.5% for the 2015 actuarial valuation. 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 is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation 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, 2016

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	Long-term Expected Real Rate of Return
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	30.00%	1.00%
Non-Core Fixed Income	10.00%	3.65%
Real Return	5.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	5.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

Discount Rate:

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will remain at the current 7.00% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability(a) - (b)
Balances as of 9/30/15	\$ 69,193,640	\$ 59,151,774	\$ 10,041,866
Changes for the year:			
Service cost	2,193,202	-	2,193,202
Interest on total pension liability	4,801,518	-	4,801,518
Effect of plan changes	-	-	-
Effect of difference in expected and actual experience	190,955	-	190,955
Effect of assumptions changes or inputs	961,057	-	961,057
Benefit payments	(3,394,263)	(3,394,263)	-
Administrative expenses	-	(53,164)	53,164
Member contributions	-	1,019,417	(1,019,417)
Net investment income	-	87,279	(87,279)
Employer contributions	-	2,038,833	(2,038,833)
Other	-	(2,625)	2,625
Net changes	4,752,469	(304,523)	5,056,992
Balances as of 9/30/16	\$ 73,946,109	\$ 58,847,251	\$ 15,098,858

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

Proportionate share and net pension liability reported in:

Primary Government	94.61%	\$	14,285,030
Lancaster Economic Development Corporation	0.93%		140,419
Lancaster Recreational Development Corporation	4.45%		671,899
	99.99%	\$	15,097,348

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

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

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
Primary government	\$ 25,144,568	\$ 14,285,030	\$ 5,523,503
Lancaster Economic Development Corporation	247,167	140,419	54,295
Lancaster Recreational Development Corporation	1,182,680	671,899	259,799
Plan's net pension liability	\$ 26,574,415	\$ 15,097,348	\$ 5,837,597

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 and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the primary government recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$2,883,617.

At September 30, 2016, the primary government 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	\$ 130,308	\$ 205,175
Change of assumptions	647,079	-
Difference between projected and actual investment earnings		
plan investments	3,476,812	-
Contributions subsequent to the measurement date	1,368,798	-
	\$ 5,622,997	\$ 205,175

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

For the year ended September 30, 2016, the primary government reported \$1,368,798 as deferred outflows of resources related to pensions resulting from primary government 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, 2017.

For the year ended September 30, 2016, Lancaster Economic Development Corporation recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$27,500.

At September 30, 2016, Lancaster Economic Development Corporation reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,133	\$ 1,784
Change of assumptions	6,171	-
Difference between projected and actual investment earnings plan investments	33,048	-
Contributions subsequent to the measurement date	12,773	-
	<u>\$ 53,125</u>	<u>\$ 1,784</u>

For the year ended September 30, 2016, Lancaster Economic Development Corporation reported \$12,773 as deferred outflows of resources related to pensions resulting from Lancaster Economic Development Corporation 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, 2017.

For the year ended September 30, 2016, Lancaster Recreational Development Corporation recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$137,453.

At September 30, 2016, Lancaster Recreational Development Corporation reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,484	\$ 7,060
Change of assumptions	30,845	-
Difference between projected and actual investment earnings plan investments	164,061	-
Contributions subsequent to the measurement date	60,957	-
	<u>\$ 260,347</u>	<u>\$ 7,060</u>

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

For the year ended September 30, 2016, Lancaster Recreational Development Corporation reported \$60,957 as deferred outflows of resources related to pensions resulting from Lancaster Recreational Development Corporation 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, 2017.

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

Year Ending September 30	
2017	\$ 1,095,622
2018	1,135,921
2019	1,050,546
2020	766,935
	\$ 4,049,024

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to Lancaster Economic Development Corporation will be recognized in pension expense as follows:

Year Ending September 30	
2017	\$ 10,436
2018	10,820
2019	10,007
2020	7,305
	\$ 38,568

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to Lancaster Recreational Development Corporation will be recognized in pension expense as follows:

Year Ending September 30	
2017	\$ 52,042
2018	53,957
2019	49,901
2020	36,430
	\$ 192,330

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

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, 2016, 2015 and 2014, were \$21,157, \$21,234 and \$19,176, respectively, which equaled the required contributions each year.

Note 9: 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.

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.

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

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, 2016, 2015 and 2014:

	September 30,		
	2016	2015	2014
Annual required contribution	\$ 76,437	\$ 74,211	\$ 82,341
Interest on prior year net OPEB obligation	7,896	5,883	5,478
Adjustment to annual required contribution	<u>(7,315)</u>	<u>(5,450)</u>	<u>(5,075)</u>
Annual OPEB cost	77,018	74,644	82,744
Contributions made	<u>(38,171)</u>	<u>(29,908)</u>	<u>(73,754)</u>
Increase in net OPEB obligation	38,847	44,736	8,990
Net obligation, beginning of year	<u>175,460</u>	<u>130,724</u>	<u>121,734</u>
Net obligation, end of year	<u><u>\$ 214,307</u></u>	<u><u>\$ 175,460</u></u>	<u><u>\$ 130,724</u></u>
Percentage of OPEB costs contributed	49.6%	40.1%	89.1%

Funded Status and Funding Progress

The funded status of the plan as of actuarial measurement date of December 31, 2015, was as follows:

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

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

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, 2015, 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 10: 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 repaying the cost of infrastructure improvements placed by White Rock. To date, an amount to repay is indeterminable due to the imposition of impact fees and other considerations. This case has an initial verdict for the City to repay, but appeals are pending.

Note 11: Commitments and Contingencies

Risk Management

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

City of Lancaster, Texas
Notes to Basic Financial Statements
September 30, 2016

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, 2016, was \$5,058,228, for the Ten Mile Creek Regional Wastewater System and \$75,863, 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, 2016.

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, 2016, 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.

Note 12: Subsequent events

On October 24, 2016, the City issued \$6,575,000 in general and refunding obligation bonds. The reissued bond is a variable rate. The average interest rate on the bond is 3.25% and matures in February 2032.

