

CITY OF LANCASTER, SOUTH CAROLINA

Basic Financial Statements
and
Accompanying Information

Year Ended June 30, 2009



CITY OF LANCASTER, SOUTH CAROLINA

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Blair, Bohlé & Whitsitt^{LLC}
Certified Public Accountants

10815 Sikes Place
Suite 100
Charlotte, NC
28277

704-841-9800 Main
704-841-9802 Fax
www.bbwpflc.com

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, 2009, 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, 2009, 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 October 6, 2009, 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 Schedules of Funding Progress and Employer Contributions on page 53 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 Victims’ 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

October 6, 2009



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, 2009. 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 \$36,000,000 (net assets) compared to approximately \$35,000,000 (net assets) at June 30, 2008.
- The government's total assets increased by approximately \$1,200,000 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 \$1,000,000 compared to approximately \$1,100,000 last year.
- In the General Fund, revenue exceeded expense by approximately \$300,000 compared to expense exceeding revenue by \$500,000 last year.
- In the Gross Revenue (water/sewer) Fund, revenue exceeded expense by approximately \$631,000 compared to \$1,078,000 last year.
- In the Solid Waste Fund, revenue exceeded expense by approximately \$321,000 compared to \$69,000 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 \$8,200,000, an increase of approximately \$400,000 in comparison with the prior year (\$7,800,000). Approximately \$8,100,000 (97.6%) 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 \$6,700,000, or 73.7% of total General fund expenditures (\$9,100,000) for the fiscal year. From FY 0708 to FY 0809, unrestricted fund balance increased by 5.4% (\$6,400,000 to \$6,700,000).
- Total debt for FY 0809 was approximately \$16,000,000 compared to FY 0708 of \$15,500,000. This amounts to a net increase of 3.2% or approximately \$500,000.

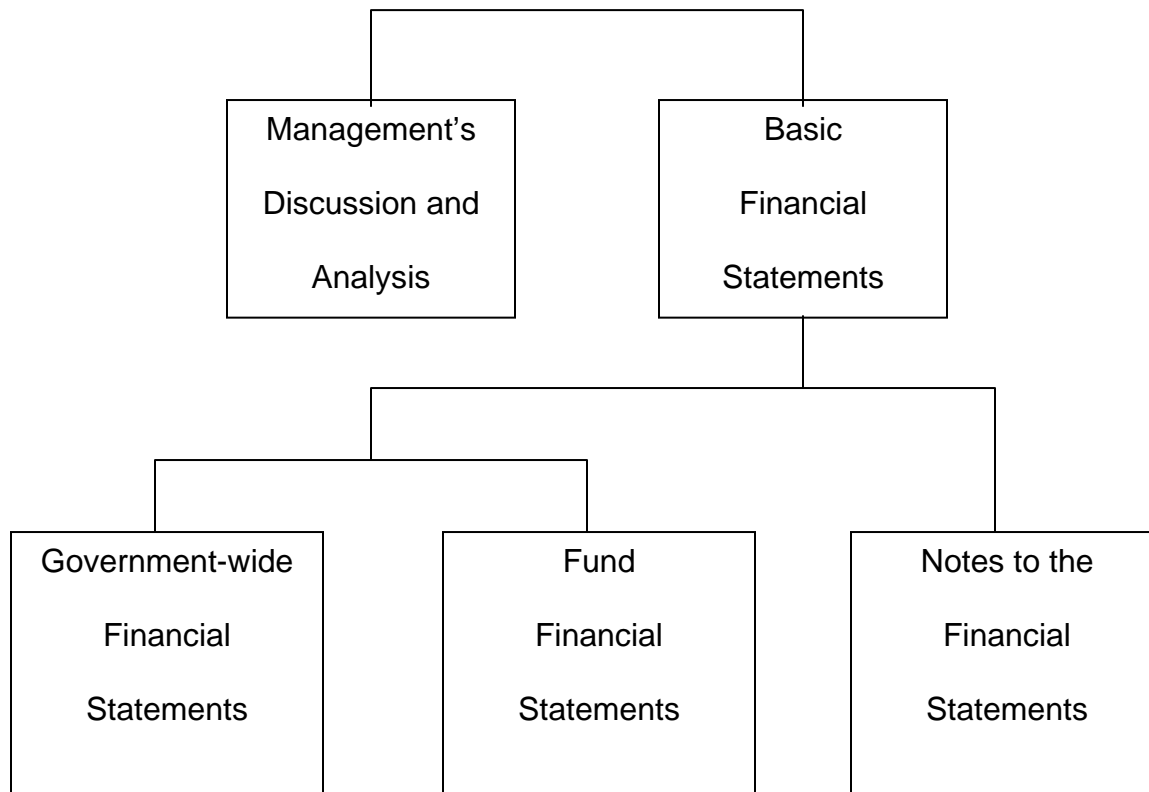
Overview of the Financial Statements

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.

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 26 - 51 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. This supplementary information, and other schedules, can be found on pages 53 - 85 of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2009 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 seventh 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 9,773,652	\$ 10,662,708	\$ 6,359,629	\$ 5,907,391	\$ 16,133,281	\$ 16,570,099
Capital assets	11,401,336	11,679,315	25,861,925	25,304,525	37,263,261	36,983,840
Total assets	<u>21,174,988</u>	<u>22,342,023</u>	<u>32,221,554</u>	<u>31,211,916</u>	<u>53,396,542</u>	<u>53,553,939</u>
Long-term liabilities outstanding	1,522,236	1,783,876	14,487,594	13,787,250	16,009,830	15,571,126
Other liabilities	1,056,421	2,236,287	319,400	962,356	1,375,821	3,198,643
Total liabilities	<u>2,578,657</u>	<u>4,020,163</u>	<u>14,806,994</u>	<u>14,749,606</u>	<u>17,385,651</u>	<u>18,769,769</u>
Net assets:						
Invested in capital assets, net of related debt	10,183,930	10,189,630	11,507,618	11,652,353	21,691,548	21,841,983
Restricted	1,338,043	1,170,401	2,017,930	2,008,618	3,355,973	3,179,019
Unrestricted	7,074,358	6,961,829	3,889,012	2,801,339	10,963,370	9,763,168
Total net assets	<u>\$ 18,596,331</u>	<u>\$ 18,321,860</u>	<u>\$ 17,414,560</u>	<u>\$ 16,462,310</u>	<u>\$ 36,010,891</u>	<u>\$ 34,784,170</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 \$36,010,891 as of June 30, 2009. The City's net assets increased by \$1,226,721 for the fiscal year ended June 30, 2009. However, the largest portion (60.2%) 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 (9.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,963,370 is unrestricted.

