

CITY OF LANCASTER, SOUTH CAROLINA

Basic Financial Statements
and
Accompanying Information

Year Ended June 30, 2008



CITY OF LANCASTER, SOUTH CAROLINA

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Independent Auditors' Report

Honorable Mayor and City Council
City of Lancaster, South Carolina
Lancaster, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lancaster, South Carolina, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Lancaster, South Carolina's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, South Carolina as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008, on our consideration of the City of Lancaster, South Carolina's internal control over financial reporting and on 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* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lancaster, South Carolina, basic financial statements. The combining and nonmajor fund financial statements, and other schedules 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 nonmajor fund financial statements, the Schedule of Debt Coverage – Gross Revenue Fund, the Analysis of Victim’s Services, and the Schedule of Victims’ Fines, Assessments and Fees Collected have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Tax Base Information schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Blair, Bohle & Whitsett, PC

September 29, 2008



Management's Discussion and Analysis

As management of the City of Lancaster, we offer readers of the City of Lancaster's financial statements this narrative overview and analysis of the financial activities of the City of Lancaster for the fiscal year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Lancaster exceeded its liabilities at the close of the fiscal year by approximately \$35,000,000 (net assets) compared to approximately \$33,000,000 (net assets) at June 30, 2007.
- The government's total assets increased by approximately \$2,000,000 over the prior year due to increases in both governmental activities and business type activities.
- For business type activities, revenue was in excess of expense by approximately \$1,100,000 compared to approximately \$1,600,000 last year.
- In the General Fund, revenue exceeded expense by approximately \$500,000 compared to expense exceeding revenue by \$500,000 last year.
- In the Gross Revenue (water/sewer) Fund, revenue exceeded expense by approximately \$1,078,000 compared to \$1,523,000 last year.
- In the Solid Waste Fund, revenue exceeded expense by approximately \$69,000 compared to \$112,000 last year.
- As of the close of the current fiscal year, the City of Lancaster's governmental funds reported combined ending fund balances of approximately \$7,800,000 an increase of approximately \$700,000 in comparison with the prior year (\$7,100,000). Approximately \$7,600,000 (96.9%) is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General fund was approximately \$6,400,000, or 69.6% of total General fund expenditures (\$9,200,000) for the fiscal year. From FY 0607 to FY 0708, unrestricted fund balance increased by 14.2% (\$5,600,000 to \$6,400,000).
- Total debt for FY 0708 was approximately \$15,500,000 compared to FY 0607 of \$11,500,000. This amounts to a net decrease of 34.8% or approximately \$4,000,000.

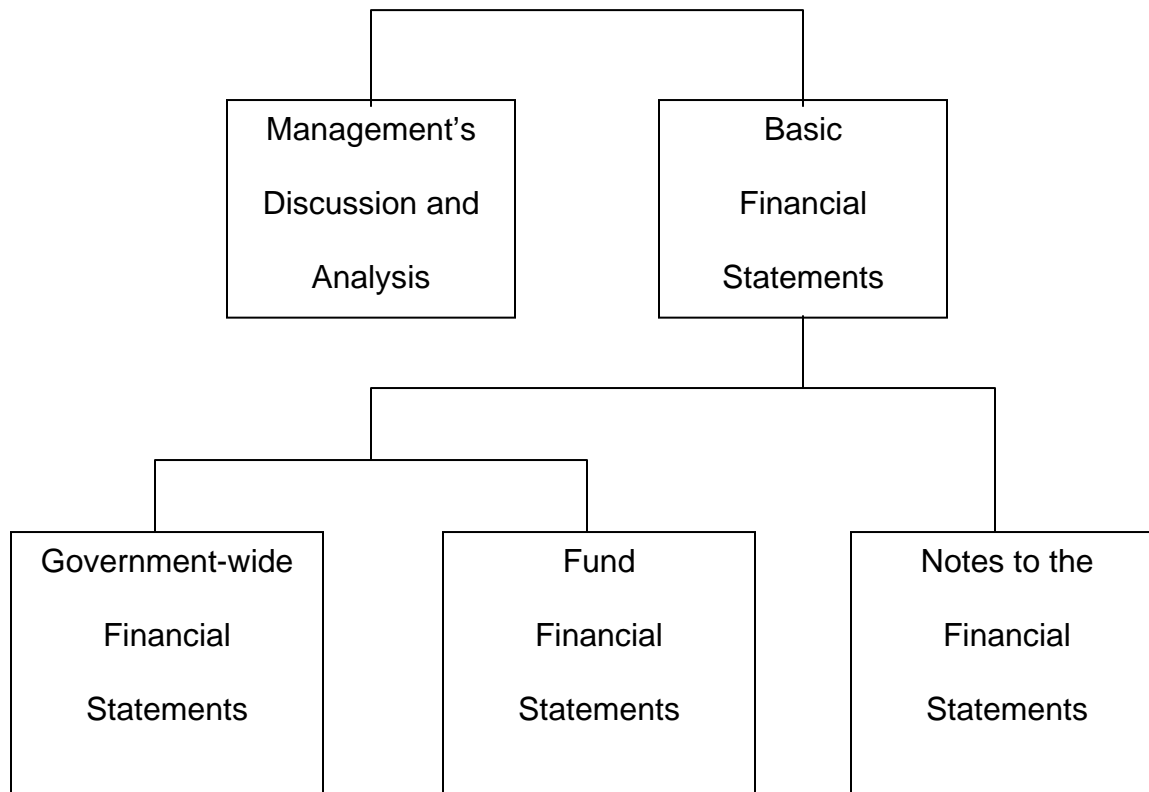
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Lancaster's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of financial condition of the City of Lancaster.



Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.



Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and waste disposal services offered by the City of Lancaster. The City has no component units.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lancaster, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Lancaster can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Lancaster adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by City Council; 2) the final



budget as amended by City Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – City of Lancaster has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Lancaster uses enterprise funds to account for its water and sewer activity and for its waste disposal operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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. The notes to the financial statements are on pages 25 - 47 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information providing additional detail regarding the City of Lancaster's various activities. Additional supplementary information can be found on pages 75 - 78 of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2008 are the continuation of a new era in financial reporting for the City of Lancaster and many other units of government across the United States. Prior to the fiscal year ended June 30, 2003, the City of Lancaster maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City of Lancaster. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the City of Lancaster's financial reports as well as those of many other units of government. While the City of Lancaster was required to implement these changes for the fiscal year ended June 30, 2003, other units were required to implement Statement 34 in 2002, and any remaining governments will be implementing in 2004. Because this is the sixth year of reporting under the new reporting model, comparative data are presented for the prior year where applicable.



The City of Lancaster's Net Assets

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and other assets | \$ 10,662,708 | \$ 8,451,720 | \$ 5,907,391 | \$ 6,661,500 | \$ 16,570,099 | \$ 15,113,220 |
| Capital assets | 11,679,315 | 11,822,512 | 25,304,525 | 19,927,499 | 36,983,840 | 31,750,011 |
| Total assets | <u>22,342,023</u> | <u>20,274,232</u> | <u>31,211,916</u> | <u>26,588,999</u> | <u>53,553,939</u> | <u>46,863,231</u> |
| Long-term liabilities outstanding | 2,557,597 | 2,101,662 | 13,787,250 | 9,443,976 | 16,344,847 | 11,545,638 |
| Other liabilities | 1,462,566 | 691,795 | 962,356 | 1,829,982 | 2,424,922 | 2,521,777 |
| Total liabilities | <u>4,020,163</u> | <u>2,793,457</u> | <u>14,749,606</u> | <u>11,273,958</u> | <u>18,769,769</u> | <u>14,067,415</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 10,189,630 | 10,127,959 | 11,652,353 | 10,637,771 | 21,841,983 | 20,765,730 |
| Restricted | 1,170,401 | 1,009,241 | 2,008,618 | 1,923,007 | 3,179,019 | 2,932,248 |
| Unrestricted | 6,961,829 | 6,343,575 | 2,801,339 | 2,754,263 | 9,763,168 | 9,097,838 |
| Total net assets | <u>\$ 18,321,860</u> | <u>\$ 17,480,775</u> | <u>\$ 16,462,310</u> | <u>\$ 15,315,041</u> | <u>\$ 34,784,170</u> | <u>\$ 32,795,816</u> |

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Lancaster exceeded liabilities by \$34,784,170 as of June 30, 2008. The City's net assets increased by \$1,988,355 for the fiscal year ended June 30, 2008. However, the largest portion (62.8%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Lancaster uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lancaster's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Lancaster's net assets (9.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,763,168 is unrestricted.

Several aspects of the City operations influenced total unrestricted net assets, which increased by some \$665,000 over the prior fiscal year, or otherwise affected the City's operating posture in the current and for future fiscal years.

- In the General Fund, revenue exceeded expense by some \$519,000.
- In the Hospitality Fund, revenue exceeded expense by \$203,526 – which when adjusted by \$19,794 expense over revenue in the Southside fund – resulted in excess revenue over expense for the non-major governmental funds amounting to \$183,732.
- In the Gross Revenue Fund, revenue exceeded expense by \$1,078,199.
- In the Solid Waste Fund, expense exceeded revenue by \$69,071. This was due primarily to capital equipment acquisitions totaling \$219,100, which were budgeted from reserves.



City of Lancaster Changes in Net Assets
Figure 3

| | Governmental | | Business-type | | Total | |
|--|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | Activities | | Activities | | | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 661,612 | \$ 641,786 | \$ 6,467,301 | \$ 6,775,715 | \$ 7,128,913 | \$ 7,417,501 |
| Operating grants and contributions | 364,464 | 568,572 | 609,084 | 502,805 | 973,548 | 1,071,377 |
| Capital grants and contributions | - | - | - | - | - | - |
| General revenues: | | | | | | |
| Property taxes | 4,843,596 | 4,852,881 | - | - | 4,843,596 | 4,852,881 |
| Other taxes | 3,858,938 | 3,811,441 | - | - | 3,858,938 | 3,811,441 |
| Grants and contributions not restricted to specific programs | | | | | | |
| | 387,057 | 366,282 | - | - | 387,057 | 366,282 |
| Other | 282,252 | 395,865 | 332,099 | 284,824 | 614,351 | 680,689 |
| Total revenues | 10,397,919 | 10,636,827 | 7,408,484 | 7,563,344 | 17,806,403 | 18,200,171 |
| Expenses: | | | | | | |
| General government | 3,532,169 | 3,965,591 | - | - | 3,532,169 | 3,965,591 |
| Public safety | 4,644,590 | 4,344,021 | - | - | 4,644,590 | 4,344,021 |
| Public Works | 925,599 | 874,349 | - | - | 925,599 | 874,349 |
| Planning | 234,941 | 235,403 | - | - | 234,941 | 235,403 |
| Parks and Playgrounds | 101,470 | 101,470 | - | - | 101,470 | 101,470 |
| Community Service | 42,629 | 68,313 | - | - | 42,629 | 68,313 |
| Interest and fees | 75,436 | 101,629 | - | - | 75,436 | 101,629 |
| Water and sewer | - | - | 5,039,653 | 4,847,371 | 5,039,653 | 4,847,371 |
| Solid Waste | - | - | 1,221,561 | 1,081,289 | 1,221,561 | 1,081,289 |
| Total expenses | 9,556,834 | 9,690,776 | 6,261,214 | 5,928,660 | 15,818,048 | 15,619,436 |
| Increase in net assets | 841,085 | 946,051 | 1,147,270 | 1,634,684 | 1,988,355 | 2,580,735 |
| Net assets, July 1 | 17,480,775 | 16,534,724 | 15,315,040 | 13,680,357 | 32,795,815 | 30,215,081 |
| Net assets, June 30 | \$ 18,321,860 | \$ 17,480,775 | \$ 16,462,310 | \$ 15,315,041 | \$ 34,784,170 | \$ 32,795,816 |

Governmental activities. Governmental activities increased the City's net assets by \$841,085 thereby accounting for 42.3% of the total growth in the net assets of the City of Lancaster. Key elements of this increase are as follows:

- Hospitality Fund operating revenue in excess of expense amounted to \$203,526.
- In the General Fund, revenue exceeded expense by approximately \$519,000. This was largely due to business license revenue in excess of budget amounting to approximately \$436,000 and payment in lieu of tax revenue of approximately \$117,000 in excess of budget.



Business-type activities: Business-type activities increased the City of Lancaster's net assets by \$1,147,270, accounting for 67.7% of the total growth in the government's net assets. Key elements of this increase are as follows:

- The Gross Revenue Fund yielded \$1,078,199 of the increase in business-type activity net assets. This increase was largely due to capital asset additions of approximately \$6,260,000 and including a \$720,000 wastewater treatment rotary press system and the continuation of a \$6,600,000 waste treatment plant improvement project.
- The Solid Waste Fund yielded \$69,071 of the increase in business type activity net assets. This increase was largely due to capital asset additions of approximately \$219,000 and including equipment acquisitions.

Financial Analysis of the City's Funds

As noted earlier, the City of Lancaster uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Lancaster's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Lancaster's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the operating fund of the City of Lancaster. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,381,015 while total fund balance reached \$6,577,199. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 69.4% of total General Fund expenditures, while total fund balance represents 71.5% of that same amount.

At June 30, 2008, the governmental funds of City of Lancaster reported a combined fund balance of \$7,828,309, a 9.9% increase over last year (\$7,125,979).

Fund Budgetary Highlights: During the fiscal year, the City revised the budget on two occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

- Effective February 12, 2008 (Ordinance O08-01), the budget was increased by \$317,900 as part of the City's normal mid-year review process. Major items comprising that increase included acquisition of a lot and building for use by the Fire Department, FEMA grant acquisition of fire service equipment and initiation of a project to provide sewer service to Fort Lawn, SC.
- Effective August 12, 2008 (Ordinance O08-18), the budget was amended to adjust for differences in estimated and actual expense as of fiscal year end.



Proprietary Funds. The City of Lancaster’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Gross Revenue Fund at the end of the fiscal year amounted to \$1,656,966, and those for the Solid Waste Fund amounted to \$1,144,373. The total growth in net assets for both funds was \$1,078,199 and \$69,071 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Lancaster’s business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Lancaster’s investment in capital assets for its governmental and business-type activities as of June 30, 2008, totals \$36,983,840 (net of accumulated depreciation). These assets include buildings, roads and sidewalks, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Capital asset additions for the City’s governmental activities amounted to just over \$554,000 including land and construction in progress at \$100,685 and building/equipment/infrastructure additions at \$453,354.
- Capital asset additions for business type activities amounted to just over \$6,238,000 including construction in progress at \$5,995,251 related to waste treatment improvements and \$243,148 for equipment and infrastructure.

**City of Lancaster’s Capital Assets
Figure 4**

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Land | \$ 3,166,503 | \$ 3,159,803 | \$ 364,554 | \$ 364,554 | \$ 3,531,057 | \$ 3,524,357 |
| Buildings, systems and improvements | 3,635,602 | 3,717,575 | 15,874,604 | 16,553,736 | 19,510,206 | 20,271,311 |
| Machinery and equipment | 1,326,323 | 1,472,037 | 1,807,046 | 1,022,186 | 3,133,369 | 2,494,223 |
| Infrastructure | 3,455,477 | 3,471,672 | - | - | 3,455,477 | 3,471,672 |
| Construction in progress | 95,410 | 1,425 | 7,258,321 | 1,987,023 | 7,353,731 | 1,988,448 |
| Total | \$ 11,679,315 | \$ 11,822,512 | \$ 25,304,525 | \$ 19,927,499 | \$ 36,983,840 | \$ 31,750,011 |

Additional information on the City’s capital assets can be found in note III-A-3 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2008, the City of Lancaster had total bonded debt outstanding of \$1,545,000. Of this, \$780,000 is debt backed by the full faith and credit of the City. The



remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) or State Revolving Fund Loans or capital lease obligations.