Required Supplementary Information

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

	<u>Measurement Year</u> <u>2014</u>	<u>Measurement Year</u> <u>2015</u>
Total Pension Liability:		
Service cost	\$ 1,754,296	\$ 2,193,202
Interest (on the Total Pension Liability)	4,600,938	4,801,518
Changes in benefit terms	-	-
Differences between expected and actual experience	(470,634)	190,955
Changes in assumptions	-	961,057
Benefit payments, including refunds of employee contributions	(3,082,997)	(3,394,263)
Net change in total pension liability	<u>2,801,603</u>	<u>4,752,469</u>
Total pension liability – Beginning	<u>66,392,037</u>	<u>69,193,640</u>
Total pension liability – Ending (a)	<u>\$ 69,193,640</u>	<u>\$ 73,946,109</u>
Plan Fiduciary Net Position:		
Contributions – employer	\$ 1,950,250	\$ 2,038,833
Contributions – employee	943,452	1,019,417
Net investment income	3,212,784	87,279
Benefit payments, including refunds of employee contributions	(3,082,997)	(3,394,263)
Administrative expense	(33,545)	(53,164)
Other	(2,758)	(2,625)
Net change in plan fiduciary net position	<u>2,987,186</u>	<u>(304,523)</u>
Plan fiduciary net position – Beginning	<u>56,164,588</u>	<u>59,151,774</u>
Plan fiduciary net position – Ending (b)	<u>\$ 59,151,774</u>	<u>\$ 58,847,251</u>
City’s net pension liability – Ending (a) – (b)	<u>\$ 10,041,866</u>	<u>\$ 15,098,858</u>
Plan fiduciary net position as a percentage of the total pension liability	85.49%	79.58%
Covered payroll	\$ 13,477,886	\$ 14,563,096
City’s net pension liability as a percentage of covered payroll	74.51%	103.68%

Changes in assumptions: In the 2015 valuation the investment rate decreased from 7.0% to 6.75%; the inflation rate was lowered from 3.0% to 2.5%; the experience study for retirement age was updated

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

	Fiscal Year 2015	Fiscal Year 2016
Actuarially determined contribution	\$ 2,012,259	\$ 2,002,110
Contributions in relation to the actuarially determined contribution	2,012,259	2,002,110
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 14,156,179	\$ 14,839,963
Contributions as a percentage of covered payroll	14.21%	13.49%

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	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

There were no benefit changes during the year

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 most recent fiscal year-end (September 30).

City of Lancaster, Texas
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability and Contributions
Texas Municipal Retirement System

	Primary Government		Lancaster Economic Development Corporation		Lancaster Recreational Development Corporation	
	2015	2016	2015	2016	2015	2016
Proportionate share of net pension liability	94.63%	94.61%	0.95%	0.93%	4.42%	4.45%
Net pension liability	\$ 9,502,407	\$ 14,285,030	\$ 95,378	\$ 140,419	\$ 444,082	\$ 671,899
Actuarially determined contribution	\$ 1,904,158	\$ 1,894,295	\$ 19,113	\$ 18,696	\$ 88,988	\$ 89,119
Covered payroll	\$ 13,395,694	\$ 14,040,821	\$ 134,456	\$ 138,576	\$ 626,029	\$ 660,566
Proportionate share of net pension liability as a percentage of covered payroll	70.94%	101.74%	70.94%	101.33%	70.94%	101.72%

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
Schedule of Funding Progress
September 30, 2016

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
		[1]	[2]	[3]	[4]	[5]	[6]
				[1]/[2]	[2]-[1]		[4]/[5]
2011	12/31/2010	\$ -	\$ 1,138,842	0.0%	\$ 1,138,842	\$ 13,835,321	8.2%
2013	12/31/2012	\$ -	\$ 886,334	0.0%	\$ 886,334	\$ 12,440,548	7.1%
2015	12/31/2014	\$ -	\$ 876,821	0.0%	\$ 876,821	\$ 13,863,623	6.3%

City of Lancaster, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and fees	\$ 17,032,447	\$ 17,032,447	\$ 18,439,703	\$ 1,407,256
Licenses and permits	764,800	764,800	1,522,638	757,838
Intergovernmental	-	-	369,534	369,534
Charges for services	740,250	740,250	1,516,187	775,937
Fines and forfeits	720,000	720,000	1,257,743	537,743
Interest	2,000	2,000	26,187	24,187
Grant and other income	254,940	254,940	-	(254,940)
Miscellaneous	56,050	56,050	261,553	205,503
	<u>19,570,487</u>	<u>19,570,487</u>	<u>23,393,545</u>	<u>3,823,058</u>
Expenditures				
Current				
General government	4,153,576	4,153,576	4,171,215	(17,639)
Public safety	14,250,167	14,250,167	16,110,529	(1,860,362)
Public works	465,478	465,478	1,191,225	(725,747)
Community development and recreation	1,687,588	1,687,588	889,728	797,860
Capital outlay	1,603,755	1,603,755	481,788	1,121,967
Debt service				
Principal retirement	-	-	558,540	(558,540)
Interest and fiscal charges	-	-	388,853	(388,853)
	<u>22,160,564</u>	<u>22,160,564</u>	<u>23,791,878</u>	<u>(1,631,314)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,590,077)</u>	<u>(2,590,077)</u>	<u>(398,333)</u>	<u>2,191,744</u>
Other financing sources (uses)				
Transfers in	1,742,788	1,742,788	1,673,308	(69,480)
Transfers out	-	-	(968,358)	(968,358)
	<u>1,742,788</u>	<u>1,742,788</u>	<u>704,950</u>	<u>(1,037,838)</u>
Net Change in Fund Balances	(847,289)	(847,289)	306,617	1,153,906
Fund Balance, Beginning of Year	<u>6,668,293</u>	<u>6,668,293</u>	<u>6,668,293</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,821,004</u>	<u>\$ 5,821,004</u>	<u>\$ 6,974,910</u>	<u>\$ 1,153,906</u>

City of Lancaster, Texas
Notes to Required Supplementary Information
September 30, 2016

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.