Several aspects of the City operations influenced total unrestricted net assets, which increased by some \$1,200,000 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 \$343,726.
- In the Hospitality Fund, revenue exceeded expense by \$142,089 – which when adjusted by \$54,694 expense over revenue in the Southside fund – resulted in excess revenue over expense for the non-major governmental funds amounting to \$87,395.
- In the Gross Revenue Fund, revenue exceeded expense by \$630,781.
- In the Solid Waste Fund, revenue exceeded expense by \$321,379.



City of Lancaster Changes in Net Assets
Figure 3

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 543,234	\$ 661,612	\$ 7,430,369	\$ 6,467,301	\$ 7,973,603	\$ 7,128,913
Operating grants and contributions	292,626	364,464	32,801	609,084	325,427	973,548
Capital grants and contributions	9,795	-	-	-	9,795	-
General revenues:						
Property taxes	4,754,054	4,843,596	-	-	4,754,054	4,843,596
Other taxes	3,886,268	3,858,938	-	-	3,886,268	3,858,938
Grants and contributions not restricted to specific programs						
	374,003	387,057	-	-	374,003	387,057
Other	194,192	282,252	395,291	332,099	589,483	614,351
Total revenues	<u>10,054,172</u>	<u>10,397,919</u>	<u>7,858,461</u>	<u>7,408,484</u>	<u>17,912,633</u>	<u>17,806,403</u>
Expenses:						
General government	3,828,191	3,532,169	-	-	3,828,191	3,532,169
Public safety	4,591,769	4,644,590	-	-	4,591,769	4,644,590
Public Works	899,345	925,599	-	-	899,345	925,599
Planning	240,646	234,941	-	-	240,646	234,941
Parks and Playgrounds	101,470	101,470	-	-	101,470	101,470
Community Service	51,557	42,629	-	-	51,557	42,629
Interest and fees	66,723	75,436	-	-	66,723	75,436
Water and sewer	-	-	5,755,799	5,039,653	5,755,799	5,039,653
Solid Waste	-	-	1,150,412	1,221,561	1,150,412	1,221,561
Total expenses	<u>9,779,701</u>	<u>9,556,834</u>	<u>6,906,211</u>	<u>6,261,214</u>	<u>16,685,912</u>	<u>15,818,048</u>
Increase in net assets	274,471	841,085	952,250	1,147,270	1,226,721	1,988,355
Net assets, July 1	<u>18,321,860</u>	<u>17,480,775</u>	<u>16,462,310</u>	<u>15,315,040</u>	<u>34,784,170</u>	<u>32,795,815</u>
Net assets, June 30	<u>\$ 18,596,331</u>	<u>\$ 18,321,860</u>	<u>\$ 17,414,560</u>	<u>\$ 16,462,310</u>	<u>\$ 36,010,891</u>	<u>\$ 34,784,170</u>

Governmental activities. Governmental activities increased the City's net assets by \$274,471 thereby accounting for 22.4% of the total growth in the net assets of the City of Lancaster. Key elements of this increase are as follows:

- Hospitality Fund revenue in excess of expense amounted to \$142,089.
- In the General Fund, revenue exceeded expense by \$343,726. This was largely due to business license revenue in excess of budget amounting to approximately \$482,141. This excess was the result of better than expected collections during the year ended June 30, 2009.



Business-type activities: Business-type activities increased the City of Lancaster’s net assets by \$952,250, accounting for 77.6% of the total growth in the government’s net assets. Key elements of this increase are as follows:

- The Gross Revenue Fund yielded \$630,871 of the increase in business-type activity net assets. This was largely to an increase in the rates charged for water and sewer services totaling \$989,962 which was partially offset by increased operating expenses of \$499,305 for special contracts by the wastewater collection system.
- The Solid Waste Fund yielded \$321,379 of the increase in business-type activity net assets. This was largely due to an increase in revenue from the transfer station of \$228,954 over the prior year.

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 \$6,724,404 while total fund balance reached \$6,920,925. 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 73.7% of total General Fund expenditures, while total fund balance represents 75.9% of that same amount.

At June 30, 2009, the governmental funds of City of Lancaster reported a combined fund balance of \$8,259,430, a 5.5% increase over last year (\$7,828,309).

Fund Budgetary Highlights: During the fiscal year, the City revised the budget on five 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 more precise 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. The following lists FY 0809 budget amendments.

Ord No	Eff Date	Budget Impact	Comment - Primary Reasons for Change
O08-17	07/22/08	\$100,000	To provide Hospitality tax funding for marketing and promotions expense.
O08-19	08/26/08	\$594,000	To fund major equipment purchases as part of the annual capital improvements plan (CIP) process.
O09-02	02/27/09	(\$760,600)	Annual mid-year budget - adjust budget for revenue shortfalls resulting from economic conditions (such as interest proceeds and the effect of persistent drought conditions (decrease in billed water consumption).
O09-09	05/26/09	\$630,300	To fund capital projects such as Southside Park improvements (\$100,000), landmark church renovation (\$200,000) and wastewater hydrochloride treatment (\$122,000). In addition hospitality fund grants (\$115,000).
O09-17	07/28/09	\$0	Adjust for differences in estimated/actual expense as of fiscal year end.



Some of the significant differences between budgeted amounts and actual amounts for FY 0809 were as follows:

- In the General Fund, actual revenue for privilege licenses exceeded budgeted amounts by \$482,141 due to better than anticipated collections while property tax revenue was less than budget by \$104,896 due to the decrease in value of property in the City.
- In the Gross Revenue Fund, actual revenue for water and sewer charges was \$286,531 less than budgeted revenue. While the City increased rates in FY 0809 for water and sewer charges, water consumption did not increase as expected. Additionally, actual amounts for capital outlay and miscellaneous expense were less than budgeted amounts by \$883,167 and \$412,681, respectively. The primary reason for this difference was the Fort Lawn Sewer Project that was started during FY0809 but not completed.