**City of Lancaster's Outstanding Debt
General Obligation and Revenue Bonds and State Revolving Loans**

Figure 5

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| General obligation bonds | \$ 780,000 | \$ 885,000 | \$ - | \$ - | \$ 780,000 | \$ 885,000 |
| Capital lease obligations | 709,685 | 944,385 | 2,814,747 | 2,993,753 | 3,524,432 | 3,938,138 |
| Revenue bonds | - | - | 765,000 | 935,000 | 765,000 | 935,000 |
| Revolving loans | - | - | 10,072,425 | 5,394,507 | 10,072,425 | 5,394,507 |
| Total | \$ 1,489,685 | \$ 1,829,385 | \$ 13,652,172 | \$ 9,323,260 | \$ 15,141,857 | \$ 11,152,645 |

During the past fiscal year, the City's total debt increased by \$3,989,212 (35.8%).

The City maintains a Standard and Poors rating of BBB+ and Moody's investor service rating of Baa1. Additional information regarding the City of Lancaster's long-term debt can be found in note III-B-5 of the Basic Financial Statements.

Economic and Other Factors

The City of Lancaster (County seat) and Lancaster County are located in northern South Carolina bordered by Mecklenburg County, NC to the north and York County, SC on to the west. As of the 2000 census, the City was home to 13.3% of the County's population (8,177 of 61,350) and includes 5.8 of the County's 555 square mile area.

Lancaster County's 2000 population of 61,350 is projected to increase by 18.5% to 72,710 by 2030. (Source: SC Dept. of Commerce – Labor Resources for Lancaster, SC)

Largest Lancaster Vicinity Employers

(Source: Lancaster County Chamber of Commerce)

| <u>Employer</u> | <u>Description</u> | <u># of Employees</u> |
|--------------------------|---------------------------|------------------------------|
| Lancaster County Schools | County school system | 1524 |
| Spring Memorial Hospital | Hospital | 792 |
| Duracell USA | Batteries | 601 |
| Cardinal Health | Custom surgery packages | 562 |
| Lancaster County | County government | 467 |
| Walmart | Retail goods | 450 |
| KMG America | Insurance | 400 |
| US Textile Corporation | Hosiery | 274 |
| Founders Federal | Credit union | 270 |
| Joslyn Clark Controls | Industrial controls | 135 |



Lancaster County's unemployment rate for August 2008 was 12.2%, up by 2.8 percentage points from the August 2007 rate of 9.4%. This compares to statewide rates of 5.8% for August 2007 versus 7.6% for August 2008. The labor force increased from 29,781 (August 2007) to 30,440 (August 2008). (Source: SC Employment Security Commission – Newswire)

The following chart reflects the City of Lancaster retail businesses and sales from 2004 through 2007. (Source: SC Department of Revenue Annual Sales Reports)

| Year | Number of Businesses | Retail Sales | % Incr/Decr |
|------|----------------------|---------------|-------------|
| 2004 | 327 | \$336,585,980 | N/A |
| 2005 | 332 | \$383,094,891 | 13.82% |
| 2006 | 324 | \$424,883,100 | 10.91% |
| 2007 | 324 | \$378,478,120 | -10.91% |

Estimated median family income for Lancaster County is \$48,900 which amounts to 92.4% of statewide median family income (\$52,900) for 2006.

(Source: SC Statistical Abstract – SC Budget & Control Board)

Budget Highlights for the Fiscal Year Ending June 30, 2008

Governmental Activities: For FY 0809, the City increased the property tax rate from 140.0 to 143.5 mills due largely to increasing personnel and other operating cost such as fuel prices and street lighting. Capital projects for FY 0809 include completion of the Lancaster High School area sidewalks and pedestrian bridge project and \$300,000 clock tower project.

Business – Type Activities: Water, sewer rates for FY 0809 were increased by 3% largely due to personnel and other operating cost. Capital projects for FY 0809 include completion of the wastewater treatment plant expansion and a \$1,100,000 project to extend a major sewer line to the town of Fort Lawn, SC.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Lancaster, PO Box 1149, Lancaster, SC 29721. Information about the City of Lancaster is also available on the City's website at <http://www.lancastercitysc.com/>.



CITY OF LANCASTER, SOUTH CAROLINA

BASIC FINANCIAL STATEMENTS



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Net Assets

June 30, 2008

| | Governmental Activities | Business Type Activities | Total Primary Government |
|---|------------------------------------|---|---|
| Assets | | | |
| Cash and cash equivalents | \$ 6,538,282 | \$ 2,027,077 | \$ 8,565,359 |
| Accounts receivable | | | |
| Taxes, net | 206,742 | - | 206,742 |
| Grants | 1,653 | - | 1,653 |
| Internal balances | 560,795 | (560,795) | - |
| Mortgages | 78,971 | - | 78,971 |
| Water and Sewer | - | 451,629 | 451,629 |
| Garbage and Trash | - | 88,190 | 88,190 |
| Roll-off containers | - | 26,942 | 26,942 |
| Intergovernmental | 386,739 | - | 386,739 |
| Other | 1,015,190 | 49,627 | 1,064,817 |
| Inventory | 5,055 | 69,145 | 74,200 |
| Cash and cash equivalents - capital improvement account | - | 1,443,885 | 1,443,885 |
| Cash and cash equivalents - designated assets | 698,880 | - | 698,880 |
| Cash and cash equivalents - restricted assets | 1,170,401 | 2,217,917 | 3,388,318 |
| Deferred charges | - | 93,774 | 93,774 |
| Capital assets: | | | |
| Nondepreciable | 3,261,913 | 7,622,875 | 10,884,788 |
| Depreciable, net of accumulated depreciation | 8,417,402 | 17,681,650 | 26,099,052 |
| Total assets | \$ 22,342,023 | \$ 31,211,916 | \$ 53,553,939 |
| Liabilities | | | |
| Accounts payable and accrued expenses | \$ 2,236,287 | \$ 753,057 | \$ 2,989,344 |
| Customer deposits | - | 209,299 | 209,299 |
| Long term liabilities: | | | |
| Due in less than one year | 321,310 | 1,195,968 | 1,517,278 |
| Due in more than one year | 1,462,566 | 12,591,282 | 14,053,848 |
| Total liabilities | 4,020,163 | 14,749,606 | 18,769,769 |
| Net assets | | | |
| Invested in capital assets, net of related debt | 10,189,630 | 11,652,353 | 21,841,983 |
| Restricted for tourism | 979,272 | - | 979,272 |
| Restricted for debt service | 191,129 | 2,008,618 | 2,199,747 |
| Unrestricted | 6,961,829 | 2,801,339 | 9,763,168 |
| Total net assets | \$ 18,321,860 | \$ 16,462,310 | \$ 34,784,170 |



CITY OF LANCASTER, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS

Year ended June 30, 2008

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|----------------------------------|----------------------|-------------------------|--|--|--|-----------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General administration | \$ 3,532,169 | \$ 110,279 | \$ 364,464 | \$ - | \$ (3,057,426) | \$ - | \$ (3,057,426) |
| Public safety | 4,644,590 | 492,520 | - | - | (4,152,070) | - | (4,152,070) |
| Public works | 925,599 | - | - | - | (925,599) | - | (925,599) |
| Code enforcement | 234,941 | 58,813 | - | - | (176,128) | - | (176,128) |
| Parks and playgrounds | 101,470 | - | - | - | (101,470) | - | (101,470) |
| Community service | 42,629 | - | - | - | (42,629) | - | (42,629) |
| Interest and fees | 75,436 | - | - | - | (75,436) | - | (75,436) |
| Total governmental activities | <u>9,556,834</u> | <u>661,612</u> | <u>364,464</u> | <u>-</u> | <u>(8,530,758)</u> | <u>-</u> | <u>(8,530,758)</u> |
| Business-type activities: | | | | | | | |
| Water and Sewer | 5,039,653 | 5,335,291 | 609,084 | - | - | 904,722 | 904,722 |
| Solid waste | 1,221,561 | 1,132,010 | - | - | - | (89,551) | (89,551) |
| Total business-type activities | <u>6,261,214</u> | <u>6,467,301</u> | <u>609,084</u> | <u>-</u> | <u>-</u> | <u>815,171</u> | <u>815,171</u> |
| Total primary government | <u>\$ 15,818,048</u> | <u>\$ 7,128,913</u> | <u>\$ 973,548</u> | <u>\$ -</u> | <u>(8,530,758)</u> | <u>815,171</u> | <u>(7,715,587)</u> |
| General revenues: | | | | | | | |
| Ad valorem taxes | | | | | 4,843,596 | - | 4,843,596 |
| Other taxes and licenses | | | | | 3,858,938 | - | 3,858,938 |
| Unrestricted intergovernmental | | | | | 387,057 | - | 387,057 |
| Unrestricted investment earnings | | | | | 216,594 | 184,807 | 401,401 |
| Miscellaneous | | | | | 65,258 | 147,200 | 212,458 |
| Gain on sale of capital assets | | | | | 400 | 92 | 492 |
| Total general revenues | | | | | <u>9,371,843</u> | <u>332,099</u> | <u>9,703,942</u> |
| Change in net assets | | | | | 841,085 | 1,147,270 | 1,988,355 |
| Net assets - beginning | | | | | <u>17,480,775</u> | <u>15,315,040</u> | <u>32,795,815</u> |
| Net assets - ending | | | | | <u>\$ 18,321,860</u> | <u>\$ 16,462,310</u> | <u>\$ 34,784,170</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2008

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|---------------------|---|---|
| Assets | | | |
| Cash and cash equivalents | \$ 6,402,540 | \$ 135,742 | \$ 6,538,282 |
| Receivables: | | | |
| Taxes, net | 206,742 | - | 206,742 |
| Grants | 1,653 | - | 1,653 |
| Intergovernmental | 386,739 | - | 386,739 |
| Mortgages | - | 78,971 | 78,971 |
| Taxes - other | 959,024 | 56,166 | 1,015,190 |
| Due from other funds | 560,795 | 10,959 | 571,754 |
| Designated assets | 698,880 | - | 698,880 |
| Restricted assets | 191,129 | 979,272 | 1,170,401 |
| Inventory | 5,055 | - | 5,055 |
| Total assets | <u>\$ 9,412,557</u> | <u>\$ 1,261,110</u> | <u>\$ 10,673,667</u> |
| Liabilities and fund balances | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 2,226,287 | \$ 10,000 | \$ 2,236,287 |
| Compensated absences payable | 49,031 | - | 49,031 |
| Due to other funds | 10,959 | - | 10,959 |
| Deferred revenues - tax rollback | 390,184 | - | 390,184 |
| Deferred revenues - other | 158,897 | - | 158,897 |
| Total liabilities | <u>2,835,358</u> | <u>10,000</u> | <u>2,845,358</u> |
| Fund balances: | | | |
| Reserved: | | | |
| Inventory | 5,055 | - | 5,055 |
| Debt payments | 191,129 | - | 191,129 |
| Unreserved: | | | |
| Designated for: | | | |
| Drug Fund | 107,375 | - | 107,375 |
| Block grant | 1 | - | 1 |
| Victim's services | 51,023 | - | 51,023 |
| Downtown development | 258,659 | - | 258,659 |
| Main street project | 5,000 | - | 5,000 |
| Visitor Center | - | 150,000 | 150,000 |
| Police Department communications | 53,400 | - | 53,400 |
| Undesignated | 5,905,557 | - | 5,905,557 |
| Unreserved, reported in nonmajor | | | |
| Special Revenue Fund | - | 1,101,110 | 1,101,110 |
| Total fund balances | <u>6,577,199</u> | <u>1,251,110</u> | <u>7,828,309</u> |
| Total liabilities and fund balances | <u>\$ 9,412,557</u> | <u>\$ 1,261,110</u> | <u>\$ 10,673,667</u> |

See notes to financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2008

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

| | |
|--|----------------------|
| Ending fund balance - governmental funds | \$ 7,828,309 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 11,679,315 |
| Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 549,081 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | <u>(1,734,845)</u> |
| Net assets of governmental activities | <u>\$ 18,321,860</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2008

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|------------------------------------|---------------------|---|---|
| Revenues | | | |
| Taxes | \$ 5,294,828 | \$ 700,488 | \$ 5,995,316 |
| Fines, fees, licenses and permits | 3,164,720 | - | 3,164,720 |
| Intergovernmental | 520,489 | - | 520,489 |
| Charges for services | 110,163 | - | 110,163 |
| Grants | 364,464 | - | 364,464 |
| Interest | 195,902 | 20,692 | 216,594 |
| Other | 65,659 | - | 65,659 |
| Total revenues | <u>9,716,225</u> | <u>721,180</u> | <u>10,437,405</u> |
| Expenditures | | | |
| Current: | | | |
| General administration | 2,583,460 | 537,448 | 3,120,908 |
| Public safety | 4,370,796 | - | 4,370,796 |
| Public works | 855,822 | - | 855,822 |
| Code enforcement | 232,238 | - | 232,238 |
| Parks and playgrounds | 97,778 | - | 97,778 |
| Community service | 42,629 | - | 42,629 |
| Capital outlay | 599,768 | - | 599,768 |
| Debt service: | | | |
| Debt service | 415,136 | - | 415,136 |
| Total expenditures | <u>9,197,627</u> | <u>537,448</u> | <u>9,735,075</u> |
| Net change in fund balances | 518,598 | 183,732 | 702,330 |
| Fund balance - beginning | <u>6,058,601</u> | <u>1,067,378</u> | <u>7,125,979</u> |
| Fund balance - ending | <u>\$ 6,577,199</u> | <u>\$ 1,251,110</u> | <u>\$ 7,828,309</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities *Year ended June 30, 2008*

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

| | |
|--|--------------------------|
| Net change in fund balances - total governmental funds | \$ 702,330 |
| 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 by which capital outlay exceeds depreciation expense. | (143,199) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (39,485) |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | <u>321,439</u> |
| Change in net assets of governmental activities | <u><u>\$ 841,085</u></u> |



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund Year ended June 30, 2008