**Combining and Individual Fund
Statements and Schedules**

City of Lancaster, Texas
Non-major Governmental Funds
September 30, 2016

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
Non-major Governmental Funds
September 30, 2016

	Stormwater Drainage Fund	Public Improvement Districts Fund	Police State Seized Fund	Police Federal Seized Fund	Hotel/ Motel Fund	Emergency 911 Fund	Total Non-major Governmental Funds
Assets							
Cash and cash equivalents	\$ 1,967,030	\$ 618,929	\$ 25,805	\$ 31,379	\$ 590,313	\$ 764,476	\$ 3,997,932
Receivables (net of allowance for uncollectibles)							
Delinquent taxes	-	2,355	-	-	-	-	2,355
Accounts receivable	211,298	-	-	-	33,004	13,416	257,718
Total assets	<u>\$ 2,178,328</u>	<u>\$ 621,284</u>	<u>\$ 25,805</u>	<u>\$ 31,379</u>	<u>\$ 623,317</u>	<u>\$ 777,892</u>	<u>\$ 4,258,005</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts and contracts payable	\$ 48,607	\$ 6,174	\$ -	\$ -	\$ 2,180	\$ -	\$ 56,961
Accrued liabilities	62,139	-	-	-	-	805	62,944
Total liabilities	<u>110,746</u>	<u>6,174</u>	<u>-</u>	<u>-</u>	<u>2,180</u>	<u>805</u>	<u>119,905</u>
Deferred inflows of resources	<u>-</u>	<u>2,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,036</u>
Fund balances							
Restricted for							
Public works	2,067,582	-	-	-	-	-	2,067,582
Public improvement districts	-	613,074	-	-	-	-	613,074
Police grants	-	-	25,805	31,379	-	-	57,184
Tourism, convention centers, arts	-	-	-	-	621,137	-	621,137
Law enforcement purposes	-	-	-	-	-	777,087	777,087
Total fund balances	<u>2,067,582</u>	<u>613,074</u>	<u>25,805</u>	<u>31,379</u>	<u>621,137</u>	<u>777,087</u>	<u>4,136,064</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,178,328</u>	<u>\$ 621,284</u>	<u>\$ 25,805</u>	<u>\$ 31,379</u>	<u>\$ 623,317</u>	<u>\$ 777,892</u>	<u>\$ 4,258,005</u>

City of Lancaster, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended September 30, 2016

	Stormwater Drainage Fund	Public Improvement Districts Fund	Police State Seized Fund	Police Federal Seized Fund	Hotel/ Motel Fund	Emergency 911 Fund	Total Non-major Governmental Funds
Revenues							
Taxes and fees	\$ 1,517,536	\$ 367,875	\$ -	\$ -	\$ 128,393	\$ -	\$ 2,013,804
Licenses and permits	-	-	-	-	-	307,441	307,441
Miscellaneous	-	-	24,477	-	410	-	24,887
Interest	5,224	1,952	69	93	1,564	2,016	10,918
	<u>1,522,760</u>	<u>369,827</u>	<u>24,546</u>	<u>93</u>	<u>130,367</u>	<u>309,457</u>	<u>2,357,050</u>
Total revenues							
Expenditures							
Current							
Public safety	-	-	2,260	-	-	2,201	4,461
Public works	1,052,649	-	-	-	-	-	1,052,649
Community development and recreation	-	200,460	-	-	44,398	-	244,858
Capital outlay	23,426	-	-	-	-	114,562	137,988
Debt service	-	-	-	-	-	-	-
Principal retirement	30,000	-	-	-	-	-	30,000
Interest and fiscal charges	18,758	-	-	-	-	-	18,758
	<u>1,124,833</u>	<u>200,460</u>	<u>2,260</u>	<u>-</u>	<u>44,398</u>	<u>116,763</u>	<u>1,488,714</u>
Total expenditures							
Excess (deficiency) of revenues over (under) expenditures	<u>397,927</u>	<u>169,367</u>	<u>22,286</u>	<u>93</u>	<u>85,969</u>	<u>192,694</u>	<u>868,336</u>
Other Financing Uses							
Transfers out	<u>(42,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,000)</u>
Total other financing uses	<u>(42,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,000)</u>
Net Change in Fund Balances	355,927	169,367	22,286	93	85,969	192,694	826,336
Fund Balances, Beginning 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>
Fund Balances, End of Year	<u>\$ 2,067,582</u>	<u>\$ 613,074</u>	<u>\$ 25,805</u>	<u>\$ 31,379</u>	<u>\$ 621,137</u>	<u>\$ 777,087</u>	<u>\$ 4,136,064</u>

City of Lancaster, Texas
Non-major Enterprise Funds
September 30, 2016

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 Non-major 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
Non-major Enterprise Funds
September 30, 2016

Assets	Golf Course Fund	Refuse Fund	Total Non-major Enterprise Funds
Current Assets			
Cash and cash equivalents	\$ 196,853	\$ 118,785	\$ 315,638
Receivables (net of allowance for uncollectibles)			
Accounts	-	148,260	148,260
Unbilled	-	109,151	109,151
	<u>196,853</u>	<u>376,196</u>	<u>573,049</u>
Total current assets			
Noncurrent Assets			
Capital assets			
Nondepreciable	349,554	-	349,554
Depreciable (net of accumulated depreciation)	1,750,929	-	1,750,929
	<u>2,100,483</u>	<u>-</u>	<u>2,100,483</u>
Total noncurrent assets			
Total assets	<u>2,297,336</u>	<u>376,196</u>	<u>2,673,532</u>
Liabilities			
Current Liabilities			
Accounts and contracts payable	13,985	116,211	130,196
Accrued liabilities	330	37,233	37,563
Compensated absences	-	218	218
	<u>14,315</u>	<u>153,662</u>	<u>167,977</u>
Total current liabilities			
Noncurrent Liabilities			
Compensated absences	-	654	654
	<u>-</u>	<u>654</u>	<u>654</u>
Total noncurrent liabilities			
Total liabilities	<u>14,315</u>	<u>154,316</u>	<u>168,631</u>
Net Position			
Net investment in capital assets	2,100,483	-	2,100,483
Unrestricted	182,538	221,880	404,418
	<u>\$ 2,283,021</u>	<u>\$ 221,880</u>	<u>\$ 2,504,901</u>