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 \$2,382,423, and those for the Solid Waste Fund amounted to \$1,506,589. The total growth in net assets for both funds was \$630,871 and \$321,379 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, 2009, totals \$37,263,261 (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 \$405,329 including construction in progress at \$184,726 and building/equipment/infrastructure additions at \$220,603.
- Capital asset additions for business type activities amounted to \$1,385,132 including construction in progress at \$823,437 and \$534,695 for equipment and infrastructure.



City of Lancaster's Capital Assets
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 3,166,503	\$ 3,166,503	\$ 364,554	\$ 364,554	\$ 3,531,057	\$ 3,531,057
Buildings, systems and improvements	3,532,503	3,635,602	23,060,351	15,874,604	26,592,854	19,510,206
Machinery and equipment	1,120,061	1,326,323	2,269,837	1,807,046	3,389,898	3,133,369
Infrastructure	3,545,934	3,455,477	-	-	3,545,934	3,455,477
Construction in progress	36,335	95,410	167,183	7,258,321	203,518	7,353,731
Total	\$ 11,401,336	\$ 11,679,315	\$ 25,861,925	\$ 25,304,525	\$ 37,263,261	\$ 36,983,840

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, 2009, the City of Lancaster had total bonded debt outstanding of \$1,255,000. Of this, \$670,000 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	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 670,000	\$ 780,000	\$ -	\$ -	\$ 670,000	\$ 780,000
Capital lease obligations	547,406	709,685	3,400,166	2,814,747	3,947,572	3,524,432
Revenue bonds	-	-	585,000	765,000	585,000	765,000
Revolving loans	-	-	10,369,140	10,072,425	10,369,140	10,072,425
Total	\$ 1,217,406	\$ 1,489,685	\$ 14,354,306	\$ 13,652,172	\$ 15,571,712	\$ 15,141,857

During the past fiscal year, the City's total debt increased by \$429,855 (2.8%).

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 of Lancaster County) is located in northern South Carolina some 32 miles south of Charlotte, NC. Population estimates for 2008 put the city's population at 9,715 (some 14.8% of Lancaster County's estimated population of 65,461). The city's 5.9 square miles amounts to roughly 1% of the county's 555 square mile area. The city was named after the House of Lancaster – one of two branches of The House of Plantagenet – involved in the 15th century War of The Roses – hence the city's nickname "Red Rose City".

Largest Lancaster Vicinity Employers

(Source: Lancaster County Chamber of Commerce)

<u>Employer</u>	<u>Description</u>	<u># of Employees</u>
Lancaster County School District	County school system	1600
Springs Memorial Hospital	Hospital	731
Lancaster County *	County government	467
Wal-Mart	Retail goods	459
Duracell / Gillette	Batteries	400
KMG America/Humana	Insurance	400
Founders Federal Credit Union	Credit union	250
City Of Lancaster	City government	175
U. S. Textile Corporation	Hosiery	126
Comporium Communications	Telephone/Cable/Internet	115

Lancaster County's unemployment rate at June 2009 was 19.1%, up by 8.2 percentage points from the June 2008 rate of 10.9%. This compares to statewide rates of 12.1% as of June 2009 versus 6.5% for June 2008. The labor force increased from 29,635 (June 2008) to 30,161 (June 2009). (Source: SC Employment Security Commission – Newsline)

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

<u>Year</u>	<u>Number of Businesses</u>	<u>Retail Sales</u>	<u>% Incr/Decr</u>
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%
2008	294	\$392,376,037	3.67%

Estimated median household income for Lancaster County was \$36,589 which amounts to 86.3% of statewide median household income (\$42,405) for 2007.

Budget Highlights for the Fiscal Year Ending June 30, 2010

Governmental Activities: Given uncertainty as to economic conditions, there was no property tax increase for FY 0910. In addition, operating expense was cut, where possible, but in ways that intended to avoid reducing levels of service. Travel expense was reduced, capital equipment purchases were postponed and there was no general employee salary increase. A \$567,000 streetscape project – funded largely by a CDBG grant will be undertaken.



Business – Type Activities: Water and sewer rates for FY 0910 were increased by 5% as a result of reduced consumption due to drought conditions. Expense reductions – similar to those described for governmental activities – were implemented. Capital projects for FY 0910 in the Gross Revenue Fund include a \$1.4 million conversion from chlorine to hydrochloride processes and an \$800,000 effluent pump replacement project at the city’s wastewater treatment plant – made possible largely as a result of “economic stimulus” funding. In the Solid Waste Fund – the city’s transfer station will be updated and expanded at a cost of some \$950,000.

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, 2009

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,513,963	\$ 1,610,461	\$ 8,124,424
Accounts receivable			
Taxes, net	228,941	-	228,941
Internal balances	239,999	(239,999)	-
Mortgages	71,848	-	71,848
Water and Sewer	-	512,672	512,672
Garbage and Trash	-	86,432	86,432
Roll-off containers	-	13,456	13,456
Intergovernmental	327,611	-	327,611
Other	275,511	122,668	398,179
Inventory	2,999	64,647	67,646
Cash and cash equivalents - capital improvement account	-	1,874,318	1,874,318
Cash and cash equivalents - designated assets	774,736	-	774,736
Cash and cash equivalents - restricted assets	1,338,044	2,234,779	3,572,823
Deferred charges	-	80,195	80,195
Total current assets	<u>9,773,652</u>	<u>6,359,629</u>	<u>16,133,281</u>
Non-current assets:			
Capital assets:			
Nondepreciable	3,202,838	531,737	3,734,575
Depreciable, net of accumulated depreciation	8,198,498	25,330,188	33,528,686
Total non-current assets	<u>11,401,336</u>	<u>25,861,925</u>	<u>37,263,261</u>
Total assets	<u>\$ 21,174,988</u>	<u>\$ 32,221,554</u>	<u>\$ 53,396,542</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,056,421	\$ 102,551	\$ 1,158,972
Customer deposits	-	216,849	216,849
Current portion of long-term liabilities	366,329	1,392,622	1,758,951
Total current liabilities	<u>1,422,750</u>	<u>1,712,022</u>	<u>3,134,772</u>
Long term liabilities:			
Due in more than one year	1,155,907	13,094,972	14,250,879
Total liabilities	<u>2,578,657</u>	<u>14,806,994</u>	<u>17,385,651</u>
Net assets			
Invested in capital assets, net of related debt	10,183,930	11,507,618	21,691,548
Restricted for tourism	1,144,521	-	1,144,521
Restricted for debt service	193,522	2,017,930	2,211,452
Unrestricted	7,074,358	3,889,012	10,963,370
Total net assets	<u>\$ 18,596,331</u>	<u>\$ 17,414,560</u>	<u>\$ 36,010,891</u>