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|--------------------|-------------------|---------------------|---|
| Revenues | | | | |
| Taxes | \$ 5,263,000 | \$ 5,263,000 | \$ 5,294,828 | \$ 31,828 |
| Fines, fees, licenses and permits | 2,551,500 | 2,551,500 | 3,164,720 | 613,220 |
| Intergovernmental | 471,000 | 471,000 | 520,489 | 49,489 |
| Charges for services | 92,000 | 92,000 | 110,163 | 18,163 |
| Grants | 663,000 | 831,600 | 364,464 | (467,136) |
| Interest | 136,000 | 136,000 | 195,902 | 59,902 |
| Other | 72,000 | 87,000 | 65,659 | (21,341) |
| Total revenues | <u>9,248,500</u> | <u>9,432,100</u> | <u>9,716,225</u> | <u>284,125</u> |
| Expenditures | | | | |
| Current: | | | | |
| General administration | 2,831,350 | 2,713,650 | 2,583,460 | 130,190 |
| Public safety | 4,288,300 | 4,498,600 | 4,370,796 | 127,804 |
| Public works | 835,550 | 890,950 | 855,822 | 35,128 |
| Code enforcement | 245,800 | 256,500 | 232,238 | 24,262 |
| Parks and playgrounds | 98,000 | 98,000 | 97,778 | 222 |
| Community service | 15,200 | 44,000 | 42,629 | 1,371 |
| Capital outlay | 1,180,400 | 1,181,500 | 599,768 | 581,732 |
| Debt service: | | | | |
| Debt service | 404,900 | 399,900 | 415,136 | (15,236) |
| Total expenditures | <u>9,899,500</u> | <u>10,083,100</u> | <u>9,197,627</u> | <u>885,473</u> |
| Excess (deficiency) of revenues over expenditures | <u>(651,000)</u> | <u>(651,000)</u> | <u>518,598</u> | <u>1,169,598</u> |
| Other financing sources | | | | |
| Transfers in | 100 | 100 | - | (100) |
| Proceeds from capital leases | 250,000 | 250,000 | - | (250,000) |
| Fund balance appropriated | 400,900 | 400,900 | - | (400,900) |
| Total other financing sources | <u>651,000</u> | <u>651,000</u> | <u>-</u> | <u>(651,000)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>518,598</u> | <u>\$ 518,598</u> |
| Fund balance - beginning | | | <u>6,058,601</u> | |
| Fund balance - ending | | | <u>\$ 6,577,199</u> | |



STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2008

| | Enterprise Funds | | |
|---|----------------------|---------------------|----------------------|
| | Gross Revenue | Solid Waste | Total |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 947,005 | \$ 1,080,072 | \$ 2,027,077 |
| Receivables: | | | |
| Water and sewer | 451,629 | - | 451,629 |
| Garbage and trash | - | 88,190 | 88,190 |
| Roll-off containers | - | 26,942 | 26,942 |
| Other | 27,055 | 22,572 | 49,627 |
| Due from other funds | - | 1,527 | 1,527 |
| Inventory | 69,145 | - | 69,145 |
| Total current assets | 1,494,834 | 1,219,303 | 2,714,137 |
| Noncurrent assets | | | |
| Capital improvement account | 1,443,885 | - | 1,443,885 |
| Restricted assets: | | | |
| Customer deposits | 209,299 | - | 209,299 |
| Bond depreciation account | 257,754 | - | 257,754 |
| Bond contingency account | 257,754 | - | 257,754 |
| Bond debt service and reserve account | 1,493,110 | - | 1,493,110 |
| Total restricted assets | 2,217,917 | - | 2,217,917 |
| Deferred charges, net | 93,774 | - | 93,774 |
| Capital assets (net, where applicable, of accumulated depreciation) | 24,827,947 | 476,578 | 25,304,525 |
| Total noncurrent assets | 28,583,523 | 476,578 | 29,060,101 |
| Total assets | 30,078,357 | 1,695,881 | 31,774,238 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued expenses | 749,190 | 3,867 | 753,057 |
| Compensated absences payable | 95,027 | 40,051 | 135,078 |
| Current portion of long-term debt | 923,782 | - | 923,782 |
| Capital leases payable - current | 137,108 | - | 137,108 |
| Customer deposits | 209,299 | - | 209,299 |
| Due to General Fund | 529,783 | 31,012 | 560,795 |
| Due to Solid Waste Fund | 1,527 | - | 1,527 |
| Total current liabilities | 2,645,716 | 74,930 | 2,720,646 |
| Noncurrent liabilities | | | |
| Revenue bonds and notes payable | 9,913,643 | - | 9,913,643 |
| Capital leases payable - long-term | 2,677,639 | - | 2,677,639 |
| Total long-term liabilities | 12,591,282 | - | 12,591,282 |
| Total liabilities | 15,236,998 | 74,930 | 15,311,928 |
| Net assets | | | |
| Invested in capital assets, net of related debt | 11,175,775 | 476,578 | 11,652,353 |
| Restricted for debt payments | 2,008,618 | - | 2,008,618 |
| Net assets unrestricted | 1,656,966 | 1,144,373 | 2,801,339 |
| Total net assets | \$ 14,841,359 | \$ 1,620,951 | \$ 16,462,310 |

See notes to financial statements.



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 Year ended June 30, 2008

| | Enterprise Funds | | |
|---------------------------------------|--------------------------|------------------------|----------------------|
| | Gross Revenue | Solid Waste | Total |
| Operating revenues | | | |
| Water and sewer charges | \$ 5,095,207 | \$ - | \$ 5,095,207 |
| Water penalties | 214,628 | - | 214,628 |
| Tap fees | 25,457 | - | 25,457 |
| Garbage fees | - | 1,021,578 | 1,021,578 |
| Roll-off containers | - | 110,432 | 110,432 |
| Grant income | 609,084 | - | 609,084 |
| Other | 13,849 | 119,511 | 133,360 |
| Total operating revenues | <u>5,958,225</u> | <u>1,251,521</u> | <u>7,209,746</u> |
| Operating expenses | | | |
| Public works administration | 238,068 | - | 238,068 |
| Residential garbage | - | 496,528 | 496,528 |
| Commercial garbage | - | 242,573 | 242,573 |
| Transfer station | - | 166,129 | 166,129 |
| Water service | 1,140,996 | - | 1,140,996 |
| Utility billing | 200,128 | - | 200,128 |
| Wastewater treatment | 935,483 | - | 935,483 |
| Wastewater collection | 551,269 | - | 551,269 |
| General expense | 684,624 | 163,011 | 847,635 |
| Depreciation and amortization | 925,330 | 155,143 | 1,080,473 |
| Total operating expenses | <u>4,675,898</u> | <u>1,223,384</u> | <u>5,899,282</u> |
| Operating income | <u>1,282,327</u> | <u>28,137</u> | <u>1,310,464</u> |
| Nonoperating revenue (expense) | | | |
| Interest income | 145,695 | 39,112 | 184,807 |
| Interest expense | (363,755) | 1,822 | (361,933) |
| Insurance proceeds | 13,840 | - | 13,840 |
| Gain on sale of fixed assets | 92 | - | 92 |
| Total other income (expense) | <u>(204,128)</u> | <u>40,934</u> | <u>(163,194)</u> |
| Change in net assets | 1,078,199 | 69,071 | 1,147,270 |
| Total net assets - beginning | <u>13,763,160</u> | <u>1,551,880</u> | <u>15,315,040</u> |
| Total net assets - ending | <u>\$ 14,841,359</u> | <u>\$ 1,620,951</u> | <u>\$ 16,462,310</u> |

See notes to financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

Exhibit H

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year ended June 30, 2008

| | ENTERPRISE FUNDS | | |
|---|---------------------|---------------------|---------------------|
| | Gross Revenue | Solid Waste | Total |
| Operating activities | | | |
| Cash received from customers | \$ 5,466,345 | \$ 1,221,397 | \$ 6,687,742 |
| Cash received from grants | 609,084 | - | 609,084 |
| Cash paid to employees | (1,344,633) | (510,291) | (1,854,924) |
| Cash paid to suppliers | (3,237,831) | (551,070) | (3,788,901) |
| Net cash provided by operating activities | 1,492,965 | 160,036 | 1,653,001 |
| Noncapital financing activities | | | |
| Due from other funds | - | (948) | (948) |
| Due to other funds | 403,639 | 4,682 | 408,321 |
| Customer deposits | 4,599 | - | 4,599 |
| Net cash provided by noncapital financing activities | 408,238 | 3,734 | 411,972 |
| Capital and related financing activities | | | |
| Proceeds from capital leases | 5,188,844 | - | 5,188,844 |
| Insurance proceeds | 13,840 | - | 13,840 |
| Proceeds from sale of capital assets | 92 | - | 92 |
| Acquisition of capital assets | (6,238,399) | (219,100) | (6,457,499) |
| Principal paid on capital leases | (151,382) | (27,623) | (179,005) |
| Principal paid on bond and note maturities | (680,926) | - | (680,926) |
| Interest and bond fees | (350,176) | 1,822 | (348,354) |
| Net cash used in capital and related financing activities | (2,218,107) | (244,901) | (2,463,008) |
| Investing activities | | | |
| Interest on investments | 145,695 | 39,112 | 184,807 |
| Net cash provided by investing activities | 145,695 | 39,112 | 184,807 |
| Net increase (decrease) in cash and cash equivalents/investments | (171,209) | (42,019) | (213,228) |
| Cash and cash equivalents/investments | | | |
| Beginning of year | 4,780,016 | 1,122,091 | 5,902,107 |
| End of year | \$ 4,608,807 | \$ 1,080,072 | \$ 5,688,879 |
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating income | \$ 1,282,327 | \$ 28,137 | \$ 1,310,464 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 925,330 | 155,143 | 1,080,473 |
| Change in assets and liabilities | | | |
| Accounts receivable | 117,204 | (30,124) | 87,080 |
| Inventory | 32,849 | - | 32,849 |
| Accounts payable and accrued expenses | (872,873) | 647 | (872,226) |
| Compensated absences | 8,128 | 6,233 | 14,361 |
| Total adjustments | 210,638 | 131,899 | 342,537 |
| Net cash provided by operating activities | \$ 1,492,965 | \$ 160,036 | \$ 1,653,001 |



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

| | Agency Funds |
|--------------------------------|-------------------------|
| Assets | |
| Cash and temporary investments | \$ 17,041 |
| Total assets | <u>\$ 17,041</u> |
| Liabilities | |
| Due to firemen's association | \$ 17,041 |
| Total liabilities | <u>\$ 17,041</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2008

I. Summary of Significant Accounting Policies

The accounting policies of the City of Lancaster (“City”) conform with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Lancaster is a municipal corporation of the State of South Carolina located in Lancaster County, and as such possesses all the general powers granted by the Constitution and laws of South Carolina to municipal corporations. The City has no component units.

B. Basis of Presentation – Basis of Accounting

Basis of Presentation

Government-wide Financial Statements: The statement of net assets and the statement of activities display information about the City. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City’s funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2008

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – Basis of Accounting (continued)

The City reports the following major governmental fund:

General Fund – The General Fund, the general operating fund of the City, includes the assets, liabilities, revenues and expenditures relating to the general administration and the traditional services provided by the City, and accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, grants and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction.

The City reports the following nonmajor governmental funds:

Southside Project Fund – This fund is used to account for the sale of low-income housing.

Hospitality Tax Fund – This fund was established to preserve the general health, safety, and welfare of the general public and to promote the tourism industry within the City of Lancaster.

The City reports the following major enterprise funds:

Gross Revenue Fund - The Gross Revenue Fund was established to account for the financial position and results of operations relating to the water and sewer service to the residential and industrial users of the City.

Solid Waste Fund - The Solid Waste Fund was established to account for the financial position and results of operations relating to the garbage service to the residential and industrial users.

The City reports the following fund types:

Agency Funds - The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The City utilizes the following agency fund:

Firemen's Fund - This fund is used to account for financial resources derived primarily from the firemen's share of insurance proceeds remitted by the State of South Carolina to the town firemen and expended for their benefit.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2008

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – Basis of Accounting (continued)

Measurement Focus, Basis of Accounting

In accordance with South Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. The City considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2008

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – Basis of Accounting (continued)

Measurement Focus, Basis of Accounting (continued)

Sales taxes collected and held by the State at year-end on behalf of the City, intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Budgets

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

Approximately 60 days prior to June 30, the City Administrator submits to City Council a proposed detailed, line-item operating budget for the General, Gross Revenues, and Solid Waste Funds for fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them by function and activity.

A public hearing is conducted to obtain citizen comments on the proposed budget, which is later legally adopted through the passage of an appropriation ordinance by City Council. The legal level of budgetary control is at the object class level.

Any revisions that alter the total expenditures of any department or transfer funds between object classifications must be approved by City Council.

The City prepares all of its budgets on the modified accrual basis. This basis differs from accounting principals generally accepted in the United States of America for the Gross Revenue Fund and the Solid Waste Fund. All annual appropriations lapse at fiscal year-end.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2008

I. Summary of Significant Accounting Policies (continued)

C. Budgets (continued)

The combined statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, as presented excludes all data of the Special Revenue Funds and the Capital Project Fund as required when an annual budget has not been legally adopted.

D. Assets, Liabilities, and Fund Equity

1. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, certificates of deposits and deposits with the State Treasurer's investment pool with maturities of three (3) months or less.

Investments are shown at fair value except for U.S. Treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less which are recorded at amortized cost which approximates fair value.

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

2. Property Taxes Receivable

The City of Lancaster assesses and levies property taxes in accordance with applicable laws of the State of South Carolina. Real property and personal property of every description owned and used in the City, except that which is exempt from taxation under the Constitution and Laws of the State, is subject to taxation. An annual ordinance establishing the millage rate associated with the levy is adopted each year as a part of the budget adoption process. Lancaster County prints the tax notices and collects both real and personal taxes and remits them to the City monthly.

Lancaster County residents have adopted a local option sales tax, whereby, an additional 1% sales tax is charged for the purpose of reducing real and personal property taxes. The City reduces the millage rate used in assessing property taxes such that property taxes are reduced in an amount of at least 71% of the local option sales tax collected as required by the State of South Carolina.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2008

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Fund Equity (continued)

2. Property Taxes Receivable (continued)

Real property and all personal property other than vehicles are assessed for property tax purposes on January 1 of each year. All taxable property is assessed in proportion to its value on that date. The basis for value of taxable property within the City is taken from the records of the Lancaster County Auditor. The assessment for City tax purposes is the same as that levied by the County Auditor. Tax notices are mailed around October 1 of each year. The taxes are due by January 15. A 3% penalty is added January 16 and another 10% is added February 2 if still unpaid. On March 15, if tax bills are still unpaid, an additional 2% penalty is added. At this time all unpaid taxes go into execution and are turned over to the delinquent tax collector for collection.

New vehicle property taxes are assessed and levied within 120 days of the registration date of the vehicle and payment is due upon receipt of the property tax notice. Other vehicle property taxes are assessed and levied in the month the vehicle is scheduled for license renewal with the South Carolina Highway Department and payment is due before the end of the month of the scheduled renewal.

3. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables written off in prior years and applying that percentage to current balances.

4. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements and internal balances on the government-wide financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2008

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Fund Equity (continued)

5. Inventory

Inventories held by the General Fund and Gross Revenue Funds are valued at the lower of cost, using the first-in/first-out (FIFO) method, or market. Inventory shown in the General Fund consists of expendable supplies held for consumption. In the fund financial statements (General Fund), the amount thereof has been recorded for information purposes only as an asset, offset by a reservation of fund balance in an equal amount. The cost value of such inventory has been recorded as an expenditure at the time individual items were purchased and as the items are consumed they are charged to the respective departments. The inventory asset amount is not available for appropriation since it has been charged as an expenditure when purchased rather than when used.

6. Restricted Assets

Certain resources which have been set aside for the repayment of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The revenue bond debt service fund was established to provide for the ratable payment of the principal of and interest on all bonds as they fall due to ensure the timely payment of principal and interest and to provide for the redemption of bonds prior to their maturity.

7. Capital Assets

The City's general and proprietary fund capital assets (having a cost in excess of \$5,000) are recorded at original cost. Donated assets are recorded at the estimated fair value (if in excess of \$5,000) at the time of donation.