City of Lancaster, Texas
Combining Statement of Revenues, Expenses and Changes in Net Position
Non-major Enterprise Funds
For the Year Ended September 30, 2016

	Golf Course Fund	Refuse Fund	Total Non-major Enterprise Funds
Operating Revenues			
Charges for services	\$ 69,582	2,374,754	\$ 2,444,336
Total operating revenues	<u>69,582</u>	<u>2,374,754</u>	<u>2,444,336</u>
Operating Expenses			
Maintenance	576	76,677	77,253
Heat, light and power	3,992	-	3,992
Depreciation	47,536	-	47,536
Special services	27,563	1,393,397	1,420,960
Total operating expenses	<u>79,667</u>	<u>1,470,074</u>	<u>1,549,741</u>
Operating Income (Loss)	<u>(10,085)</u>	<u>904,680</u>	<u>894,595</u>
Nonoperating Revenues (Expenses)			
Interest revenue	589	46	635
Total nonoperating revenues (expenses)	<u>589</u>	<u>46</u>	<u>635</u>
Income (Loss) Before Transfers	(9,496)	904,726	895,230
Transfers out	<u>(63,000)</u>	<u>(150,000)</u>	<u>(213,000)</u>
Change in Net Position (Deficit)	(72,496)	754,726	682,230
Net Position (Deficit), Beginning of Year	<u>2,355,517</u>	<u>(532,846)</u>	<u>1,822,671</u>
Net Position (Deficit), End of Year	<u>\$ 2,283,021</u>	<u>\$ 221,880</u>	<u>\$ 2,504,901</u>

City of Lancaster, Texas
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended September 30, 2016

	Golf Course Fund	Refuse Fund	Non-major Enterprise Fund
Operating Activities			
Receipts from customers and users	\$ 83,499	\$ 2,361,713	\$ 2,445,212
Payments to suppliers	(32,131)	(2,092,974)	(2,125,105)
Net cash provided by operating activities	<u>51,368</u>	<u>268,739</u>	<u>320,107</u>
Noncapital and Related Financing Activities			
Transfers out	(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	589	46	635
Net cash provided by investing activities	<u>589</u>	<u>46</u>	<u>635</u>
Increase (Decrease) in Cash and Cash Equivalents	(11,043)	118,785	107,742
Cash and Cash Equivalents, Beginning of Year	<u>207,896</u>	<u>-</u>	<u>207,896</u>
Cash and Cash Equivalents, End of year	<u>\$ 196,853</u>	<u>\$ 118,785</u>	<u>\$ 315,638</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (10,085)	\$ 904,680	\$ 894,595
Item not requiring cash			
Depreciation	47,536	-	47,536
Changes in			
Accounts receivable	-	(13,041)	(13,041)
Accounts payable	13,917	(635,654)	(621,737)
Accrued expenses	-	12,754	12,754
Net cash provided by operating activities	<u>\$ 51,368</u>	<u>\$ 268,739</u>	<u>\$ 320,107</u>

City of Lancaster, Texas
Discretely Presented Component Units
September 30, 2016

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, 2016

Assets	
Cash and cash equivalents	\$ 4,457,568
Sales tax receivable	<u>205,750</u>
Total Assets	<u>4,663,318</u>
 Liabilities	
Accounts payable	1,708
Accrued liabilities	<u>34</u>
Total liabilities	<u>1,742</u>
 Fund Balances	
Unassigned	<u>4,661,576</u>
Total fund balances	<u>4,661,576</u>
Total Liabilities and Fund Balance	<u><u>\$ 4,663,318</u></u>

City of Lancaster, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Economic Development Corporation
September 30, 2016

Total fund balance	\$ 4,661,576
Amounts reported in the statement of net position are different because:	
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.	(10,194)
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.	100,378
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.	(1,917,944)
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	12,773
Investment return difference (GASB 68)	33,048
Assumption changes (GASB 68)	6,171
Experience difference (GASB 68)	(651)
	(1,917,944)
Total net position	\$ 2,885,157

City of Lancaster, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Economic Development Corporation
For the Year Ended September 30, 2016

Revenues	
Sales taxes	\$ 1,126,752
Interest	12,870
	<u>1,139,622</u>
Total revenues	<u>1,139,622</u>
Expenditures	
Cultural and recreation	526,438
Debt service	
Repayment of note payable to primary government	140,000
Repayment of interest to primary government	89,039
	<u>89,039</u>
Total expenditures	<u>755,477</u>
Excess of revenues over expenditures	<u>384,145</u>
Net Change in Fund Balance	384,145
Fund Balance, Beginning of Year	<u>4,277,431</u>
Fund Balance, End of Year	<u>\$ 4,661,576</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, 2016

Net change in fund balance	\$ 384,145
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.	140,000
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.	(9,440)
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>712</u>
Change in net position	<u><u>\$ 515,417</u></u>

City of Lancaster, Texas
Balance Sheet
Recreational Development Corporation
September 30, 2016

Assets	
Cash and cash equivalents	\$ 1,203,491
Sales tax receivable	411,495
Prepaid expenses	<u>15,707</u>
Total assets	<u>1,630,693</u>
Liabilities	
Accounts payable	66,679
Accrued liabilities	194,819
Due to primary government	<u>528,753</u>
Total liabilities	<u>790,251</u>
Fund Balance	
Nonspendable for prepaid items	15,707
Unassigned	<u>824,735</u>
Total fund balances	<u>840,442</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 1,630,693</u></u>

City of Lancaster, Texas
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
Recreational Development Corporation
September 30, 2016

Total fund balance	\$	840,442
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.		10,449,286
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.		(31,088)
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.		(7,437,091)
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		60,957
Investment return difference (GASB 68)		164,061
Assumption changes (GASB 68)		30,845
Experience difference (GASB 68)		(2,576)
		(4,074,837)
Total net position	\$	4,074,837

City of Lancaster, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Recreational Development Corporation
For the Year Ended September 30, 2016