CITY OF LANCASTER, SOUTH CAROLINA

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

Year ended June 30, 2009

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	\$ 3,828,191	\$ 90,645	\$ 292,626	\$ 9,795	\$ (3,435,125)	\$ -	\$ (3,435,125)
Public safety	4,591,769	417,344	-	-	(4,174,425)	-	(4,174,425)
Public works	899,345	-	-	-	(899,345)	-	(899,345)
Code enforcement	240,646	35,245	-	-	(205,401)	-	(205,401)
Parks and playgrounds	101,470	-	-	-	(101,470)	-	(101,470)
Community service	51,557	-	-	-	(51,557)	-	(51,557)
Interest and fees	66,723	-	-	-	(66,723)	-	(66,723)
Total governmental activities	<u>9,779,701</u>	<u>543,234</u>	<u>292,626</u>	<u>9,795</u>	<u>(8,934,046)</u>	<u>-</u>	<u>(8,934,046)</u>
Business-type activities:							
Water and Sewer	5,755,799	6,313,111	32,801	-	-	590,113	590,113
Solid waste	1,150,412	1,117,258	-	-	-	(33,154)	(33,154)
Total business-type activities	<u>6,906,211</u>	<u>7,430,369</u>	<u>32,801</u>	<u>-</u>	<u>-</u>	<u>556,959</u>	<u>556,959</u>
Total primary government	<u>\$ 16,685,912</u>	<u>\$ 7,973,603</u>	<u>\$ 325,427</u>	<u>\$ 9,795</u>	<u>(8,934,046)</u>	<u>556,959</u>	<u>(8,377,087)</u>
General revenues:							
Ad valorem taxes					4,754,054	-	4,754,054
Other taxes and licenses					3,886,268	-	3,886,268
Unrestricted intergovernmental					374,003	-	374,003
Unrestricted investment earnings					73,893	43,672	117,565
Miscellaneous					108,890	349,017	457,907
Gain on sale of capital assets					11,409	2,602	14,011
Total general revenues					<u>9,208,517</u>	<u>395,291</u>	<u>9,603,808</u>
Change in net assets					274,471	952,250	1,226,721
Net assets - beginning					<u>18,321,860</u>	<u>16,462,310</u>	<u>34,784,170</u>
Net assets - ending					<u>\$ 18,596,331</u>	<u>\$ 17,414,560</u>	<u>\$ 36,010,891</u>



CITY OF LANCASTER, SOUTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 6,425,792	\$ 88,171	\$ 6,513,963
Receivables:			
Taxes, net	228,941	-	228,941
Intergovernmental	327,611	-	327,611
Mortgages	-	71,848	71,848
Taxes - other	214,587	60,925	275,512
Due from other funds	266,959	-	266,959
Designated assets	774,736	-	774,736
Restricted assets	193,522	1,144,521	1,338,043
Inventory	2,999	-	2,999
Total assets	<u>\$ 8,435,147</u>	<u>\$ 1,365,465</u>	<u>\$ 9,800,612</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 929,421	\$ -	\$ 929,421
Compensated absences payable	50,804	-	50,804
Net OPEB obligation	127,000	-	127,000
Due to other funds	-	26,960	26,960
Deferred revenues - tax rollback	203,980	-	203,980
Deferred revenues - other	203,017	-	203,017
Total liabilities	<u>1,514,222</u>	<u>26,960</u>	<u>1,541,182</u>
Fund balances:			
Reserved:			
Inventory	2,999	-	2,999
Debt payments	193,522	-	193,522
Unreserved:			
Designated for:			
Drug Fund	105,952	-	105,952
Block grant	1	-	1
Victims' services	32,604	-	32,604
Downtown development	322,447	-	322,447
Main street project	5,000	-	5,000
Visitor Center	-	200,000	200,000
Police Department communications	67,842	-	67,842
Undesignated	6,190,558	-	6,190,558
Unreserved, reported in nonmajor			
Special Revenue Fund	-	1,138,505	1,138,505
Total fund balances	<u>6,920,925</u>	<u>1,338,505</u>	<u>8,259,430</u>
Total liabilities and fund balances	<u>\$ 8,435,147</u>	<u>\$ 1,365,465</u>	<u>\$ 9,800,612</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, 2009

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

Ending fund balance - governmental funds	\$	8,259,430	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets is \$18,476,558 and accumulated depreciation is \$7,075,122.			11,401,336
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Lot Clearing Fees	\$	4,588	
Vehicle Tax		38,635	
Real Property Tax		159,794	
Tax Rollback		<u>203,980</u>	
			406,997
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		670,000	
Capitalized leases		547,407	
Compensated absences payable		<u>254,025</u>	
			<u>(1,471,432)</u>
Net assets of governmental activities	\$		<u><u>18,596,331</u></u>