Capital assets of the City are depreciated by applying the straight-line method to the following useful lives:

| | |
|-------------------------------------|-------------|
| Buildings | 40 years |
| Infrastructure | 10-40 years |
| Water and sewer distribution system | 40 years |
| Fence and paving | 15 years |
| Equipment | 3-10 years |
| Vehicles | 5-7 years |

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



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2008

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Fund Equity (continued)

7. Capital Assets (continued)

The City capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

8. Compensated Absences

The City of Lancaster has a liability to its employees for accumulated vacation leave. In the fund financial statements the General Fund has recorded as an expenditure and fund liability, the amount of accumulated vacation leave of its employees that is expected to be liquidated with expendable available resources. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements as a liability. The Gross Revenue and Solid Waste Funds have recorded an expense and liability for accumulated vacation leave of its employees.

9. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2008

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Fund Equity (continued)

10. Net Assets/Fund Balances (continued)

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for inventory - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for debt payments – portion of fund balance available to make debt payments.

Designated

Designated for drug fund - portion of total fund balance designated for drug prevention programs.

Designated for block grant – portion of fund balance designated for CDBG projects.

Designated for victim's services – portion of fund balance designated for victim's services.

Designated for downtown development – portion of fund balance designated for downtown development activities.

Designated for Main Street Project – portion of fund balance designated for Main Street redevelopment project.

Designated for Visitor Center – portion of fund balance designated for Visitor Center.

Designated for Police Department communications - portion of fund balance designated to be spent on communications equipment for the Police Department.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2008

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Fund Equity (continued)

10. Net Assets/Fund Balances (continued)

Undesignated

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

11. Reclassifications

For comparability, the 2007 figures have been reclassified, where appropriate, to conform with the financial statement presentation used in 2008.

12. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the City's management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

Two supplemental budgetary appropriations were made during the year ended June 30, 2008. The City does not budget for the Special Revenue Funds.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2008

III. Detail Notes on All Funds

A. Assets

1. Cash and Investments

At year-end the carrying amount of the City's cash deposits was \$4,716,230 and the bank balance was \$4,672,389. Of the bank balance, \$400,000 was covered by federal depository insurance and \$4,272,389 was covered by collateral held by the pledging financial institutions in the City's name.

At June 30, 2008, the City had the following investments and maturities.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturity</u> | <u>Rating</u> |
|-----------------------------------|---------------------|-----------------|---------------|
| Fidelity US Treasury MM | \$ 1,493,110 | N/A | Unrated |
| State Treasurer's Investment Pool | 7,904,143 | N/A | Unrated |
| Total Investments | <u>\$ 9,397,253</u> | | |

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State statutes authorize the City to invest in obligations of the United States and agencies thereof; general obligations of the State of South Carolina or any of its political units; savings and loan associations to the extent that the same are insured by an agency of the Federal government; certificates of deposit where the certificates are collaterally secured by securities of the type described above; or deposit accounts with banking institutions. Statutes also allow the State Treasurer to assist local governments in investing funds. The City is under no contractual agreements which restrict investment alternatives or violate legal provisions.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investments for which the securities are held by the counterparty, or by its trust department but not in the City's name.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2008

III. Detail Notes on All Funds (continued)

A. Assets (continued)

1. Cash and Investments (continued)

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer.

The City's cash and investments are presented on the financial statements as follows:

| | |
|----------------------------------|--------------------------|
| Cash and investments | |
| Primary government | \$ 8,565,359 |
| Fiduciary funds | 17,041 |
| Restricted and designated assets | <u>5,531,083</u> |
| Total | \$ <u>14,113,483</u> |

2. Receivables – Allowance for Doubtful Accounts

At June 30, 2008, the City's receivable balances (unrestricted and restricted accounts receivable and taxes receivable in the accompanying statement) were as follows:

| | Government - wide Financial Statements | | | | | | |
|------------------------------------|--|-------------------|-------------------|-------------------|----------------------|-------------|---------------------|
| | Fund Financial Statements | | | | | | |
| | Gross Revenue | | Nonmajor | | Adjustments to Full- | | |
| General Fund | Fund | Solid Waste | Funds | Total | Accrual | Total | |
| Receivables: | | | | | | | |
| Taxes | \$ 255,192 | \$ - | \$ - | \$ - | \$ 255,192 | \$ - | \$ 255,192 |
| Intergovernmental | 386,739 | - | - | - | 386,739 | - | 386,739 |
| Grants | 1,653 | - | - | - | 1,653 | - | 1,653 |
| Mortgages | - | - | - | 153,866 | 153,866 | - | 153,866 |
| Water and sewer | - | 451,629 | - | - | 451,629 | - | 451,629 |
| Garbage and trash | - | - | 88,190 | - | 88,190 | - | 88,190 |
| Roll-off containers | - | - | 37,901 | - | 37,901 | - | 37,901 |
| Other | 1,054,866 | 38,894 | 22,572 | 56,166 | 1,172,498 | - | 1,172,498 |
| Gross receivables | 1,698,450 | 490,523 | 148,663 | 210,032 | 2,547,668 | - | 2,547,668 |
| Less: allowance for uncollectibles | 144,292 | 11,839 | 10,959 | 74,895 | 241,985 | - | 241,985 |
| Net total receivables | <u>\$ 1,554,158</u> | <u>\$ 478,684</u> | <u>\$ 137,704</u> | <u>\$ 135,137</u> | <u>\$ 2,305,683</u> | <u>\$ -</u> | <u>\$ 2,305,683</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2008

III. Detail Notes on All Funds (continued)

A. Assets (continued)

3. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2008 was as follows:

Depreciation was charged to functions/programs of the primary government as follows:

| | |
|-----------------------------------|--------------------------|
| General administration | \$ 285,474 |
| Public safety | 321,144 |
| Public works | 84,874 |
| Code Enforcement | 2,052 |
| Parks and playgrounds | <u>3,692</u> |
| Total depreciation expense | <u>\$ 697,236</u> |

| | Beginning Balances | Increases | Decreases | Transfers | Ending Balances |
|---|-----------------------|-------------------|------------------|--------------------|----------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 3,159,803 | \$ 6,700 | \$ - | \$ - | \$ 3,166,503 |
| Construction in progress | 1,425 | 93,985 | - | - | 95,410 |
| Total capital assets not being depreciated | <u>3,161,228</u> | <u>100,685</u> | <u>-</u> | <u>-</u> | <u>3,261,913</u> |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 5,041,894 | 40,251 | - | - | 5,082,145 |
| Machinery and Equipment | 5,127,152 | 248,548 | 19,836 | (21,473) | 5,334,391 |
| Infrastructure | 4,464,933 | 164,555 | - | - | 4,629,488 |
| Total capital assets being depreciated | <u>14,633,979</u> | <u>453,354</u> | <u>19,836</u> | <u>(21,473)</u> | <u>15,046,024</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 1,324,319 | 122,224 | - | - | 1,446,543 |
| Machinery and Equipment | 3,655,115 | 394,262 | 19,836 | (21,473) | 4,008,068 |
| Infrastructure | 993,261 | 180,750 | - | - | 1,174,011 |
| Total accumulated depreciation | <u>5,972,695</u> | <u>\$ 697,236</u> | <u>\$ 19,836</u> | <u>\$ (21,473)</u> | <u>6,628,622</u> |
| Total capital assets being depreciated, net | <u>8,661,284</u> | | | | <u>8,417,402</u> |
| Governmental activity capital assets, net | <u>\$ 11,822,512</u> | | | | <u>\$ 11,679,315</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2008

III. Detail Notes on All Funds (continued)

A. Assets (continued)

3. Capital Assets (continued)

Capital asset activity for the business-type activities for the year ended June 30, 2008 was as follows:

| | Beginning Balances | Increases | Decreases | Transfers | Ending Balances |
|--|-----------------------|------------|-----------|-----------|--------------------|
| Business-type activities: | | | | | |
| <i>Gross Revenue</i> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 364,554 | \$ - | \$ - | \$ - | \$ 364,554 |
| Construction in progress | 1,987,023 | 5,995,251 | - | (723,953) | 7,258,321 |
| Total capital assets not being depreciated | 2,351,577 | 5,995,251 | - | (723,953) | 7,622,875 |
| Capital assets being depreciated: | | | | | |
| Buildings | 1,480,057 | - | - | - | 1,480,057 |
| Equipment | 3,412,348 | 196,255 | - | 745,426 | 4,354,029 |
| Water and Sewer System | 28,044,313 | 46,893 | - | - | 28,091,206 |
| Total capital assets being depreciated | 32,936,718 | 243,148 | - | 745,426 | 33,925,292 |
| Less accumulated depreciation for: | | | | | |
| Building and building improvements | 640,792 | 34,282 | - | - | 675,074 |
| Equipment | 2,802,783 | 199,305 | - | 21,473 | 3,023,561 |
| Water and Sewer System | 12,329,842 | 691,743 | - | - | 13,021,585 |
| Total accumulated depreciation | 15,773,417 | \$ 925,330 | \$ - | \$ 21,473 | 16,720,220 |
| Total capital assets being depreciated, net | 17,163,301 | | | | 17,205,072 |
| Gross Revenue capital assets, net | 19,514,878 | | | | 24,827,947 |
| <i>Solid Waste</i> | | | | | |
| Capital assets being depreciated: | | | | | |
| Equipment | 2,684,776 | \$ 219,100 | \$ - | \$ - | 2,903,876 |
| Total capital assets being depreciated | 2,684,776 | 219,100 | - | - | 2,903,876 |
| Less accumulated depreciation for: | | | | | |
| Equipment | 2,272,155 | 155,143 | - | - | 2,427,298 |
| Total accumulated depreciation | 2,272,155 | \$ 155,143 | \$ - | \$ - | 2,427,298 |
| Total capital assets being depreciated, net | 412,621 | | | | 476,578 |
| Solid Waste capital assets, net | 412,621 | | | | 476,578 |
| Business-type activities capital assets, net | \$ 19,927,499 | | | | \$ 25,304,525 |



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2008

III. Detail Notes on All Funds (continued)

A. Assets (continued)

3. Capital Assets (continued)

Construction commitments

The government has active construction projects as of June 30, 2008. The projects include the WTP Improvement Project, the Hope on the Hill Project, the LHS/NE Pedestrian Bridge Project and the Fort Lawn Sewer Project.

| <u>Project</u> | <u>Spent-to-date</u> | <u>Remaining Commitment</u> |
|----------------------------------|----------------------|-----------------------------|
| WTP Improvement Project | \$ 6,487,975 | \$ 68,196 |
| Hope on the Hill Project | 37,227 | 5,773 |
| LHS/NE Pedestrian Bridge Project | 95,410 | 135,223 |
| Fort Lawn Sewer Project | 70,395 | 927,660 |
| Total | <u>\$ 6,691,007</u> | <u>\$ 1,136,852</u> |

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at June 30, 2008, were as follows:

| | Governmental-wide Financial Statements | | | | | |
|--|--|--------------------|-------------------|-----------------|---------------------|-----------------------------|
| | Fund Financial Statements | | | | | Adjustments to Full-Accrual |
| General Fund | Other Governmental Funds | Gross Revenue Fund | Solid Waste | Total | | |
| Payables: | | | | | | |
| Accounts and vouchers | \$ 2,013,191 | \$ 10,000 | \$ 690,143 | \$ - | \$ 2,713,334 | \$ - |
| Customer deposits | - | - | 209,299 | - | 209,299 | - |
| Accrued payroll and related liabilities | 113,974 | - | (5,977) | (33) | 107,964 | - |
| Accrued interest payable | 13,264 | - | 64,969 | | 78,233 | - |
| Other | 85,858 | - | 55 | 3,900 | 89,813 | - |
| Total accounts payable and accrued liabilities | <u>\$ 2,226,287</u> | <u>\$ 10,000</u> | <u>\$ 958,489</u> | <u>\$ 3,867</u> | <u>\$ 3,198,643</u> | <u>\$ -</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2008

III. Detail Notes on All Funds (continued)

B. Liabilities

2. Capital Leases

The City has entered into several lease agreements for financing the construction and acquisition of capital assets. These lease agreements qualify as capital leases for accounting purposes since titles transfer at the end of the lease terms. Therefore, certain leases have been recorded at the present value of the future minimum lease payments and as a result, building and equipment and the related liability is included in the government-wide financial statements in the governmental activities column. Capital leases are also included in the fund financial statements and the business-type activities column of the government-wide financial statements as equipment and a liability for the Gross Revenue and Solid Waste as of the date of their inception.

At June 30, 2008, the City leased buildings, infrastructure, vehicles, and equipment valued at:

| Classes of Property | Cost | Accumulated Depreciation | Net Book Value |
|---------------------|---------------------|-----------------------------|---------------------|
| Buildings | \$ 180,505 | \$ 12,786 | \$ 167,719 |
| Infrastructure | 2,943,975 | 104,266 | 2,839,709 |
| Equipment | 9,626 | 1,283 | 8,343 |
| Vehicles | 711,150 | 153,555 | 557,595 |
| Total | <u>\$ 3,845,256</u> | <u>\$ 271,890</u> | <u>\$ 3,573,366</u> |

For the City, the future minimum lease payments as of June 30, 2008 were as follows:

| Fiscal Year Ending June 30 | Governmental Activities | | Business - Type Activities | |
|-------------------------------|-------------------------|------------------|----------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2009 | \$ 162,279 | \$ 29,945 | \$ 137,108 | \$ 110,905 |
| 2010 | 195,524 | 21,127 | 149,651 | 105,171 |
| 2011 | 205,212 | 11,875 | 162,915 | 98,917 |
| 2012 | 9,651 | 5,738 | 155,535 | 92,466 |
| 2013 | 10,516 | 5,338 | 169,463 | 86,028 |
| 2014-2018 | 67,313 | 19,390 | 1,084,792 | 312,488 |
| 2019-2022 | 59,190 | 4,302 | 955,283 | 69,249 |
| | <u>\$ 709,685</u> | <u>\$ 97,715</u> | <u>\$ 2,814,747</u> | <u>\$ 875,224</u> |

3. General Obligation Bonds

During 1999, the City issued general obligation bonds in the amount of \$1,550,000 to provide funds for the construction of a City Hall. General Obligation Bonds are direct obligations and pledge the full faith and credit of the City. These bonds were issued as 15-year serial bonds with principal maturing (principal payments range between \$70,000 and \$150,000) on May 1 of each year, with final payment due May 1, 2014. These bonds have interest rates ranging from 4.60% to 6.00%, payable semi-annually.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2008

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

3. General Obligation Bonds (continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Fiscal Year Ending June 30 | Governmental Activities | |
|-------------------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2009 | \$ 110,000 | \$ 38,430 |
| 2010 | 120,000 | 33,150 |
| 2011 | 125,000 | 27,390 |
| 2012 | 135,000 | 21,265 |
| 2013 | 140,000 | 14,650 |
| 2014 | 150,000 | 7,650 |
| | <u>\$ 780,000</u> | <u>\$ 142,535</u> |

4. Bond Refunding and State Revolving Loans

The City's bond refunding and state revolving loans at June 30, 2008 are comprised of the following:

1998 Bond Refunding Loan - The City advance refunded the 1988 and 1991 revenue bonds of the Gross Revenue Fund with one bond refunding during the fiscal year ended June 30, 1998. The loan bears an interest rate ranging from 4.10% to 4.75% and is payable in twenty-seven semi-annual installments in amounts ranging from \$47,099 to \$209,869 each. The loan matures in October 2011. \$ 765,000