Revenues	
Sales taxes	\$ 2,253,504
Charges for services	603,664
Intergovernmental	12,792
Other revenues	31,569
Interest	<u>2,832</u>
Total revenues	<u>2,904,361</u>
Expenditures	
Cultural and recreation	2,016,696
Capital outlay	<u>12,792</u>
Debt service	
Repayment of note payable to primary government	470,000
Repayment of interest to primary government	<u>263,000</u>
Total expenditures	<u>2,762,488</u>
Excess of revenues over expenditures	<u>141,873</u>
Net Change in Fund Balance	141,873
Fund Balance, Beginning of Year	<u>698,569</u>
Fund Balance, End of Year	<u><u>\$ 840,442</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, 2016

Net change in fund balance	\$ 141,873
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.	12,792
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.	(365,108)
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.	470,000
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.	(47,182)
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.	1,787
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.	<u>(38,291)</u>
Change in net position	<u><u>\$ 175,871</u></u>

Statistical Section

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

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

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 41,406,070
Restricted for										
Housing and Urban Development	-	-	-	-	-	-	201,618	198,242	-	-
Court Security	-	-	-	-	-	-	-	-	25,509	29,106
Court Technology	-	-	-	-	-	-	-	-	77,596	82,633
Debt service	602,144	297,651	620,279	222,762	718,522	242,823	352,439	397,888	602,627	808,824
Public improvement districts	-	-	-	-	-	-	254,959	324,233	443,707	613,074
Tourism, convention centers, arts	-	-	-	-	-	-	367,370	433,318	535,168	621,137
Law enforcement purposes	-	-	-	-	-	-	616,916	467,206	619,198	834,271
Unrestricted	7,297,462	10,496,418	20,277,619	6,060,550	5,465,566	2,408,817	8,209,270	6,496,829	1,745,271	2,596,403
Total governmental activities net asset	<u>\$ 62,459,903</u>	<u>\$ 61,219,747</u>	<u>\$ 61,263,965</u>	<u>\$ 58,103,189</u>	<u>\$ 56,790,788</u>	<u>\$ 57,760,986</u>	<u>\$ 56,234,366</u>	<u>\$ 54,822,317</u>	<u>\$ 47,235,789</u>	<u>\$ 46,991,518</u>
Business-type Activities										
Net investment in capital assets	\$ 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	\$ 42,684,653
Restricted for										
Debt service	-	1,820,910	731,987	731,987	-	-	-	-	-	-
Impact fees	4,862,321	-	-	-	-	-	-	-	-	-
Capital	-	5,211,102	5,327,838	5,435,469	-	-	-	-	-	-
Unrestricted	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	23,659,170
Total business-type activities net asset	<u>\$ 48,874,540</u>	<u>\$ 46,993,736</u>	<u>\$ 47,309,313</u>	<u>\$ 46,539,151</u>	<u>\$ 49,405,164</u>	<u>\$ 51,077,009</u>	<u>\$ 53,731,781</u>	<u>\$ 55,485,036</u>	<u>\$ 57,460,669</u>	<u>\$ 66,343,823</u>
Primary Government										
Net investment in capital assets	\$ 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	\$ 84,090,723
Restricted for										
Housing and Urban Development	-	-	-	-	-	-	201,618	198,242	-	-
Court Security	-	-	-	-	-	-	-	-	25,509	29,106
Court Technology	-	-	-	-	-	-	-	-	77,596	82,633
Public improvement districts	-	-	-	-	-	-	254,959	324,233	443,707	613,074
Tourism, convention centers, arts	-	-	-	-	-	-	367,370	433,318	535,168	621,137
Law enforcement purposes	-	-	-	-	-	-	616,916	467,206	619,198	834,271
Debt service	602,144	2,118,561	1,352,266	954,749	718,522	242,823	352,439	397,888	602,627	808,824
Impact fees	4,862,321	-	-	-	-	-	-	-	-	-
Capital	-	5,211,102	5,327,838	5,435,469	-	-	-	-	-	-
Governmental funded construction costs	-	-	-	-	-	-	-	-	-	-
Unrestricted	21,781,482	20,557,238	27,873,296	7,997,135	16,600,603	15,529,906	24,007,584	23,757,389	26,088,148	26,255,573
Total primary governmental net assets	<u>\$ 111,334,443</u>	<u>\$ 108,213,483</u>	<u>\$ 108,573,278</u>	<u>\$ 104,642,340</u>	<u>\$ 106,195,952</u>	<u>\$ 108,837,995</u>	<u>\$ 109,966,147</u>	<u>\$ 110,307,353</u>	<u>\$ 104,696,458</u>	<u>\$ 113,335,341</u>