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 5,413,496	\$ 718,926	\$ 6,132,422
Fines, fees, licenses and permits	2,966,263	-	2,966,263
Intergovernmental	510,197	-	510,197
Charges for services	90,760	-	90,760
Grants	292,626	-	292,626
Interest	67,937	5,957	73,894
Other	127,872	-	127,872
Total revenues	<u>9,469,151</u>	<u>724,883</u>	<u>10,194,034</u>
Expenditures			
Current:			
General administration	2,703,805	620,168	3,323,973
Public safety	4,278,912	-	4,278,912
Public works	837,673	-	837,673
Code enforcement	237,909	-	237,909
Parks and playgrounds	97,778	-	97,778
Community service	50,050	-	50,050
Capital outlay	580,296	17,320	597,616
Debt service:			
Principal	272,279	-	272,279
Interest and fees	66,723	-	66,723
Total expenditures	<u>9,125,425</u>	<u>637,488</u>	<u>9,762,913</u>
Net change in fund balances	343,726	87,395	431,121
Fund balance - beginning	<u>6,577,199</u>	<u>1,251,110</u>	<u>7,828,309</u>
Fund balance - ending	<u>\$ 6,920,925</u>	<u>\$ 1,338,505</u>	<u>\$ 8,259,430</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, 2009

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

Net change in fund balances - total governmental funds	\$	431,121	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense.</p>			
Capital outlay	\$	395,536	
Depreciation expense		<u>(675,736)</u>	(280,200)
<p>In the statement of activities, the gain on disposal of capital assets is reported. Conversely, governmental funds do not report any gain or loss on disposal of capital assets.</p>			
Net book value			(7,572)
<p>In the statement of activities, revenue from capital assets contributed to the City by real estate developers and other governments is reported. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the fund statements.</p>			
			9,795
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
Lot clearing fees		(115)	
Vehicle tax		(1,262)	
Real property tax		45,497	
Tax rollback		<u>(186,204)</u>	(142,084)
<p>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.</p>			
			<u>263,411</u>
Change in net assets of governmental activities	\$		<u><u>274,471</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, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 5,355,000	\$ 5,353,000	\$ 5,413,496	\$ 60,496
Fines, fees, licenses and permits	2,559,500	2,501,800	2,966,263	464,463
Intergovernmental	497,000	482,000	510,197	28,197
Charges for services	61,000	58,000	90,760	32,760
Grants	548,600	572,600	292,626	(279,974)
Interest	135,000	68,000	67,937	(63)
Other	88,000	128,000	127,872	(128)
Total revenues	<u>9,244,100</u>	<u>9,163,400</u>	<u>9,469,151</u>	<u>305,751</u>
Expenditures				
Current:				
General administration	2,823,870	2,856,820	2,703,805	153,015
Public safety	4,306,780	4,484,830	4,278,912	205,918
Public works	880,650	886,850	837,673	49,177
Code enforcement	264,450	251,450	237,909	13,541
Parks and playgrounds	98,000	98,000	97,778	222
Community service	53,350	75,350	50,050	25,300
Capital outlay	482,600	752,800	580,296	172,504
Debt service:				
Principal	297,400	297,400	272,279	25,121
Interest and fees	70,600	70,600	66,723	3,877
Total expenditures	<u>9,277,700</u>	<u>9,774,100</u>	<u>9,125,425</u>	<u>648,675</u>
Excess (deficiency) of revenues over expenditures	<u>(33,600)</u>	<u>(610,700)</u>	<u>343,726</u>	<u>954,426</u>
Other financing sources				
Transfers in	100	100	-	(100)
Fund balance appropriated	33,500	610,600	-	(610,600)
Total other financing sources	<u>33,600</u>	<u>610,700</u>	<u>-</u>	<u>(610,700)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>343,726</u>	<u>\$ 343,726</u>
Fund balance - beginning			<u>6,577,199</u>	
Fund balance - ending			<u>\$ 6,920,925</u>	



STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2009

	Enterprise Funds		
	Gross Revenue	Solid Waste	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 223,497	\$ 1,386,964	\$ 1,610,461
Receivables:			
Water and sewer	512,672	-	512,672
Garbage and trash	-	86,432	86,432
Roll-off containers	-	13,456	13,456
Other	5,693	116,975	122,668
Due from other funds	-	2,842	2,842
Inventory	64,647	-	64,647
Total current assets	806,509	1,606,669	2,413,178
Noncurrent assets			
Capital improvement account	1,874,318	-	1,874,318
Restricted assets:			
Customer deposits	216,849	-	216,849
Bond depreciation account	275,002	-	275,002
Bond contingency account	275,002	-	275,002
Bond debt service and reserve account	1,467,926	-	1,467,926
Total restricted assets	<u>2,234,779</u>	<u>-</u>	<u>2,234,779</u>
Deferred charges, net	80,195	-	80,195
Capital assets (net, where applicable, of accumulated depreciation)	25,138,781	723,144	25,861,925
Total noncurrent assets	<u>29,328,073</u>	<u>723,144</u>	<u>30,051,217</u>
Total assets	<u>30,134,582</u>	<u>2,329,813</u>	<u>32,464,395</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	91,081	11,470	102,551
Compensated absences payable	95,806	37,483	133,289
Current portion of long-term debt	950,867	-	950,867
Capital leases payable - current	239,417	69,049	308,466
Customer deposits	216,849	-	216,849
Due to General Fund	188,872	51,127	239,999
Due to Solid Waste Fund	2,842	-	2,842
Total current liabilities	<u>1,785,734</u>	<u>169,129</u>	<u>1,954,863</u>
Noncurrent liabilities			
Revenue bonds and notes payable	10,003,272	-	10,003,272
Capital leases payable - long-term	2,873,346	218,354	3,091,700
Total long-term liabilities	<u>12,876,618</u>	<u>218,354</u>	<u>13,094,972</u>
Total liabilities	<u>14,662,352</u>	<u>387,483</u>	<u>15,049,835</u>
Net assets			
Invested in capital assets, net of related debt	11,071,878	435,741	11,507,619
Restricted for debt payments	2,017,930	-	2,017,930
Net assets unrestricted	2,382,422	1,506,589	3,889,011
Total net assets	<u>\$ 15,472,230</u>	<u>\$ 1,942,330</u>	<u>\$ 17,414,560</u>

See notes to financial statements.