1996 State Revolving Loan - The City received a loan from the State Revolving Fund in the amount of \$5,760,765. The loan is to be used to defray the cost of the wastewater treatment plant upgrade and outfall line in the Gross Revenue Fund. The first draw on the loan was in July 1995. The loan has an interest rate of 4.00% and is payable in eighty quarterly installments of \$104,955 each. The loan matures in May 2016. 2,862,067

1998 State Revolving Loan - The City received a loan from the State Revolving Fund in the amount of \$709,061 during the fiscal year ended June 30, 1999. The loan has an interest rate of 4.25% and is payable in sixty quarterly installments of \$16,043 each. The loan matures in March 2014. 325,830



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2008

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

4. Bond Refunding and State Revolving Loans (continued)

2000 State Revolving Loan – On August 8, 2000 the City received a State Water Pollution Control Revolving Loan from the State of South Carolina Budget and Control Board of \$1,319,160 for sewer line rehabilitation and wastewater treatment plant improvements. The project was completed in 2002 and only \$1,299,879 of loan funds was used. The loan has an interest rate of 3.5% and is payable in quarterly payments of \$22,662, including principal and interest, and matures in October 2021. \$ 971,932

2003 State Revolving Loan – On December 17, 2002, the City received a Sewer Line Rehabilitation Revolving Loan of \$952,151 for the second phase of the sewer line rehabilitation and wastewater treatment plant improvements. The loan has an interest rate of 3.75% and is payable in quarterly payments of \$16,971, including principal and interest, and matures in October 2023. 795,212

2007 State Revolving Loan – On March 6, 2007, the City received a State Water Pollution Control Revolving Loan from the State of South Carolina Budget and Control Board of \$6,300,000 for the wastewater treatment plant upgrade and expansion. The loan has an interest rate of 1% and is payable in quarterly payments of \$86,985, including principal and interest, and matures in March 2028. As of June 30, 2008, the City had drawn \$5,188,844 of the loan proceeds with the remaining amount of \$1,111,156 expected to be drawn during the upcoming year. 5,117,384

| | |
|--|---------------------|
| Total Bond Refunding and State Revolving Loans | 10,837,425 |
| Less amount representing current portion | <u>923,782</u> |
| Long-term portion | <u>\$ 9,913,643</u> |

Annual debt service requirements to maturity for this debt is as follows:

| Fiscal Year Ending June 30 | Business-type Activities | |
|-------------------------------|--------------------------|---------------------|
| | Principal | Interest |
| 2009 | \$ 923,782 | \$ 277,722 |
| 2010 | 949,955 | 248,426 |
| 2011 | 981,893 | 217,816 |
| 2012 | 1,014,625 | 185,707 |
| 2013 | 833,180 | 157,283 |
| 2014 - 2018 | 3,383,573 | 456,378 |
| 2019 - 2023 | 2,216,209 | 180,187 |
| 2024 | 534,208 | 41,076 |
| | <u>\$ 10,837,425</u> | <u>\$ 1,764,595</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2008

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

5. Long-term Obligation Activity

The following is a summary of changes in the City's long-term obligations as of June 30, 2008:

| | Balance July 1, 2007 | Additions | Payments | Balance June 30, 2008 | Current Portion of Long-term Liabilities |
|---|----------------------------|---------------------|-------------------|-----------------------------|---|
| Governmental Activities: | | | | | |
| Capitalized leases | \$ 944,385 | \$ - | \$ 234,700 | \$ 709,685 | \$ 162,279 |
| General Obligation Bonds | 885,000 | - | 105,000 | 780,000 | 110,000 |
| Compensated absences | 272,277 | 214,224 | 192,311 | 294,190 | 49,031 |
| Total governmental activities | <u>\$ 2,101,662</u> | <u>\$ 214,224</u> | <u>\$ 532,011</u> | <u>\$ 1,783,875</u> | <u>\$ 321,310</u> |
| Business-type Activities: | | | | | |
| Capitalized leases | \$ 2,993,753 | \$ - | \$ 179,006 | \$ 2,814,747 | \$ 137,108 |
| Refunding bond and State Revolving loans | 6,329,507 | 5,188,844 | 680,926 | 10,837,425 | 923,782 |
| Compensated absences | 120,716 | 98,019 | 83,657 | 135,078 | 135,078 |
| Total business-type activities | <u>\$ 9,443,976</u> | <u>\$ 5,286,863</u> | <u>\$ 943,589</u> | <u>\$ 13,787,250</u> | <u>\$ 1,195,968</u> |

For governmental activities, compensated absences and claims and judgments payable are liquidated by the general fund.

The total interest incurred for the year ended June 30, 2008 was \$458,077. Of this amount, \$20,708 was capitalized as a component of the cost of capital assets constructed during the year and \$437,369 was charged to expense.

6. Computation of Legal Debt Limitation

The City's general obligation debt is limited by law to 8% of the total assessed value of all taxable real and personal property within the City limits. The latest projected assessed value as of June 30, 2008 was \$33,528,345. The computation of legal debt limits is as follows:

| | |
|--|--------------------|
| General obligation debt limitation (\$33,528,345 x 8%) | \$2,682,268 |
| General obligation debt at June 30, 2008 | <u>780,000</u> |
| Excess of debt limit over general obligation debt | <u>\$1,902,268</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2008

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

7. Employee Retirement Systems

The City participates in two state-run, cost sharing, multiple-employer defined benefit pension plans administered by the South Carolina Retirement System, a division of the State Budget and Control Board: the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS). Both the SCRC and the PORS offer retirement and disability benefits, group life insurance benefits and survivor benefits. For fiscal year 2008, a guaranteed one percent cost of living adjustment (COLA) is funded under SCRS, and all other cost of living adjustments are granted on an ad hoc basis, subject to approval by the State Budget and Control Board. Effective July 1, 2008, a guaranteed two percent COLA will be funded under SCRS and PORS and further, as trustees of the state's pension trust funds, The Budget and Control Board has the authority to approve ad hoc COLAs in addition to the guaranteed two per COLA if certain guidelines are met. The plans' provisions are established under Title 9 of the SC Code of Laws.

A Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the SCRS and PORS is publicly available on the SC State Budget and Control Board Website at www.retirement.sc.gov or a copy may be obtained by submitting a request to the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

All employees, other than policemen and firemen, who fill a permanent position are eligible for and must become members of the South Carolina Retirement System (SCRS). Law enforcement officers and firemen are eligible for and must become members of the South Carolina Police Officers Retirement System (PORS).

Under both plans, a member who terminates employment with at least 5 years creditable retirement service has the right to leave his contributions on deposit in the System and will receive a reduced monthly retirement allowance beginning at age 60 or at age 55 with at least 25 years of creditable service. Alternatively a member may apply for a refund of his total contributions plus interest.

Benefits are based on length of service and average final compensation, an annualized average of the employee's highest twelve consecutive quarters' compensation. For the SCRS, the annual benefit amount is 1.82% of average final compensation times years of service. For PORS, the annual benefit is 2.14% of average final compensation times years of service.

Funding policies

Article X, Section 16 of the South Carolina Constitution requires that all State operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws (as amended) prescribes requirements relating to membership, benefits and employee/employer contributions for each plan.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2008

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

7. Employee Retirement Systems (continued)

Plan members are required to contribute 6.5% of their annual covered salary for the SCRS and 6.5% of covered salary for the PORS. Actuarial determined employer contribution rates for the plans, expressed as percentages of covered compensation, for the fiscal year ended June 30, 2008, were 9.06% for SCRS and 10.3% for the PORS. The contribution requirements of members and of the City of Lancaster are established and may be amended by the South Carolina General Assembly. The City's contributions to the SCRS and PORS of the three latest years available were as follows:

| | <u>Rate</u> | <u>Fiscal Year Ending June 30, 2008</u> | <u>Fiscal Year Ending June 30, 2007</u> | <u>Fiscal Year Ending June 30, 2006</u> |
|------------------------|-------------|---|---|---|
| <u>SCRS</u> | | | | |
| Employee contributions | 6.5% | \$198,519 | \$187,781 | \$194,448 |
| Employer contributions | 9.06% | \$286,827 | \$251,734 | \$237,538 |
| <u>PORS</u> | | | | |
| Employee contributions | 6.5% | \$159,470 | \$151,559 | \$154,306 |
| Employer contributions | 10.3% | \$252,699 | \$240,162 | \$244,635 |

In addition, the City partially funds post-retirement health insurance of certain retirees. The post-retirement health insurance expense of the City for the year ended June 30, 2008 was \$33,600.

8. Deferred / Unearned Revenue

The balance of deferred / unearned revenue in the fund financial statements at year-end is composed of the following elements:

| | <u>Deferred Revenue</u> | <u>Unearned Revenue</u> |
|----------------------------------|-------------------------|-------------------------|
| Lot Clearing Fees (General Fund) | \$ 4,703 | \$ - |
| Vehicle Tax (General Fund) | 39,897 | - |
| Real Property Tax (General Fund) | 114,297 | - |
| Tax Rollback (General Fund) | 390,184 | - |
| Total | <u>\$ 549,081</u> | <u>\$ -</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2008

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City participates in the South Carolina Municipal Insurance and Risk Fund to cover risk that may occur in normal operations. These risks include loss of real property and its contents, motor vehicles, losses due to errors and omissions, general liability, and theft and dishonesty.

The City participates in a Public Entity Risk Pool for the sharing of risk associated with workers' compensation claims. The pooling agreement permits the pool to make additional assessments to its members in addition to the annual premiums.

The City participates in a self-insurance medical program along with various other municipalities. The program is run by the State of South Carolina. This plan provides employee health benefits up to \$1,000,000 in a lifetime maximum. All funds of the City participate in the program and make payments to the Program based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

10. Interfund Balances and Activity

a. Due From/To Other Funds

The compositions of interfund balances as of June 30, 2008 are as follows:

| | Payable Fund | | | | Total |
|------------------------|------------------|--------------------|------------------|------------------|-------------------|
| | General Fund | Gross Revenue Fund | Solid Waste Fund | Hospitality Fund | |
| <u>Receivable Fund</u> | | | | | |
| General Fund | \$ - | \$ 529,783 | \$ 31,012 | \$ - | \$ 560,795 |
| Gross Revenue Fund | - | - | - | - | - |
| Solid Waste Fund | - | 1,527 | - | - | 1,527 |
| Hospitality Fund | 10,959 | - | - | - | 10,959 |
| | <u>\$ 10,959</u> | <u>\$ 531,310</u> | <u>\$ 31,012</u> | <u>\$ -</u> | <u>\$ 573,281</u> |

Amounts were due to the general fund from other individual nonmajor and fiduciary funds primarily for operating purposes. These amounts are expected to be liquidated through normal operating activities of the individual funds.

b. Interfund Transfers

There were no Interfund transfers during the year ended June 30, 2008.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2008

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

11. Commitments and Contingencies

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor or their representatives. The amount of program expenditures, which may be disallowed by the granting agencies cannot be predicted, although the City expects such amounts, if any, to be immaterial.

Various claims and lawsuits are pending against the City. In the opinion of the City's management and City attorneys, the ultimate resolution of these legal matters will not have a material adverse effect on the City's financial position.

C. Revenues, Expenditures and Expenses

1. Water Agreement – Lancaster County Water and Sewer District

The City of Lancaster entered into a Water Agreement with Lancaster County Water and Sewer District (LCWS) on October 11, 1994 to provide reserve water capacity. The agreement is for 20 years with a renewal clause for an additional 20 years. Under this agreement fees are assessed based on a ratio of the annual water purchased by the City from LCWS and the total water purchased by LCWS. This ratio is multiplied by the annual debt payment LCWS incurred as a result of LCWS financing the cost of providing the additional reserve capacity to the City. The cost to the City for year ended June 30, 2008 was \$472,588.

The City also entered into a Sewer Agreement with LCWS on October 11, 1994 to provide treatment and capacity of wastewater to LCWS. The agreement is for 20 years with a renewal clause for an additional 20 years. Fees are assessed in a manner similar to the water agreement above. Revenue recognized by the City related to this agreement was \$457,394 for the year ended June 30, 2008.



General Fund
Comparative Balance Sheets

June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---------------------------------------|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 6,402,540 | \$ 5,472,238 |
| Receivables: | | |
| Taxes, net | 206,742 | 170,056 |
| Grants | 1,653 | - |
| Intergovernmental | 386,739 | 228,719 |
| Taxes - other | 959,024 | 204,254 |
| Due from other funds | 560,795 | 202,761 |
| Designated assets | 698,880 | 777,274 |
| Restricted assets | 191,129 | 322,492 |
| Inventory | 5,055 | 6,548 |
| Total assets | <u>\$ 9,412,557</u> | <u>\$ 7,384,342</u> |
| Liabilities and fund balances | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 2,226,287 | \$ 691,796 |
| Compensated absences payable | 49,031 | 45,379 |
| Due to other funds | 10,959 | - |
| Deferred revenues - tax rollback | 390,184 | 445,254 |
| Deferred revenues - other | 158,897 | 143,312 |
| Total liabilities | <u>2,835,358</u> | <u>1,325,741</u> |
| Fund balances: | | |
| Reserved: | | |
| Inventory | 5,055 | 6,548 |
| Debt payments | 191,129 | 187,659 |
| Unexpended capital lease proceeds | - | 134,833 |
| Unreserved: | | |
| Designated for: | | |
| Drug Fund | 107,375 | 82,181 |
| Block grant | 1 | 1 |
| Victim's services | 51,023 | 66,823 |
| Downtown development | 258,659 | 196,019 |
| Main street project | 5,000 | 5,000 |
| Police Department communications | 53,400 | 50,000 |
| Undesignated | 5,905,557 | 5,329,537 |
| Total fund balances | <u>6,577,199</u> | <u>6,058,601</u> |
| Total liabilities and fund balances | <u>\$ 9,412,557</u> | <u>\$ 7,384,342</u> |



CITY OF LANCASTER, SOUTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

*For the Fiscal Year Ended June 30, 2008**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)*

| | 2008 | | Variance Positive (Negative) | 2007 |
|---|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | Actual |
| Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 3,130,000 | \$ 3,030,884 | \$ (99,116) | \$ 3,122,112 |
| Vehicle taxes | 237,000 | 231,970 | (5,030) | 270,351 |
| Motor carrier taxes | 78,000 | 86,876 | 8,876 | 79,807 |
| Homestead | 171,000 | 172,683 | 1,683 | 169,584 |
| Delinquent taxes | 90,000 | 110,493 | 20,493 | 165,656 |
| Tax penalties | 26,000 | 26,170 | 170 | 27,531 |
| Local option sales tax | 1,531,000 | 1,635,752 | 104,752 | 1,415,044 |
| Total taxes | <u>5,263,000</u> | <u>5,294,828</u> | <u>31,828</u> | <u>5,250,085</u> |
| Fines, fees, licenses, and permits: | | | | |
| Victim's services | 30,000 | 33,966 | 3,966 | 34,242 |
| Court fines | 490,000 | 458,554 | (31,446) | 466,553 |
| Duke power fees | 410,000 | 481,887 | 71,887 | 434,890 |
| Certification fees | 1,500 | 1,185 | (315) | 1,035 |
| Franchise fees | 145,000 | 141,574 | (3,426) | 141,698 |
| Privilege licenses | 1,200,000 | 1,636,388 | 436,388 | 1,665,166 |
| Building permits | 40,000 | 58,813 | 18,813 | 49,505 |
| Payments in lieu of taxes | 235,000 | 352,353 | 117,353 | 239,823 |
| Total fines, fees, licenses, and permits | <u>2,551,500</u> | <u>3,164,720</u> | <u>613,220</u> | <u>3,032,912</u> |
| Intergovernmental revenues: | | | | |
| State shared revenue | 260,000 | 266,996 | 6,996 | 241,584 |
| Merchants inventory | 70,000 | 71,687 | 1,687 | 71,687 |
| Accomodations tax | 41,000 | 48,374 | 7,374 | 53,012 |
| Exemption | 100,000 | 133,432 | 33,432 | 121,422 |
| Total intergovernmental | <u>471,000</u> | <u>520,489</u> | <u>49,489</u> | <u>487,705</u> |