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
General government	\$ 4,274,611	\$ 5,395,286	\$ 3,689,422	\$ 4,603,846	\$ 4,254,835	\$ 3,642,761	\$ 4,171,973	\$ 4,055,911	\$ 3,891,404	\$ 7,337,257
Public safety	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	18,522,908
Public works	3,176,963	3,162,728	4,902,806	5,678,976	4,832,457	5,119,834	4,991,125	4,926,327	5,987,362	3,651,258
Community development and recreation	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	1,366,830
Community service	29,037	-	-	-	-	-	-	-	-	-
Social and welfare	8,071,230	9,015,301	8,496,435	8,599,376	8,640,215	8,493,007	2,048,769	3,623	-	-
Nondepartmental	1,949,265	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	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	3,200,431
Total governmental activities expenses	<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>31,024,536</u>	<u>34,078,684</u>
Business-type activities										
Water and sewer	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	12,960,201
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	1,470,074
Airport	1,154,670	914,387	923,923	810,211	905,354	982,868	852,874	886,065	909,428	724,101
Golf course	125,495	107,311	135,276	86,966	83,002	139,621	108,196	86,605	82,234	79,667
Total business-type activities expenses	<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>15,311,722</u>	<u>15,234,043</u>
Total primary government expenses	<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>\$ 46,336,258</u>	<u>\$ 49,312,727</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ -	\$ 25,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	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	2,303,526
Public works	876,625	989,766	927,298	920,361	1,261,640	682,137	1,863,869	1,856,563	1,838,598	3,346,266
Community development and recreation	1,654,124	1,056,471	542,632	518,507	-	-	-	-	-	-
Community service	93,292	-	-	-	-	-	-	-	-	-
Social and welfare	-	-	-	-	-	-	2,814,031	1,339,640	1,351,379	-
Operating grants and contributions	8,922,577	10,588,454	8,424,486	8,817,871	8,765,448	8,171,297	-	-	-	894,947
Capital grants and contributions	6,557,823	132,158	1,384,895	1,866,380	1,740,834	1,146,735	-	-	-	-
Total governmental activities program revenues	<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>\$ 4,626,742</u>	<u>\$ 6,544,739</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities										
Charges for services										
Water and sewer	\$ 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	\$ 15,708,146
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	2,374,754
Airport	429,206	682,872	541,019	576,949	726,819	806,724	750,308	788,602	748,077	775,416
Golf course	56,304	66,487	80,749	72,550	84,542	94,847	85,595	79,845	72,021	69,582
Operating grants and contributions	61,998	19,281	30,695	382,600	50,089	-	-	-	-	-
Capital grants and contributions	1,475,994	-	530,710	565,364	-	300,000	-	-	-	3,612,835
Total business-type activities program revenues	13,801,555	12,822,295	13,518,580	14,320,692	14,466,999	17,488,251	17,259,044	17,350,050	18,909,149	22,540,733
Total primary government program revenues	\$ 33,947,548	\$ 27,224,992	\$ 26,557,205	\$ 28,203,558	\$ 27,629,605	\$ 29,017,556	\$ 22,724,514	\$ 21,536,332	\$ 23,535,891	\$ 29,085,472
Net (Expenses) Revenues										
Governmental activities	\$ (15,674,698)	\$ (23,946,200)	\$ (22,097,962)	\$ (24,026,733)	\$ (22,784,573)	\$ (23,500,403)	\$ (23,171,635)	\$ (24,013,527)	\$ (26,397,794)	\$ (27,533,945)
Business-type activities	921,216	(705,449)	1,590,542	1,571,014	2,103,735	3,769,812	4,301,632	3,008,006	3,597,427	7,306,690
Total primary government net expenses	\$ (14,753,482)	\$ (24,651,649)	\$ (20,507,420)	\$ (22,455,719)	\$ (20,680,838)	\$ (19,730,591)	\$ (18,870,003)	\$ (21,005,521)	\$ (22,800,367)	\$ (20,227,255)
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property taxes	\$ 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	\$ 15,696,270
Sales taxes	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	5,633,760
Franchise taxes	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	2,041,390
Other local taxes	48,275	41,853	146,970	116,535	127,887	51,632	-	48,110	2,494,897	2,019,179
Interest on investments	914,385	1,141,586	156,990	36,118	40,627	44,197	22,654	10,241	15,923	111,569
Miscellaneous	310,259	204,380	1,380,725	1,374,279	1,180,897	484,754	343,709	324,621	489,467	292,911
Transfers	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	(193,511)
Total governmental activities	18,183,457	20,954,567	22,142,180	22,357,976	21,472,172	24,470,601	22,337,355	22,601,478	26,356,564	25,601,568
Business-type activities										
Interest on investments	523,640	143,189	30,087	15,963	15,105	30,081	26,255	9,682	14,728	89,948
Miscellaneous	2,971	9,110	22,184	24,097	78,066	(696,812)	511,763	415,530	787,542	1,293,005
Transfers	(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)	193,511
Total business-type activities	(267,899)	(1,175,355)	(1,274,965)	(2,341,176)	762,278	(2,097,967)	(1,318,610)	(1,254,751)	(833,302)	1,576,464
Total primary government	17,915,558	19,779,212	20,867,215	20,016,800	22,234,450	22,372,634	21,018,745	21,346,727	25,523,262	27,178,032
Change in Net Position										
Governmental activities	2,508,759	(2,991,633)	44,218	(1,668,757)	(1,312,401)	970,198	(834,280)	(1,412,049)	(41,230)	(1,932,377)
Business-type activities	653,317	(1,880,804)	315,577	(770,162)	2,866,013	1,671,845	2,983,022	1,753,255	2,764,125	8,883,154
Total primary government	\$ 3,162,076	\$ (4,872,437)	\$ 359,795	\$ (2,438,919)	\$ 1,553,612	\$ 2,642,043	\$ 2,148,742	\$ 341,206	\$ 2,722,895	\$ 6,950,777

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

Source: Comprehensive Annual Financial Report

Notes: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

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	2016
General Fund						
Nonspendable	\$ -	\$ -	\$ 50,317	\$ 181,550	\$ 181,224	\$ 16,290
Court security	-	-	-	-	25,509	29,106
Court technology	-	-	-	-	77,596	82,633
Unassigned	4,554,413	6,793,956	6,447,889	5,676,223	6,383,964	6,846,881
	<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>	<u>6,846,881</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>	<u>\$ 6,974,910</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	15,924,564
Debt service	718,522	242,823	352,439	397,888	602,627	808,824
Public works	467,955	832,928	1,085,362	1,395,072	1,704,102	2,067,582
Public improvement districts	85,076	189,076	254,959	324,233	443,707	613,074
Police grants	9,477	7,539	7,299	50,137	34,805	57,184
Tourism, convention centers arts	252,144	298,965	367,370	433,318	535,168	621,137
Law enforcement purposes	240,589	395,610	609,617	417,069	584,393	777,087
	<u>240,589</u>	<u>395,610</u>	<u>609,617</u>	<u>417,069</u>	<u>584,393</u>	<u>777,087</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>	<u>\$ 20,869,452</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes and fees	\$ 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	\$ 25,270,016
Licenses and permits	1,030,736	991,440	746,037	807,945	773,463	857,841	1,148,329	975,217	951,760	1,830,079
Intergovernmental	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	1,504,947
Charges for services	996,431	455,084	517,691	516,420	533,411	671,295	715,540	881,346	886,838	1,516,187
Fines and forfeitures	1,824,412	1,524,133	1,075,935	906,897	909,658	884,828	787,570	990,079	1,436,765	2,303,526
Interest	946,133	1,141,586	156,990	36,118	40,934	44,197	22,654	10,241	15,923	111,569
Miscellaneous	1,334,997	2,190,957	2,000,345	727,462	481,671	484,754	343,709	324,621	489,467	292,911
Total revenues	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	32,829,235
Expenditures										
Current										
General government	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	4,171,215
Public safety	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	16,114,990
Public works	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	2,243,874
Community development and recreation	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	1,134,586
Community service	19,073	-	-	-	-	-	-	-	-	-
Non departmental	1,606,171	-	-	-	-	-	-	-	-	-
Social and welfare	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	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	1,769,198
Debt Service										
Principal retirement	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	3,345,838
Interest and fiscal charges	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	3,454,802
Cost of issuance of bonds	-	-	-	-	-	94,871	-	-	294,059	-
Total expenditures	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	32,234,503
Excess (deficiency) of revenues over (under) expenditures	(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)	594,732
Other Financing Sources (Uses)										
Notes issued	\$ (3,035,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds issued	29,550,000	-	-	34,995,000	-	5,690,060	-	-	4,580,316	4,080,000
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	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	1,729,308
Transfers to other funds	(595,195)	(1,182,588)	(108,768)	(104,000)	(2,204,343)	(104,000)	(104,000)	(127,399)	(356,537)	(1,922,819)
Total other financing sources (uses)	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	3,886,489
Net Change in Fund Balances	\$ 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	\$ 4,481,221
Debt service as a percentage of noncapital expenditures	5.9%	11.1%	9.7%	10.8%	14.1%	14.2%	15.2%	21.7%	21.9%	22.3%