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 Year ended June 30, 2009

	Enterprise Funds		
	Gross Revenue	Solid Waste	Total
Operating revenues			
Water and sewer charges	\$ 6,085,169	\$ -	\$ 6,085,169
Water penalties	193,939	-	193,939
Tap fees	34,003	-	34,003
Garbage fees	-	1,021,213	1,021,213
Roll-off containers	-	96,045	96,045
Grant income	32,801	-	32,801
Other	7,920	341,097	349,017
Total operating revenues	<u>6,353,832</u>	<u>1,458,355</u>	<u>7,812,187</u>
Operating expenses			
Public works administration	236,368	-	236,368
Residential garbage	-	442,509	442,509
Commercial garbage	-	240,484	240,484
Transfer station	-	205,305	205,305
Water service	1,254,474	-	1,254,474
Utility billing	204,729	-	204,729
Wastewater treatment	1,067,919	-	1,067,919
Wastewater collection	1,050,574	-	1,050,574
General expense	512,213	117,086	629,299
Depreciation and amortization	1,043,089	141,115	1,184,204
Total operating expenses	<u>5,369,366</u>	<u>1,146,499</u>	<u>6,515,865</u>
Operating income	<u>984,466</u>	<u>311,856</u>	<u>1,296,322</u>
Nonoperating revenue (expense)			
Interest income	30,236	13,436	43,672
Interest expense	(386,433)	(3,913)	(390,346)
Gain on sale of fixed assets	2,602	-	2,602
Total other income (expense)	<u>(353,595)</u>	<u>9,523</u>	<u>(344,072)</u>
Change in net assets	<u>630,871</u>	<u>321,379</u>	<u>952,250</u>
Total net assets - beginning	<u>14,841,359</u>	<u>1,620,951</u>	<u>16,462,310</u>
Total net assets - ending	<u>\$ 15,472,230</u>	<u>\$ 1,942,330</u>	<u>\$ 17,414,560</u>

See notes to financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

Exhibit H

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year ended June 30, 2009

	ENTERPRISE FUNDS		
	Gross Revenue	Solid Waste	Total
Operating activities			
Cash received from customers	\$ 6,281,350	\$ 1,379,196	\$ 7,660,546
Cash received from grants	32,801	-	32,801
Cash paid to employees	(1,445,061)	(553,412)	(1,998,473)
Cash paid to suppliers	(3,534,051)	(446,937)	(3,980,988)
Net cash provided by operating activities	<u>1,335,039</u>	<u>378,847</u>	<u>1,713,886</u>
Noncapital financing activities			
Due from other funds	-	(948)	(948)
Due to other funds	(339,596)	19,748	(319,848)
Customer deposits	7,550	-	7,550
Net cash provided by (used in) noncapital financing activities	<u>(332,046)</u>	<u>18,800</u>	<u>(313,246)</u>
Capital and related financing activities			
Proceeds from capital leases	1,041,400	-	1,041,400
Proceeds from sale of capital assets	6,811	-	6,811
Acquisition of capital assets	(898,443)	(66,014)	(964,457)
Principal paid on capital leases	(161,673)	(34,264)	(195,937)
Principal paid on bond and note maturities	(924,686)	-	(924,686)
Interest and bond fees	(372,854)	(3,913)	(376,767)
Net cash used in capital and related financing activities	<u>(1,309,445)</u>	<u>(104,191)</u>	<u>(1,413,636)</u>
Investing activities			
Interest on investments	30,236	13,436	43,672
Net cash provided by investing activities	<u>30,236</u>	<u>13,436</u>	<u>43,672</u>
Net increase (decrease) in cash and cash equivalents/investments	(276,216)	306,892	30,676
Cash and cash equivalents/investments			
Beginning of year	<u>4,608,810</u>	<u>1,080,072</u>	<u>5,688,882</u>
End of year	<u>\$ 4,332,594</u>	<u>\$ 1,386,964</u>	<u>\$ 5,719,558</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 984,466	\$ 311,856	\$ 1,296,322
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,043,089	141,115	1,184,204
Change in assets and liabilities			
Accounts receivable	(39,681)	(79,159)	(118,840)
Inventory	4,498	-	4,498
Accounts payable and accrued expenses	(658,112)	7,603	(650,509)
Compensated absences	779	(2,568)	(1,789)
Total adjustments	<u>350,573</u>	<u>66,991</u>	<u>417,564</u>
Net cash provided by operating activities	<u>\$ 1,335,039</u>	<u>\$ 378,847</u>	<u>\$ 1,713,886</u>
Noncash capital activity:			
Purchase of fixed assets with capital lease	<u>\$ 459,689</u>	<u>\$ 321,667</u>	<u>\$ 781,356</u>

See notes to financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

	Agency Funds
Assets	
Cash and temporary investments	\$ 16,735
Total assets	<u>\$ 16,735</u>
Liabilities	
Due to firemen's association	\$ 16,735
Total liabilities	<u>\$ 16,735</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2009

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, 2009

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, 2009

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 that 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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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 victims' services – portion of fund balance designated for victims' 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, 2009

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 2008 figures have been reclassified, where appropriate, to conform with the financial statement presentation used in 2009.

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

Five supplemental budgetary appropriations were made during the year ended June 30, 2009. The City does not budget for the Special Revenue Funds.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2009

III. Detail Notes on All Funds

A. Assets

1. Deposits and Investments

At year-end the carrying amount of the City's cash deposits was \$3,630,407 and the bank balance was \$3,693,493. Of the bank balance, \$1,000,000 was covered by federal depository insurance and \$2,693,493 was covered by collateral held by the pledging financial institutions in the City's name.