CITY OF LANCASTER, SOUTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

| | 2008 | | | 2007 |
|------------------------------|-----------|-----------|------------------------------------|-----------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Revenues (continued): | | | | |
| Charges for services: | | | | |
| Lot clearing | \$ 7,000 | \$ 9,030 | \$ 2,030 | \$ 3,267 |
| Fire protection contracts | 50,000 | 47,991 | (2,009) | 50,412 |
| School guards | 35,000 | 53,142 | 18,142 | 34,537 |
| Total charges for services | 92,000 | 110,163 | 18,163 | 88,216 |
| Grants | 831,600 | 364,464 | (467,136) | 568,572 |
| Interest | 136,000 | 195,902 | 59,902 | 246,908 |
| Other revenues: | | | | |
| Insurance proceeds | 15,000 | 10,885 | (4,115) | 14,092 |
| Sale of assets | 25,000 | 400 | (24,600) | 28,283 |
| Police revenues | 29,000 | 34,785 | 5,785 | 13,473 |
| Miscellaneous | 5,000 | 9,840 | 4,840 | 6,710 |
| Cemetary fees | 10,000 | 6,950 | (3,050) | 10,433 |
| Planning and zoning | 3,000 | 2,799 | (201) | 2,536 |
| Total other | 87,000 | 65,659 | (21,341) | 75,527 |
| Total revenues | 9,432,100 | 9,716,225 | 284,125 | 9,749,925 |
| Expenditures: | | | | |
| General administration: | | | | |
| Mayor and council: | | | | |
| Personnel services | 70,000 | 69,557 | 443 | 65,232 |
| Operating expenses | 43,400 | 37,318 | 6,082 | 21,928 |
| Total mayor and council | 113,400 | 106,875 | 6,525 | 87,160 |



CITY OF LANCASTER, SOUTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

| | 2008 | | Variance Positive (Negative) | 2007 |
|---|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | Actual |
| Expenditures (continued): | | | | |
| General administration (continued): | | | | |
| City administrator: | | | | |
| Personnel services | \$ 154,800 | \$ 153,579 | \$ 1,221 | \$ 147,396 |
| Operating expenses | 54,900 | 47,529 | 7,371 | 79,515 |
| Total city administrator | <u>209,700</u> | <u>201,108</u> | <u>8,592</u> | <u>226,911</u> |
| Building and grounds maintenance: | | | | |
| Personnel services | 126,900 | 124,290 | 2,610 | 114,476 |
| Operating expenses | <u>105,100</u> | <u>101,208</u> | <u>3,892</u> | <u>72,720</u> |
| Total building and grounds maintenance | <u>232,000</u> | <u>225,498</u> | <u>6,502</u> | <u>187,196</u> |
| Human Resources: | | | | |
| Personnel services | 70,050 | 69,612 | 438 | 49,159 |
| Operating expenses | <u>79,450</u> | <u>70,029</u> | <u>9,421</u> | <u>55,460</u> |
| Total human resources | <u>149,500</u> | <u>139,641</u> | <u>9,859</u> | <u>104,619</u> |
| Finance: | | | | |
| Personnel services | 207,900 | 204,447 | 3,453 | 194,901 |
| Operating expenses | <u>32,600</u> | <u>19,260</u> | <u>13,340</u> | <u>26,235</u> |
| Total finance | <u>240,500</u> | <u>223,707</u> | <u>16,793</u> | <u>221,136</u> |
| Legal services: | | | | |
| Personnel services | 7,100 | 6,868 | 232 | 3,024 |
| Operating expenses | <u>70,700</u> | <u>68,670</u> | <u>2,030</u> | <u>53,501</u> |
| Total legal services | <u>77,800</u> | <u>75,538</u> | <u>2,262</u> | <u>56,525</u> |
| General expense: | | | | |
| Personnel services | 573,000 | 564,860 | 8,140 | 549,625 |
| Operating expenses | 888,200 | 825,549 | 62,651 | 1,297,006 |
| Feasibility study for establishment of redevelopment agency | 2,350 | - | 2,350 | - |
| Capital outlay | <u>50,000</u> | <u>50,000</u> | <u>-</u> | <u>-</u> |
| Total general expense | <u>1,513,550</u> | <u>1,440,409</u> | <u>73,141</u> | <u>1,846,631</u> |



CITY OF LANCASTER, SOUTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

| | 2008 | | Variance Positive (Negative) | 2007 |
|-------------------------------------|------------|------------|------------------------------------|------------|
| | Budget | Actual | | Actual |
| Expenditures (continued): | | | | |
| General administration (continued): | | | | |
| Administrative services: | | | | |
| Personnel services | \$ 156,700 | \$ 155,276 | \$ 1,424 | \$ 160,101 |
| Operating expenses | 20,500 | 15,408 | 5,092 | 14,260 |
| Total administrative services | 177,200 | 170,684 | 6,516 | 174,361 |
| Total general administration | 2,713,650 | 2,583,460 | 130,190 | 2,904,539 |
| Public safety: | | | | |
| Police: | | | | |
| Personnel services | 2,035,500 | 2,022,482 | 13,018 | 1,913,238 |
| Operating expenses | 328,600 | 294,892 | 33,708 | 289,645 |
| Capital outlay | 22,100 | 21,600 | 500 | - |
| Total police | 2,386,200 | 2,338,974 | 47,226 | 2,202,883 |
| Victims' services: | | | | |
| Personnel services | 41,200 | 41,888 | (688) | 32,350 |
| Operating expenses | 10,300 | 9,179 | 1,121 | 10,893 |
| Total victims' services | 51,500 | 51,067 | 433 | 43,243 |
| Law enforcement block grant: | | | | |
| Capital outlay | 179,100 | 143,237 | 35,863 | 23,171 |
| Judiciary: | | | | |
| Personnel services | 220,000 | 214,094 | 5,906 | 238,568 |
| Operating expenses | 309,700 | 290,401 | 19,299 | 294,576 |
| Capital outlay | 5,000 | 3,050 | 1,950 | - |
| Total judiciary | 534,700 | 507,545 | 27,155 | 533,144 |
| Fire: | | | | |
| Personnel services | 1,136,300 | 1,128,462 | 7,838 | 1,095,760 |
| Operating expenses | 210,800 | 201,511 | 9,289 | 132,946 |
| Total fire | 1,347,100 | 1,329,973 | 17,127 | 1,228,706 |
| Total public safety | 4,498,600 | 4,370,796 | 127,804 | 4,031,147 |



CITY OF LANCASTER, SOUTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

| | 2008 | | Variance Positive (Negative) | 2007 |
|----------------------------------|----------------|----------------|------------------------------------|----------------|
| | Budget | Actual | | Actual |
| Expenditures (continued): | | | | |
| Public works: | | | | |
| Street division: | | | | |
| Personnel services | \$ 279,400 | \$ 275,032 | \$ 4,368 | \$ 316,617 |
| Operating expenses | 369,250 | 345,236 | 24,014 | 279,890 |
| Total street division | <u>648,650</u> | <u>620,268</u> | <u>28,382</u> | <u>596,507</u> |
| Vehicle maintenance: | | | | |
| Personnel services | 179,800 | 178,294 | 1,506 | 164,846 |
| Operating expenses | 62,500 | 57,260 | 5,240 | 39,241 |
| Total vehicle maintenance | <u>242,300</u> | <u>235,554</u> | <u>6,746</u> | <u>204,087</u> |
| Total public works | <u>890,950</u> | <u>855,822</u> | <u>35,128</u> | <u>800,594</u> |
| Code enforcement: | | | | |
| Personnel services | 186,200 | 184,570 | 1,630 | 172,677 |
| Operating expenses | 70,300 | 47,668 | 22,632 | 62,300 |
| Total code enforcement | <u>256,500</u> | <u>232,238</u> | <u>24,262</u> | <u>234,977</u> |
| Parks and playgrounds: | | | | |
| Operating expenses | <u>98,000</u> | <u>97,778</u> | <u>222</u> | <u>97,778</u> |
| Community service: | | | | |
| Operating expenses | <u>44,000</u> | <u>42,629</u> | <u>1,371</u> | <u>68,313</u> |
| Debt service: | | | | |
| Principal | 312,000 | 339,700 | (27,700) | 349,103 |
| Interest and fees | 87,900 | 75,436 | 12,464 | 101,629 |
| Total debt service | <u>399,900</u> | <u>415,136</u> | <u>(15,236)</u> | <u>450,732</u> |



CITY OF LANCASTER, SOUTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

| | 2008 | | Variance Positive (Negative) | 2007 |
|--|--------------|--------------|------------------------------------|--------------|
| | Budget | Actual | | Actual |
| Expenditures (continued): | | | | |
| Capital improvements: | | | | |
| Capital outlay | \$ 1,181,500 | \$ 599,768 | \$ 581,732 | \$ 1,699,778 |
| Total expenditures | 10,083,100 | 9,197,627 | 885,473 | 10,287,858 |
| Excess of revenues over (under) expenditures | (651,000) | 518,598 | 1,169,598 | (537,933) |
| Other financing sources (uses): | | | | |
| Fund balance appropriated | 400,900 | - | (400,900) | - |
| Proceeds from capital leases | 250,000 | - | (250,000) | - |
| Transfer from Hospitality Tax Fund | 100 | - | (100) | 39,178 |
| Total other financing sources | 651,000 | - | (651,000) | 39,178 |
| Excess of revenues and other sources over (under) expenditures | \$ - | 518,598 | \$ 518,598 | (498,755) |
| Beginning of year, July 1 | | 6,058,601 | | 6,557,356 |
| End of year, June 30 | | \$ 6,577,199 | | \$ 6,058,601 |



CITY OF LANCASTER, SOUTH CAROLINACombining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

| | Southside Project | Hospitality Tax Fund | Total Nonmajor Governmental Funds |
|---------------------------------------|------------------------------|-------------------------------------|--|
| Assets | | | |
| Cash and cash equivalents | \$ 135,742 | \$ - | \$ 135,742 |
| Receivables: | | | |
| Mortgages | 78,971 | - | 78,971 |
| Taxes - other | - | 56,166 | 56,166 |
| Due from General Fund | - | 10,959 | 10,959 |
| Restricted assets | - | 979,272 | 979,272 |
| Total assets | <u>\$ 214,713</u> | <u>\$ 1,046,397</u> | <u>\$ 1,261,110</u> |
| Liabilities and fund balances | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ - | \$ 10,000 | \$ 10,000 |
| Total liabilities | <u>-</u> | <u>10,000</u> | <u>10,000</u> |
| Fund balances (deficit) | | | |
| Designated: | | | |
| Visitor Center | - | 150,000 | 150,000 |
| Undesignated | 214,713 | 886,397 | 1,101,110 |
| Total fund balances | <u>214,713</u> | <u>1,036,397</u> | <u>1,251,110</u> |
| Total liabilities and fund balances | <u>\$ 214,713</u> | <u>\$ 1,046,397</u> | <u>\$ 1,261,110</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2008

| | Southside Project | Hospitality Tax Fund | Total Nonmajor Governmental Funds |
|------------------------------------|------------------------------|-------------------------------------|--|
| Revenues | | | |
| Taxes | \$ - | \$ 700,488 | \$ 700,488 |
| Interest | 1,776 | 18,916 | 20,692 |
| Total revenues | <u>1,776</u> | <u>719,404</u> | <u>721,180</u> |
| Expenditures | | | |
| Current: | | | |
| General administration | 21,570 | 515,878 | 537,448 |
| Total expenditures | <u>21,570</u> | <u>515,878</u> | <u>537,448</u> |
| Net change in fund balances | (19,794) | 203,526 | 183,732 |
| Fund balance - beginning | <u>234,507</u> | <u>832,871</u> | <u>1,067,378</u> |
| Fund balance - ending | <u>\$ 214,713</u> | <u>\$ 1,036,397</u> | <u>\$ 1,251,110</u> |



CITY OF LANCASTER, SOUTH CAROLINASouthside Project
Comparative Balance Sheets*June 30, 2008 and 2007*

| | 2008 | 2007 |
|--------------------------------------|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 135,742 | \$ 148,719 |
| Mortgages | 78,971 | 85,788 |
| Total assets | <u>\$ 214,713</u> | <u>\$ 234,507</u> |
| Liabilities and fund balances | | |
| Fund balances: | | |
| Undesignated | <u>214,713</u> | <u>234,507</u> |
| Total fund balances | <u>214,713</u> | <u>234,507</u> |
| Total liabilities and fund balances | <u>\$ 214,713</u> | <u>\$ 234,507</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Southside Project

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

For the Fiscal Years Ended June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|------------------------------------|-------------------|-------------------|
| Revenues | | |
| Interest | \$ 1,776 | \$ 1,937 |
| Total revenues | <u>1,776</u> | <u>1,937</u> |
| Expenditures | | |
| Current: | | |
| General administration | <u>21,570</u> | <u>15</u> |
| Total expenditures | <u>21,570</u> | <u>15</u> |
| Net change in fund balances | (19,794) | 1,922 |
| Beginning of year, July 1 | <u>234,507</u> | <u>232,585</u> |
| End of year, June 30 | <u>\$ 214,713</u> | <u>\$ 234,507</u> |



CITY OF LANCASTER, SOUTH CAROLINAHospitality Tax Fund
Comparative Balance Sheets*June 30, 2008 and 2007*

| | <u>2008</u> | <u>2007</u> |
|---|-------------------------|-----------------------|
| Assets | | |
| Receivables | | |
| Taxes - other | \$ 56,166 | \$ 60,628 |
| Due from General Fund | 10,959 | - |
| Restricted assets | 979,272 | 821,582 |
| Total assets | <u>\$ 1,046,397</u> | <u>\$ 882,210</u> |
| Liabilities and fund balances | | |
| Accounts payable and accrued expenses | \$ 10,000 | \$ - |
| Due to other funds | - | 49,339 |
| Total liabilities | <u>10,000</u> | <u>49,339</u> |
| Fund balances: | | |
| Designated: | | |
| Visitor Center | 150,000 | 100,000 |
| Undesignated | 886,397 | 732,871 |
| Total fund balances | <u>1,036,397</u> | <u>832,871</u> |
| Total liabilities and fund balances | <u>\$ 1,046,397</u> | <u>\$ 882,210</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Hospitality Tax Fund Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