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
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%
2016	1,040,174,731	560,156,380	468,152,809	88,233,230	1,980,250,690	\$ 0.86750	1,980,250,690	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.

^b Excludes tax exempt property.

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

Fiscal Year	City Direct Rates			Overlapping Rates				
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Lancaster Independent School District	Dallas Independent School District	Lancaster MUD#1	Dallas County	Dallas County Hospital (Parkland)
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
2016	0.601200	0.266300	0.86750	1.418000	1.040050	1.060000	0.243100	0.276000

Source: Dallas County

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

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^a	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^a
CSHV 20 35 LLC	\$ 136,927,020	1	6.62%	\$ -		0.00%
AT&T Corp	65,506,450	2	3.17%	63,673,776	1	3.73%
Oncor Electric Delivery	57,816,640	3	2.80%	-		0.00%
Swift Transportation Inc	47,541,300	4	2.30%	12,370,750	8	0.72%
United Natural Foods Inc	40,924,846	5	1.98%	-		0.00%
Mobis Parts America	35,787,665	6	1.73%	-		0.00%
Walmart Stores Inc	24,389,780	7	1.18%	-		0.00%
Quaker Pepsico	18,960,497	8	0.92%	-		0.00%
Pleasant Run Joint Venture	17,888,750	9	0.86%	-		0.00%
Lowe's Home Centers LLC	14,328,083	10	0.69%	-		0.00%
Texas Utilities Electric Co.	-		0.00%	60,970,089	2	3.57%
Brasscraft Manufacturing Co.	-		0.00%	19,312,491	3	1.13%
Brenntag Southwest, Inc.	-		0.00%	15,719,490	4	0.92%
M&A Texas Lancaster LTD	-		0.00%	13,910,600	5	0.81%
Prologis & Argent LP	-		0.00%	13,026,170	6	0.76%
Walmart Real Estate	-		0.00%	12,632,110	7	0.74%
Pleasant Run Courtyard	-		0.00%	11,500,000	9	0.67%
Blue Grove Plaza	-		0.00%	11,500,000	10	0.67%
	<u>\$ 460,071,031</u>		<u>22.25%</u>	<u>\$ 234,615,476</u>		<u>13.72%</u>

Source: City of Lancaster, Budget Document, Dallas County Tax Office, and Municipal Advisory Council of Texas.

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
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%
2016	16,852,274	15,593,048	92.53%	268,116	15,861,164	94.12%

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			
2007	31,789,991	14,179,301	890,760	10,971,592	172,280	1,748,941	59,752,865	8.03%	1,719
2008	31,197,713	13,992,974	638,907	10,318,215	167,280	1,587,751	57,902,840	7.17%	1,624
2009	30,181,531	13,710,000	715,197	9,534,838	157,280	869,901	55,168,747	7.66%	1,522
2010	52,785,752	25,292,725	498,961	8,731,461	147,280	600,160	88,056,339	11.48%	2,422
2011	51,927,333	24,915,625	268,975	7,520,455	137,280	72,552	84,842,220	10.98%	2,276
2012	52,695,925	22,268,525	6,147,351	14,200,793	129,284	56,631	95,498,509	11.96%	2,523
2013	51,233,460	21,536,425	6,075,603	13,001,471	118,511	37,998	92,003,468	11.45%	2,428
2014	49,615,995	20,919,325	5,555,698	11,763,738	107,828	17,703	87,980,287	11.40%	2,311
2015	60,129,226	14,037,329	5,877,687	14,782,527	92,060	-	94,918,829	12.24%	2,481
2016	57,913,267	17,325,229	5,091,849	9,529,799	76,282	-	89,936,426	11.29%	2,284

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

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

General Bonded Debt Outstanding					Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Less: Amounts Available in Debt Service Fund	Total		
2007	\$ 39,826,875	\$ 14,176,289	\$ 923,684	\$ 53,079,480	3.21%	1,527
2008	\$ 38,716,055	\$ 13,990,127	\$ 295,932	\$ 52,410,250	3.17%	1,470
2009	\$ 37,106,329	\$ 13,707,320	\$ 586,712	\$ 50,226,937	3.35%	1,386
2010	\$ 59,096,999	\$ 25,290,219	\$ 1,081,805	\$ 83,305,413	5.87%	2,291
2011	\$ 57,227,436	\$ 24,913,257	\$ 718,522	\$ 81,422,171	5.73%	2,184
2012	\$ 57,599,904	\$ 22,269,623	\$ 242,823	\$ 79,626,704	5.76%	2,104
2013	\$ 55,437,371	\$ 21,537,496	\$ 352,439	\$ 76,622,428	5.51%	2,022
2014	\$ 53,096,505	\$ 20,920,381	\$ 397,888	\$ 73,618,998	4.73%	1,934
2015	\$ 63,872,886	\$ 18,118,360	\$ 602,627	\$ 81,388,619	4.82%	2,127
2016	\$ 60,873,448	\$ 17,326,233	\$ 808,824	\$ 77,390,857	3.91%	1,965

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

^aSee Table E for property value data.

^bSee Table N for population data.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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>0.7375</u>	<u>0.7775</u>	<u>0.7775</u>	<u>0.8675</u>						
Available tax rate	<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, 2016 (Unaudited)

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable ^a	City Share of Overlapping Debt
Lancaster ISD	\$ 149,175,344	86.08%	\$ 128,410,136
Dallas County	227,980,000	1.04%	2,370,992
Dallas County Hospital District	718,480,000	1.04%	7,472,192
Dallas County Schools	50,405,000	1.04%	524,212
Dallas ISD	3,013,520,000	0.05%	1,506,760
Ferris ISD	29,599,428	0.05%	14,800
Dallas County Community College District	294,050,000	1.04%	3,058,120
	<u>4,483,209,772</u>		<u>143,357,212</u>
City of Lancaster (Direct Debt)	<u>89,936,426</u>	100.00%	<u>89,936,426</u>
Total Direct and Overlapping Debt	<u><u>\$ 4,573,146,198</u></u>		<u><u>\$ 233,293,638</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.

^a The 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 Obligation					
Less:					
Fiscal Year	Total Revenues^a	Operating Expenses^b	Net Available Revenue	Annual Requirement^c	Times Coverage
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
2016	17,721,270	14,380,758	3,340,512	1,517,470	2.20

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
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	35.0	46,254	6,538	8.8%
2014	38,071	771,661,099	20,269	32.0	53,652	6,823	7.0%
2015	38,256	775,410,864	22,347	32.0	53,652	6,910	6.8%
2016	39,380	796,342,360	20,222	32.3	49,590	7,051	5.8%

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

Note:

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

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

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lancaster ISD	708	1	3.95%	600	1	N/A
Walmart	489	2	2.73%	400	3	N/A
Brass Craft	306	3	1.71%	350	2	N/A
Oak Creek Homes	265	4	1.48%	250	4	N/A
Cedar Valley College	234	5	1.31%	190	5	N/A
United National Foods	224	6	1.25%	-		N/A
AT&T Material Distribution	215	7	1.20%	200	6	N/A
Swift Transportation	209	8	1.17%	200	8	N/A
Consolidated Mail Pharmacy	205	9	1.14%	175	7	N/A
Bentwood Companies	184	10	1.03%	165	10	N/A
FFE Transportation	176	11	0.98%	150	11	N/A
Communi. Test Designs	-		-	150	12	
	3,215		17.93%	2,830		0.00%

Source: City of Lancaster Economic Development Corporation and TWC website

City of Lancaster, Texas

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government Division	15	19	19	16	17	15	17	41	44	36
Public Safety Division	136	144	145	147	134	132	133	140	141	139
Public Works Division	6	8	7	7	6	5	5	4	4	4
Community Development Division	16	18	18	16	13	11	10	13	17	17
Nondepartmental Division	7	7	7	7	6	5	5	-	-	-
Water and Sewer	32	34	33	29	31	30	28	22	22	23
Airport	1	1	2	5	4	4	4	5	5	6
4A LEDC Fund	3	3	2	2	2	1	1	1	1	1
4B LRDC Fund – Library	-	-	4	9	9	8	9	8	8	13
Parks and Recreation Fund	25	29	28	45	29	32	32	24	25	34
Housing	12	12	12	12	12	9	4	-	-	-
Stormwater Fund	10	12	13	13	12	11	13	13	13	8
Total	263	287	290	308	273	262	260	271	280	281

Sources: City of Lancaster Budget Document

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Number of police officers	59	63	59	59	52	51	51	49	54	52
Number of violations (citations)	16,694	11,418	12,083	7,927	11,731	12,269	9,432	8,185	5,808	6,698
Municipal Court										
Number of traffic cases	12,110	8,662	9,139	5,356	11,056	19,434	8,865	4,283	5,101	8,678
Number of city ordinance cases	289	772	652	1,116	485	2,298	322	85	1,098	1,085
Fire										
Number of fire fighters	50	52	59	59	57	56	56	62	62	62
Number of emergency fire responses	2,082	1,927	2,021	1,632	1,916	1,846	1,792	1,826	1,913	1,773
Number of medical emergencies	3,269	3,508	3,364	3,748	3,664	4,017	4,268	4,353	4,632	4,668
Development Services										
Total number of building permits ^a	328	107	95	51	26	38	64	1,090	982	359
Estimated valuation ^a	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	10,737,484
Parks and Recreation										
Number of acres	491	530	530	863	1,070	1,070	1,070	1,087	1,087	1,087
Number of recreation center participants	1,954	2,448	2,650	2,504	3,279	4,541	3,690	4,375	6,175	12,852
Library										
Volumes in collection ^b	81,812	80,727	85,483	84,786	90,117	90,972	87,468	77,020	86,411	83,827
Number of library cardholders	6,432	9,537	17,913	9,343	6,412	23,701	27,584	30,011	35,892	10,364
Water and Wastewater										
Number of water accounts	12,036	12,223	12,285	12,334	12,543	12,611	12,613	12,723	12,845	14,242
Average daily water consumption (millions of gallons)	4	4	4	4	5	4	4	4	4	4
Average daily effluent (millions of gallons)	4	4	4	5	4	4	5	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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	22	22	24	25	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	13	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	188	190	208
Sanitary sewer mains (miles)	160	160	160	160	160	160	160	161	163	174
Fire hydrants	1,554	1,554	1,554	1,554	1,554	1,554	1,554	1,558	1,598	1,638

Sources: City Departments

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 (City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2017.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the City's management in a separate letter dated March 31, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
March 31, 2017