For the Fiscal Years Ended June 30, 2008 and 2007

| | 2008 | 2007 |
|---|---------------------|-------------------|
| Revenues | | |
| Taxes | \$ 700,488 | \$ 716,850 |
| Interest | 18,916 | 14,325 |
| Total revenues | <u>719,404</u> | <u>731,175</u> |
| Expenditures | | |
| Current: | | |
| General administration | 515,878 | 505,179 |
| Total expenditures | <u>515,878</u> | <u>505,179</u> |
| Excess of revenues over expenditures | <u>203,526</u> | <u>225,996</u> |
| Other financing sources (uses) | | |
| Transfers out | - | (39,178) |
| Total other financing uses | <u>-</u> | <u>(39,178)</u> |
| Net change in fund balances | 203,526 | 186,818 |
| Beginning of year, July 1 | <u>832,871</u> | <u>646,053</u> |
| End of year, June 30 | <u>\$ 1,036,397</u> | <u>\$ 832,871</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund
Comparative Balance Sheets

June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 947,005 | \$ 1,065,796 |
| Receivables: | | |
| Water and sewer | 451,629 | 546,723 |
| Other | 27,055 | 49,165 |
| Inventory | 69,145 | 101,994 |
| Total current assets | <u>1,494,834</u> | <u>1,763,678</u> |
| Noncurrent assets | | |
| Capital improvement account | <u>1,443,885</u> | <u>1,552,981</u> |
| Restricted assets | | |
| Customer deposits | 209,299 | 204,700 |
| Unspent capital lease proceeds | - | 33,532 |
| Bond depreciation account | 257,754 | 233,775 |
| Bond contingency account | 257,754 | 233,775 |
| Bond debt service and reserve account | 1,493,110 | 1,455,457 |
| Total restricted assets | <u>2,217,917</u> | <u>2,161,239</u> |
| Deferred charges, net | <u>93,774</u> | <u>107,353</u> |
| Capital assets (net, where applicable, of accumulated depreciation) | <u>24,827,947</u> | <u>19,514,878</u> |
| Total noncurrent assets | <u>28,583,523</u> | <u>23,336,451</u> |
| Total assets | <u>30,078,357</u> | <u>25,100,129</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | 749,190 | 1,622,061 |
| Compensated absences payable | 95,027 | 86,899 |
| Current portion of long-term debt | 923,782 | 609,467 |
| Capital leases payable - current | 137,108 | 151,383 |
| Customer deposits | 209,299 | 204,700 |
| Due to General Fund | 529,783 | 127,092 |
| Due to Solid Waste Fund | 1,527 | 579 |
| Total current liabilities | <u>2,645,716</u> | <u>2,802,181</u> |
| Noncurrent liabilities | | |
| Revenue bonds and notes payable | 9,913,643 | 5,720,040 |
| Capital leases payable - long-term | 2,677,639 | 2,814,746 |
| Total noncurrent liabilities | <u>12,591,282</u> | <u>8,534,786</u> |
| Total liabilities | <u>15,236,998</u> | <u>11,336,967</u> |
| Net assets | | |
| Invested in capital assets, net of related debt | 11,175,775 | 10,252,774 |
| Restricted for debt payments | 2,008,618 | 1,923,007 |
| Net assets unrestricted | 1,656,966 | 1,587,381 |
| Total net assets | <u>\$ 14,841,359</u> | <u>\$ 13,763,162</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund

Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)

*For the Fiscal Year Ended June 30, 2008**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)*

| | 2008 | | Variance Positive (Negative) | 2007 |
|-----------------------------------|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Water and sewer charges | \$ 5,266,000 | \$ 5,095,207 | \$ (170,793) | \$ 5,384,216 |
| Water penalties | 180,000 | 214,628 | 34,628 | 194,844 |
| Tap fees | 26,000 | 25,457 | (543) | 35,861 |
| Interest income | 150,100 | 145,695 | (4,405) | 214,839 |
| Grant income | 711,800 | 609,084 | (102,716) | 474,571 |
| Other | 29,000 | 13,849 | (15,151) | 23,158 |
| Total revenues | <u>6,362,900</u> | <u>6,103,920</u> | <u>(258,980)</u> | <u>6,327,489</u> |
| Expenditures | | | | |
| Public works administration: | | | | |
| Salaries and employee benefits | 165,100 | 165,446 | (346) | 151,906 |
| Clothing | 600 | 70 | 530 | 687 |
| Vehicle maintenance | 2,000 | 1,749 | 251 | 2,017 |
| Communications | 15,000 | 14,786 | 214 | 14,446 |
| Utilities | 23,400 | 22,995 | 405 | 20,544 |
| Repairs and maintenance | 2,500 | 2,257 | 243 | 2,538 |
| Special contracts | 20,400 | 19,924 | 476 | 2,697 |
| Materials and supplies | 5,600 | 4,772 | 828 | 3,922 |
| Miscellaneous | 10,150 | 6,069 | 4,081 | 5,690 |
| Total public works administration | <u>244,750</u> | <u>238,068</u> | <u>6,682</u> | <u>204,447</u> |
| Water service: | | | | |
| Salaries and employee benefits | 349,300 | 349,476 | (176) | 336,775 |
| Clothing | 7,800 | 7,273 | 527 | 5,872 |
| Vehicle maintenance | 55,000 | 54,580 | 420 | 45,184 |
| Communications | 4,300 | 4,052 | 248 | 3,377 |
| Repairs and maintenance | 61,000 | 31,640 | 29,360 | 17,166 |
| Special contracts | 65,000 | 64,422 | 578 | 32,734 |
| Materials and supplies | 157,000 | 153,388 | 3,612 | 198,516 |
| Miscellaneous | 497,400 | 476,165 | 21,235 | 521,762 |
| Total water service | <u>1,196,800</u> | <u>1,140,996</u> | <u>55,804</u> | <u>1,161,386</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund

Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

| | 2008 | | Variance Positive (Negative) | 2007 |
|----------------------------------|----------------|----------------|------------------------------------|----------------|
| | Budget | Actual | | Actual |
| Expenditures (continued): | | | | |
| Utility billing: | | | | |
| Salaries and employee benefits | \$ 150,500 | \$ 146,555 | \$ 3,945 | \$ 131,419 |
| Clothing | 400 | - | 400 | - |
| Communications | 7,200 | 6,028 | 1,172 | 6,112 |
| Repairs and maintenance | 500 | - | 500 | - |
| Special contracts | 48,000 | 44,926 | 3,074 | 44,854 |
| Materials and supplies | 6,300 | 2,376 | 3,924 | 3,063 |
| Miscellaneous | 2,500 | 243 | 2,257 | 965 |
| Total utility billing | <u>215,400</u> | <u>200,128</u> | <u>15,272</u> | <u>186,413</u> |
| Wastewater treatment: | | | | |
| Salaries and employee benefits | 314,400 | 311,867 | 2,533 | 292,253 |
| Clothing | 4,000 | 3,866 | 134 | 4,425 |
| Vehicle maintenance | 12,500 | 12,069 | 431 | 9,978 |
| Communications | 11,700 | 11,383 | 317 | 10,809 |
| Utilities | 191,000 | 187,765 | 3,235 | 168,436 |
| Repairs and maintenance | 198,500 | 158,863 | 39,637 | 108,569 |
| Special contracts | 12,000 | 10,896 | 1,104 | 11,319 |
| Materials and supplies | 31,000 | 28,898 | 2,102 | 25,210 |
| Miscellaneous | 219,600 | 209,876 | 9,724 | 271,652 |
| Total wastewater treatment | <u>994,700</u> | <u>935,483</u> | <u>59,217</u> | <u>902,651</u> |
| Wastewater collection: | | | | |
| Salaries and employee benefits | 380,800 | 379,417 | 1,383 | 338,955 |
| Clothing | 6,000 | 4,711 | 1,289 | 4,880 |
| Vehicle maintenance | 58,000 | 56,315 | 1,685 | 44,190 |
| Communications | 2,400 | 2,015 | 385 | 1,656 |
| Utilities | - | - | - | 17,782 |
| Repairs and maintenance | 21,000 | 12,272 | 8,728 | 24,274 |
| Special contracts | 33,000 | 30,285 | 2,715 | 10,230 |
| Materials and supplies | 67,200 | 64,325 | 2,875 | 91,331 |
| Miscellaneous | 4,800 | 1,928 | 2,872 | 2,947 |
| Total wastewater collection | <u>573,200</u> | <u>551,268</u> | <u>21,932</u> | <u>536,245</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund

Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)

*For the Fiscal Year Ended June 30, 2008**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)*

| | 2008 | | Variance Positive (Negative) | 2007 |
|--|--------------------|--------------------|------------------------------------|----------------------|
| | Budget | Actual | | Actual |
| Expenditures (continued): | | | | |
| General: | | | | |
| Salaries and employee benefits | \$ 2,000 | \$ - | \$ 2,000 | \$ - |
| Communications | 15,500 | 14,963 | 537 | 16,277 |
| Insurance | 197,000 | 194,695 | 2,305 | 163,330 |
| Repairs and maintenance | 21,200 | 11,594 | 9,606 | 6,729 |
| Special contracts | 68,000 | 55,260 | 12,740 | 43,994 |
| Miscellaneous | 839,650 | 408,113 | 431,537 | 340,422 |
| Total general | <u>1,143,350</u> | <u>684,625</u> | <u>458,725</u> | <u>570,752</u> |
| Debt service: | | | | |
| Principal payments | 863,000 | 832,309 | 30,691 | 699,943 |
| Interest | 388,700 | 363,755 | 24,945 | 406,580 |
| Total debt service | <u>1,251,700</u> | <u>1,196,064</u> | <u>55,636</u> | <u>1,106,523</u> |
| Capital outlay | <u>7,742,300</u> | <u>6,238,399</u> | <u>1,503,901</u> | <u>3,534,792</u> |
| Total expenditures | <u>13,362,200</u> | <u>11,185,031</u> | <u>2,177,169</u> | <u>8,203,209</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(6,999,300)</u> | <u>(5,081,111)</u> | <u>1,918,189</u> | <u>(1,875,720)</u> |
| Other financing sources (uses) | | | | |
| Fund balance appropriated | 699,300 | - | (699,300) | - |
| Loan proceeds | 6,300,000 | 5,188,844 | (1,111,156) | - |
| Total other financing sources (uses) | <u>6,999,300</u> | <u>5,188,844</u> | <u>(1,810,456)</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures | <u>\$ -</u> | <u>\$ 107,733</u> | <u>\$ 107,733</u> | <u>\$(1,875,720)</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund

Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

| | 2008 | 2007 |
|--|---------------------|---------------------|
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | |
| Revenues and other sources over (under) expenditures | \$ 107,733 | \$(1,875,720) |
| Payment of debt principal | 832,309 | 699,943 |
| Capital contribution | - | 28,234 |
| Loan proceeds | (5,188,844) | - |
| Insurance proceeds and other | 13,932 | 14,222 |
| Depreciation | (925,330) | (878,898) |
| Capital outlay | 6,238,399 | 3,534,792 |
| | <u>\$ 1,078,199</u> | <u>\$ 1,522,573</u> |
| Change in net assets per full accrual basis - Exhibit G | | |



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| Operating activities | | |
| Cash received from customers | \$ 5,466,345 | \$ 5,493,798 |
| Cash received from grants | 609,084 | 474,571 |
| Cash paid to employees | (1,344,633) | (1,260,247) |
| Cash paid to suppliers | (3,237,831) | (965,288) |
| Net cash provided by operating activities | <u>1,492,965</u> | <u>3,742,834</u> |
| Noncapital financing activities | | |
| Due from other funds | - | 129,466 |
| Due to other funds | 403,639 | (136,255) |
| Customer deposits | 4,599 | (12,369) |
| Net cash provided by (used in) noncapital activities | <u>408,238</u> | <u>(19,158)</u> |
| Capital and related financing activities | | |
| Loan proceeds | 5,188,844 | - |
| Insurance proceeds | 13,840 | 2,829 |
| Proceeds from sale of capital assets | 92 | 11,393 |
| Acquisition of capital assets | (6,238,399) | (3,506,543) |
| Principal paid on capital leases | (151,382) | (114,800) |
| Principal paid on bond and note maturities | (680,926) | (575,767) |
| Interest and bond fees | (350,176) | (469,580) |
| Net cash used in capital and related financing activities | <u>(2,218,107)</u> | <u>(4,652,468)</u> |
| Investing activities | | |
| Interest on investments | 145,695 | 214,839 |
| Net cash provided by investing activities | <u>145,695</u> | <u>214,839</u> |
| Net increase (decrease) in cash and cash equivalents/investments | (171,209) | (713,953) |
| Cash and cash equivalents/investments | | |
| Beginning of year | <u>4,780,016</u> | <u>5,493,969</u> |
| End of year | <u>\$ 4,608,807</u> | <u>\$ 4,780,016</u> |
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 1,282,327 | \$ 1,671,858 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 925,330 | 878,898 |
| Amortization of bond issuance costs | - | - |
| Change in assets and liabilities | | |
| Accounts receivable | 117,204 | (144,281) |
| Inventory | 32,849 | 83,564 |
| Accounts payable and accrued expenses | (872,873) | 1,261,734 |
| Compensated absences | 8,128 | (8,939) |
| Total adjustments | <u>210,638</u> | <u>2,070,976</u> |
| Net cash provided by operating activities | <u>\$ 1,492,965</u> | <u>\$ 3,742,834</u> |
| Noncash capital activity | | |
| Noncash contribution of property | <u>\$ -</u> | <u>\$ 28,234</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Solid Waste Fund Comparative Balance Sheets

June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,080,072 | \$ 1,122,091 |
| Receivables: | | |
| Garbage and trash | 88,190 | 91,761 |
| Roll-off containers | 26,942 | 15,281 |
| Other | 22,572 | 538 |
| Due from other funds | 1,527 | 579 |
| Total current assets | <u>1,219,303</u> | <u>1,230,250</u> |
| Capital assets (net, where applicable, of accumulated depreciation) | <u>476,578</u> | <u>412,621</u> |
| Total noncurrent assets | <u>476,578</u> | <u>412,621</u> |
| Total assets | <u>1,695,881</u> | <u>1,642,871</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | 3,867 | 3,221 |
| Compensated absences payable | 40,051 | 33,818 |
| Capital leases payable - current | - | 27,623 |
| Due to General Fund | 31,012 | 26,330 |
| Total current liabilities | <u>74,930</u> | <u>90,992</u> |
| Total liabilities | <u>74,930</u> | <u>90,992</u> |
| Net assets | | |
| Invested in capital assets, net of related debt | 476,578 | 384,997 |
| Net assets unrestricted | <u>1,144,373</u> | <u>1,166,882</u> |
| Total net assets | <u>\$ 1,620,951</u> | <u>\$ 1,551,879</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Solid Waste Fund

Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)

*For the Fiscal Year Ended June 30, 2008**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)*

| | 2008 | | Variance Positive (Negative) | 2007 |
|--------------------------------|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Garbage fees | \$ 1,029,000 | \$ 1,021,578 | \$ (7,422) | \$ 991,137 |
| Roll-off containers | 130,000 | 110,432 | (19,568) | 147,249 |
| Interest | 42,000 | 39,112 | (2,888) | 43,770 |
| Other | 90,000 | 119,511 | 29,511 | 11,243 |
| Total revenues | <u>1,291,000</u> | <u>1,290,633</u> | <u>(367)</u> | <u>1,193,399</u> |
| Expenditures | | | | |
| General: | | | | |
| Salaries and employee benefits | 1,000 | - | 1,000 | - |
| Insurance | 63,000 | 62,763 | 237 | 57,865 |
| Repairs and maintenance | 160,500 | 77 | 160,423 | 77 |
| Special contracts | 21,400 | 21,074 | 326 | 1,877 |
| Miscellaneous | 93,650 | 79,097 | 14,553 | 70,101 |
| Total general | <u>339,550</u> | <u>163,011</u> | <u>176,539</u> | <u>129,920</u> |
| Residential garbage: | | | | |
| Salaries and employee benefits | 362,000 | 365,735 | (3,735) | 297,681 |
| Clothing | 5,250 | 5,147 | 103 | 4,964 |
| Communications | 1,500 | 614 | 886 | 833 |
| Vehicle maintenance | 84,500 | 82,601 | 1,899 | 65,057 |
| Materials and supplies | 88,000 | 40,758 | 47,242 | 14,779 |
| Miscellaneous | 4,100 | 1,673 | 2,427 | 904 |
| Total residential garbage | <u>545,350</u> | <u>496,528</u> | <u>48,822</u> | <u>384,218</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Solid Waste Fund

Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

| | 2008 | | Variance Positive (Negative) | 2007 |
|----------------------------------|----------------|----------------|------------------------------------|----------------|
| | Budget | Actual | | Actual |
| Expenditures (continued): | | | | |
| Commerical garbage: | | | | |
| Salaries and employee benefits | \$ 78,300 | \$ 76,318 | \$ 1,982 | \$ 72,263 |
| Clothing | 1,250 | 839 | 411 | 756 |
| Vehicle maintenance | 48,500 | 46,817 | 1,683 | 40,230 |
| Repairs and maintenance | 1,000 | - | 1,000 | 500 |
| Special contracts | 108,000 | 95,618 | 12,382 | 110,521 |
| Materials and supplies | 30,500 | 22,981 | 7,519 | 18,706 |
| Miscellaneous | 1,600 | - | 1,600 | - |
| Total commercial garbage | <u>269,150</u> | <u>242,573</u> | <u>26,577</u> | <u>242,976</u> |
| Transfer station: | | | | |
| Salaries and employee benefits | 74,000 | 74,471 | (471) | 67,786 |
| Clothing | 1,250 | 1,242 | 8 | 1,278 |
| Vehicle maintenance | 82,000 | 80,006 | 1,994 | 47,691 |
| Communications | 1,500 | 1,318 | 182 | 1,243 |
| Repairs and maintenance | 3,000 | 710 | 2,290 | 3,000 |
| Special contracts | 7,000 | 4,939 | 2,061 | 3,571 |
| Materials and supplies | 5,500 | 3,443 | 2,057 | 3,694 |
| Miscellaneous | 1,500 | - | 1,500 | - |
| Total transfer station | <u>175,750</u> | <u>166,129</u> | <u>9,621</u> | <u>128,263</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Solid Waste Fund

Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

| | 2008 | | Variance Positive (Negative) | 2007 |
|--|------------------|--------------------|------------------------------------|-------------------|
| | Budget | Actual | | Actual |
| Expenditures (continued): | | | | |
| Debt service: | | | | |
| Principal | \$ 25,800 | \$ 27,623 | \$ (1,823) | \$ 63,282 |
| Interest | 400 | (1,822) | 2,222 | 1,555 |
| Total debt service | <u>26,200</u> | <u>25,801</u> | <u>399</u> | <u>64,837</u> |
| Capital outlay | <u>220,000</u> | <u>219,100</u> | <u>900</u> | <u>228,890</u> |
| Total expenditures | <u>1,576,000</u> | <u>1,313,142</u> | <u>262,858</u> | <u>1,179,104</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(285,000)</u> | <u>(22,509)</u> | <u>262,491</u> | <u>14,295</u> |
| Other financing sources (uses) | | | | |
| Fund balance appropriated | 285,000 | - | (285,000) | - |
| Total other financing uses | <u>285,000</u> | <u>-</u> | <u>(285,000)</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures | <u>\$ -</u> | <u>\$ (22,509)</u> | <u>\$ (22,509)</u> | <u>\$ 14,295</u> |
| | | | 2008 | 2007 |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | | |
| Revenues and other sources over expenditures | | | \$ (22,509) | \$ 14,295 |
| Payment of debt principal | | | 27,623 | 63,282 |
| Depreciation | | | (155,143) | (194,358) |
| Capital outlay | | | <u>219,100</u> | <u>228,890</u> |
| Change in net assets per full accrual basis - Exhibit G | | | <u>\$ 69,071</u> | <u>\$ 112,109</u> |



Solid Waste Fund
Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| Operating activities | | |
| Cash received from customers | \$ 1,221,397 | \$ 1,175,685 |
| Cash paid to employees | (510,291) | (435,172) |
| Cash paid to suppliers | (551,070) | (579,188) |
| Net cash provided by operating activities | <u>160,036</u> | <u>161,325</u> |
| Noncapital financing activities | | |
| Due from other funds | (948) | 151,696 |
| Due to other funds | 4,682 | (22,438) |
| Net cash provided by noncapital activities | <u>3,734</u> | <u>129,258</u> |
| Capital and related financing activities | | |
| Acquisition of capital assets | (219,100) | (228,891) |
| Principal paid on capital leases | (27,623) | (63,282) |
| Interest and bond fees | 1,822 | (1,555) |
| Net cash used in capital and related financing activities | <u>(244,901)</u> | <u>(293,728)</u> |
| Investing activities | | |
| Interest on investments | 39,112 | 43,770 |
| Net cash provided by investing activities | <u>39,112</u> | <u>43,770</u> |
| Net increase (decrease) in cash and cash equivalents/inve | (42,019) | 40,625 |
| Cash and cash equivalents/investments | | |
| Beginning of year | 1,122,091 | 1,081,466 |
| End of year | <u>\$ 1,080,072</u> | <u>\$ 1,122,091</u> |
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 28,137 | \$ 69,896 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 155,143 | 194,358 |
| Change in assets and liabilities | | |
| Accounts receivable | (30,124) | 26,056 |
| Accounts payable and accrued expenses | 647 | (131,543) |
| Compensated absences | 6,233 | 2,558 |
| Total adjustments | <u>131,899</u> | <u>91,429</u> |
| Net cash provided by operating activities | <u>\$ 160,036</u> | <u>\$ 161,325</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Fiduciary Fund Type- Agency Fund- Firemen's Fund

Comparative Statement of Fiduciary Net Assets
June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--------------------------------|------------------|------------------|
| Assets | | |
| Cash and temporary investments | \$ 17,041 | \$ 23,862 |
| Total assets | <u>\$ 17,041</u> | <u>\$ 23,862</u> |
| Liabilities | | |
| Due to firemen's association | \$ 17,041 | \$ 23,862 |
| Total liabilities | <u>\$ 17,041</u> | <u>\$ 23,862</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Changes in Fiduciary Assets and Liabilities Agency Funds

June 30, 2008

| | <u>July 1, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2008</u> |
|--------------------------------|---------------------|------------------|-------------------|----------------------|
| Firemen's Fund | | | | |
| Assets | | | | |
| Cash and temporary investments | \$ 23,862 | \$ 15,713 | \$ 22,534 | \$ 17,041 |
| Total assets | <u>\$ 23,862</u> | <u>\$ 15,713</u> | <u>\$ 22,534</u> | <u>\$ 17,041</u> |
| Liabilities | | | | |
| Due to firemen's association | \$ 23,862 | \$ 15,713 | \$ 22,534 | \$ 17,041 |
| Total liabilities | <u>\$ 23,862</u> | <u>\$ 15,713</u> | <u>\$ 22,534</u> | <u>\$ 17,041</u> |



OTHER SCHEDULES

This section includes additional information on the Gross Revenue Fund debt coverage, victims' services, and tax base information

- Schedule of Debt Coverage – Gross Revenue Fund
- Analysis of Victims' Services
- Schedule of Victims' Fines, Assessments and Fees Collected
- Tax Base Information



CITY OF LANCASTER, SOUTH CAROLINASchedule of Debt Coverage
Gross Revenue Fund*For the Fiscal Year Ended June 30, 2008*

| | |
|--|---------------------|
| Operating revenues | <u>\$ 5,958,225</u> |
| Operating expenses (including depreciation) | 4,203,310 |
| Contract with Lancaster Water and Sewer District | <u>472,588</u> |
| Total operating expenses | <u>4,675,898</u> |
| Nonoperating revenues (expenses): | |
| Interest income | 145,695 |
| Interest expense and bond fees | (363,755) |
| Insurance proceeds | 92 |
| Gain on sale of fixed assets | <u>13,840</u> |
| Total nonoperating expense | <u>(204,128)</u> |
| Net income | <u>1,078,199</u> |
| Add: | |
| Depreciation allowance | 925,330 |
| Interest and fees on bonds | <u>363,755</u> |
| Total additions | <u>1,289,085</u> |
| Net earnings | <u>\$ 2,367,284</u> |
| Debt service requirements | <u>\$ 938,451</u> |
| Debt coverage ratio | <u>2.52</u> |

(1.2 debt coverage required by 1998 Refunding Bonds and the 2003 State Revolving Loan)



CITY OF LANCASTER, SOUTH CAROLINAAnalysis of Victims' Services
For the Fiscal Year Ended June 30, 2008

| | |
|--|-------------------------|
| Funds available for the year ended June 30, 2007 | <u>\$ 66,823</u> |
| Victims' percentage of assessments | <u>33,966</u> |
| Total revenues | 33,966 |
| Actual expenditures | <u>(49,766)</u> |
| Grant and Assessment Receipts under expenditures | <u>(15,800)</u> |
| Funds available for the year ended June 30, 2008 | <u><u>\$ 51,023</u></u> |



CITY OF LANCASTER, SOUTH CAROLINASchedule of Victims' Fines, Assessments and Fees Collected
For the Fiscal Year Ended June 30, 2008

| | Retained By City | | | | Remitted to State | | Total Collected |
|--------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|
| | Victim Assessment | Victim Surcharge | Fines Collected | Other Revenue | Assessment | Other Fees | |
| July-07 | \$ 1,704 | \$ 1,111 | \$ 14,170 | \$ 1,551 | \$ 13,558 | \$ 5,976 | \$ 38,070 |
| August-07 | 2,630 | 1,341 | 21,912 | 3,487 | 20,926 | 8,936 | 59,232 |
| September-07 | 2,071 | 941 | 17,243 | 1,850 | 16,480 | 7,059 | 45,644 |
| October-07 | 1,737 | 1,170 | 14,470 | 801 | 13,824 | 6,349 | 38,351 |
| November-07 | 1,673 | 749 | 13,984 | 584 | 13,356 | 6,011 | 36,357 |
| December-07 | 1,444 | 657 | 11,967 | 1,073 | 11,489 | 5,261 | 31,891 |
| January-08 | 2,288 | 751 | 19,145 | 1,340 | 18,236 | 8,857 | 50,617 |
| February-08 | 1,776 | 913 | 14,840 | 1,308 | 14,127 | 5,976 | 38,940 |
| March-08 | 1,965 | 785 | 16,379 | 1,477 | 15,637 | 7,142 | 43,385 |
| April-08 | 2,150 | 1,020 | 17,939 | 2,316 | 17,142 | 6,784 | 47,351 |
| August-08 | 1,976 | 905 | 16,614 | 1,992 | 15,721 | 6,469 | 43,677 |
| June-08 | 1,353 | 859 | 11,281 | 2,553 | 10,763 | 4,828 | 31,637 |
| | <u>\$ 22,767</u> | <u>\$ 11,202</u> | <u>\$ 189,944</u> | <u>\$ 20,332</u> | <u>\$ 181,259</u> | <u>\$ 79,648</u> | <u>\$ 505,152</u> |



CITY OF LANCASTER, SOUTH CAROLINA

Tax Base Information

For the Fiscal Year Ended June 30, 2008

| Property Type | Assessment Ratio | 2004 Assessment | 2005 Assessment | 2006 Assessment | 2007 Assessment |
|--|------------------|----------------------|----------------------|----------------------|----------------------|
| Total Bills | | 4,591 | 4,617 | 4,689 | 4,701 |
| Land & Building | 4.0% | \$ 5,519,540 | \$ 5,470,080 | \$ 6,668,830 | \$ 6,699,370 |
| Land & Building | 6.0% | 15,070,730 | 15,379,740 | 17,933,520 | 18,327,080 |
| Mobile Home | 4.0% | 23,452 | 22,030 | 13,420 | 11,120 |
| Mobile Home | 6.0% | 30,208 | 29,760 | 24,520 | 83,260 |
| Subtotal - Land/Building/Mobile Home | | 20,643,930 | 20,901,610 | 24,640,290 | 25,120,830 |
| Pers - Office | 10.5% | 1,048,010 | 1,111,930 | 1,046,840 | 1,068,110 |
| Pers - Aircraft | 10.5% | 2,340 | 2,220 | 2,320 | 530 |
| Pers - Boat/ Motor/Trailer | 10.5% | 31,420 | 34,900 | 41,570 | 47,475 |
| 429 - Outdoor Sign | 10.5% | - | - | - | - |
| 529 - Merchant Furniture/Fixtures | 10.5% | 1,657,520 | 1,478,120 | 1,903,410 | 1,826,630 |
| 629 - Manufacturing Pers | 10.5% | 1,757,410 | 2,053,520 | 2,252,030 | 2,134,060 |
| Mfg Land & Buildings | 10.5% | 675,260 | 675,260 | 662,030 | 662,890 |
| 729 - Utilities | 10.5% | 1,826,910 | 1,639,570 | 1,517,660 | 1,606,150 |
| 829 - Railroads | 9.5% | 38,080 | 45,920 | 38,270 | 38,550 |
| 929 - Campers | 10.5% | 370 | 1,310 | 2,610 | 1,160 |
| Subtotal - SCTC & County Auditor | | 7,037,320 | 7,042,750 | 7,466,740 | 7,385,555 |
| Subtotal Assessment | | 27,681,250 | 27,944,360 | 32,107,030 | 32,506,385 |
| FILOT | | 1,469,635 | 1,606,669 | 1,885,615 | 2,307,059 |
| Total Assessment (Excluding Vehicles) | | \$ 29,150,885 | \$ 29,551,029 | \$ 33,992,645 | \$ 34,813,444 |
| Gross Property Tax | | \$ 4,069,144 | \$ 4,451,607 | \$ 4,666,309 | \$ 4,888,650 |
| Homestead | | 174,366 | 180,813 | 167,620 | 171,143 |
| Local Option Credit | | 791,818 | 797,352 | 869,160 | 1,067,700 |
| Fee in Lieu | | 229,119 | 259,962 | 260,740 | 325,212 |
| Net Property Tax | | \$ 2,873,841 | \$ 3,213,480 | \$ 3,368,789 | \$ 3,324,595 |
| Vehicle Assessment | | \$ 2,739,230 | \$ 2,496,490 | \$ 2,247,923 | \$ 2,244,410 |
| Vehicle Tax Collected | | \$ 330,356 | \$ 297,876 | \$ 270,351 | \$ 259,000 |
| Tax Rate in Mills | | 147.0 | 150.0 | 137.0 | 140.0 |
| Sales Tax Credit Factor | | 0.001867 | 0.001867 | 0.001735 | 0.002104 |



COMPLIANCE SECTION





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
City of Lancaster, South Carolina
Lancaster, South Carolina

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, South Carolina (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City of Lancaster's basic financial statements and have issued our report thereon dated September 29, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when designed or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 management of the City in a separate letter dated September 29, 2008.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Blair, Bohle & Whitsitt, PC

September 29, 2008