At June 30, 2009, 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	\$ 1,467,926	N/A	Unrated
State Treasurer's Investment Pool	9,264,703	N/A	Unrated
Total Investments	<u>\$ 10,732,629</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, 2009

III. Detail Notes on All Funds (continued)

A. Assets (continued)

1. Deposits 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	\$ 8,124,424
Fiduciary funds	16,735
Restricted and designated assets	<u>6,221,877</u>
 Total	 \$ <u>14,363,036</u>

2. Receivables – Allowance for Doubtful Accounts

At June 30, 2009, 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	\$ 275,369	\$ -	\$ -	\$ -	\$ 275,369	\$ -	\$ 275,369
Intergovernmental	327,611	-	-	-	327,611	-	327,611
Mortgages	-	-	-	146,743	146,743	-	146,743
Water and sewer	-	512,672	-	-	512,672	-	512,672
Garbage and trash	-	-	86,432	-	86,432	-	86,432
Roll-off containers	-	-	24,415	-	24,415	-	24,415
Other	321,013	23,624	116,975	60,925	522,537	-	522,537
Gross receivables	923,993	536,296	227,822	207,668	1,895,779	-	1,895,779
Less: allowance for uncollectibles	152,854	17,931	10,959	74,895	256,639	-	256,639
Net total receivables	<u>\$ 771,139</u>	<u>\$ 518,365</u>	<u>\$ 216,863</u>	<u>\$ 132,773</u>	<u>\$ 1,639,140</u>	<u>\$ -</u>	<u>\$ 1,639,140</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2009

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, 2009 was as follows:

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

General administration	\$ 294,236
Public safety	307,589
Public works	66,701
Code Enforcement	3,518
Parks and playgrounds	<u>3,692</u>
Total depreciation expense	<u><u>\$ 675,736</u></u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,166,503	\$ -	\$ -	\$ -	\$ 3,166,503
Construction in progress	95,410	184,726	-	(243,801)	36,335
Total capital assets not being depreciated	<u>3,261,913</u>	<u>184,726</u>	<u>-</u>	<u>(243,801)</u>	<u>3,202,838</u>
Capital assets being depreciated:					
Buildings and improvements	5,082,145	20,525	-	-	5,102,670
Machinery and Equipment	5,334,391	162,728	236,808	-	5,260,311
Infrastructure	4,629,488	37,350	-	243,801	4,910,639
Total capital assets being depreciated	<u>15,046,024</u>	<u>220,603</u>	<u>236,808</u>	<u>243,801</u>	<u>15,273,620</u>
Less accumulated depreciation for:					
Buildings and improvements	1,446,543	123,624	-	-	1,570,167
Machinery and Equipment	4,008,068	361,418	229,236	-	4,140,250
Infrastructure	1,174,011	190,694	-	-	1,364,705
Total accumulated depreciation	<u>6,628,622</u>	<u>\$ 675,736</u>	<u>\$ 229,236</u>	<u>\$ -</u>	<u>7,075,122</u>
Total capital assets being depreciated, net	<u>8,417,402</u>				<u>8,198,498</u>
Governmental activity capital assets, net	<u><u>\$ 11,679,315</u></u>				<u><u>\$ 11,401,336</u></u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2009

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, 2009 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	7,258,321	823,437	-	(7,946,345)	135,413
Total capital assets not being depreciated	7,622,875	823,437	-	(7,946,345)	499,967
Capital assets being depreciated:					
Buildings	1,480,057	14,783	-	-	1,494,840
Equipment	4,354,029	507,758	87,186	-	4,774,601
Water and Sewer System	28,091,206	12,154	7,737	7,946,345	36,041,968
Total capital assets being depreciated	33,925,292	534,695	94,923	7,946,345	42,311,409
Less accumulated depreciation for:					
Building and building improvements	675,074	39,209	-	-	714,283
Equipment	3,023,561	259,763	87,186	-	3,196,138
Water and Sewer System	13,021,585	744,117	3,528	-	13,762,174
Total accumulated depreciation	16,720,220	\$ 1,043,089	\$ 90,714	\$ -	17,672,595
Total capital assets being depreciated, net	17,205,072				24,638,814
Gross Revenue capital assets, net	24,827,947				25,138,781
<i>Solid Waste</i>					
Capital assets not being depreciated:					
Construction in progress	-	31,770	-	-	31,770
Capital assets being depreciated:					
Equipment	2,903,876	\$ 355,911	\$ -	\$ -	3,259,787
Total capital assets being depreciated	2,903,876	355,911	-	-	3,259,787
Less accumulated depreciation for:					
Equipment	2,427,298	141,115	-	-	2,568,413
Total accumulated depreciation	2,427,298	\$ 141,115	\$ -	\$ -	2,568,413
Total capital assets being depreciated, net	476,578				691,374
Solid Waste capital assets, net	476,578				723,144
Business-type activities capital assets, net	\$ 25,304,525				\$ 25,861,925



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2009

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, 2009. The projects include the South Main Streetscape Project, the WWTP Disinfection Project, the Hwy 9 Bypass Lift Station Project, and the Transfer Station Expansion Project.

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
South Main Streetscape	\$ 36,335	\$ 40,525
WWTP Disinfection Project	57,625	62,375
Hwy 9 Bypass Lift Station	77,788	13,000
Transfer Station Expansion	31,770	41,480
Total	<u>\$ 203,518</u>	<u>\$ 157,380</u>

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at June 30, 2009, were as follows:

	Governmental-wide Financial Statements					Adjustments to Full-Accrual
	Fund Financial Statements				Total	
	General Fund	Other Governmental Funds	Gross Revenue Fund	Solid Waste	Total	
Payables:						
Accounts and vouchers	\$ 648,157	\$ -	\$ 12,369	\$ -	\$ 660,526	\$ -
Accrued payroll and related liabilities	184,318	-	9,231	7,570	201,119	-
Accrued interest payable	10,592	-	69,426	-	80,018	-
Other	86,354	-	55	3,900	90,309	-
Total accounts payable and accrued liabilities	<u>\$ 929,421</u>	<u>\$ -</u>	<u>\$ 91,081</u>	<u>\$ 11,470</u>	<u>\$ 1,031,972</u>	<u>\$ -</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2009

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, 2009, the City leased buildings, infrastructure, vehicles, and equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 180,505	\$ 21,811	\$ 158,694
Infrastructure	2,943,975	177,865	2,766,110
Equipment	9,626	3,209	6,417
Vehicles	1,494,570	308,716	1,185,854
Total	\$ 4,628,676	\$ 511,601	\$ 4,117,075

For the City, the future minimum lease payments as of June 30, 2009 were as follows:

Fiscal Year Ending June 30	Governmental Activities		Business - Type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 195,524	\$ 21,127	\$ 308,554	\$ 123,708
2011	205,212	11,875	326,228	113,045
2012	9,651	5,738	323,487	101,956
2013	10,516	5,338	341,457	90,748
2014	11,428	4,903	244,529	79,693
2015-2019	72,691	16,614	1,171,453	267,738
2020-2022	42,385	2,175	684,458	34,979
	\$ 547,407	\$ 67,770	\$ 3,400,166	\$ 811,867

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, 2009

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
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>\$ 670,000</u>	<u>\$ 104,105</u>

4. Bond Refunding and State Revolving Loans

The City's bond refunding and state revolving loans at June 30, 2009 are comprised of the following:

<u>1998 Bond Refunding Loan</u> - 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.	\$ 585,000
<u>1996 State Revolving Loan</u> - 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.	2,552,122
<u>1998 State Revolving Loan</u> - 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.	274,699



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2009

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. \$ 914,556

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. 756,609

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, 2009, the City had drawn \$6,210,403 of the loan proceeds with the remaining amount of \$89,597 expected to be drawn during the upcoming year. 5,871,153

Total Bond Refunding and State Revolving Loans	10,954,139
Less amount representing current portion	<u>950,867</u>
Long-term portion	<u>\$ 10,003,272</u>

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

Fiscal Year Ending <u>June 30</u>	Business-type Activities	
	Principal	Interest
2010	\$ 950,867	\$ 248,610
2011	982,814	217,991
2012	1,015,555	185,872
2013	834,119	157,441
2014	842,494	133,023
2015 - 2019	3,001,128	376,355
2020 - 2024	2,133,679	143,606
2025 - 2028	1,193,483	25,810
	<u>\$ 10,954,139</u>	<u>\$ 1,488,708</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2009

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, 2009:

	Balance July 1, 2008	Additions	Payments	Balance June 30, 2009	Current Portion of Long-term Liabilities
Governmental Activities:					
Capitalized leases	\$ 709,685	\$ -	\$ 162,279	\$ 547,406	\$ 195,524
General Obligation Bonds	780,000	-	110,000	670,000	120,000
Compensated absences	294,190	215,256	204,616	304,830	50,805
Total governmental activities	<u>\$ 1,783,875</u>	<u>\$ 215,256</u>	<u>\$ 476,895</u>	<u>\$ 1,522,236</u>	<u>\$ 366,329</u>
Business-type Activities:					
Capitalized leases	\$ 2,814,747	\$ 781,356	\$ 195,936	\$ 3,400,167	\$ 308,466
Refunding bond and State Revolving loans	10,837,425	1,041,400	924,686	10,954,139	950,867
Compensated absences	135,078	100,994	102,784	133,288	133,288
Total business-type activities	<u>\$ 13,787,250</u>	<u>\$ 1,923,750</u>	<u>\$ 1,223,406</u>	<u>\$ 14,487,594</u>	<u>\$ 1,392,621</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, 2009 was \$483,438. Of this amount, \$52,893 was capitalized as a component of the cost of capital assets constructed during the year and \$430,545 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, 2009 was \$32,877,170. The computation of legal debt limits is as follows:

General obligation debt limitation (\$32,877,170 x 8%)	\$2,630,174
General obligation debt at June 30, 2009	<u>670,000</u>
Excess of debt limit over general obligation debt	<u>\$1,960,174</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2009

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 2009, 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, 2009

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 PORS. Actuarial determined employer contribution rates for the plans, expressed as percentages of covered compensation, for the fiscal year ended June 30, 2009, were 9.24% for SCRS and 10.65% 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, 2009</u>	<u>Fiscal Year Ending June 30, 2008</u>	<u>Fiscal Year Ending June 30, 2007</u>
<u>SCRS</u>				
Employee contributions	6.5%	\$210,606	\$198,519	\$187,781
Employer contributions	9.24%	\$307,708	\$286,827	\$251,734
<u>PORS</u>				
Employee contributions	6.5%	\$167,110	\$159,470	\$151,559
Employer contributions	10.65%	\$273,803	\$252,699	\$240,162

8. Other Post Employment Benefits Plan (OPEB)

Plan Description

The City's defined benefit postemployment healthcare plan (the Plan) provides medical insurance to eligible retirees under the Medicare eligible age of 65. Employees become eligible when the employee qualifies for retirement benefits under the SCRS or PORS and has at least 14 years of service with the City. The Plan is approved each year by City Council; the contribution requirements of the City and plan members are established and amended by Council. These contributions are neither guaranteed nor mandatory. Council has retained the right to unilaterally modify its payments toward retiree health care benefits.

As of July 1, 2007, the measurement date for the plan year 2009, there were 154 covered participants; 18 members are retirees receiving benefits and 136 are active participants.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2009

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

8. Other Post Employment Benefits Plan (OPEB) (continued)

Plan Description (continued)

The Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (SC ORBET), an agent multiple-employer irrevocable trust administered by the Municipal Association of South Carolina. Each participating employer is responsible for determining the appropriate amount of contributions to remit to the Trust. SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of SC, P.O. Box 12109, Columbia, South Carolina 29211.

Funding Policy

Eligible retired employees and their spouses are eligible for health care coverage. The premium for retirees and spouses, if applicable, is based on the length of service with the City and the date of their retirement. Retirees who retired prior to June 30, 2009 and active employees who retire on or before January 1, 2010 with at least 10 years of service with the City as of their retirement date or who retire after January 1, 2010 with at least 25 years of service with the City will receive a monthly premium subsidy of \$200 from the City and will pay the difference between the City's subsidy and the rate effective for active employees and spouses enrolled in the Plan. Employees who retire after January 1, 2010 who have between 14 and 25 years of service to the City will receive a monthly premium subsidy of \$200 from the City and will pay the difference between the City's subsidy and 1.25 times the rate effective for active employees and spouses enrolled in the Plan. All other eligible retirees may participate in the Plan at a premium equal to 1.5 times the rate effective for active employees and spouses enrolled in the Plan.

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is based on 4.6 percent of a level dollar payroll amount.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
 June 30, 2009

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

8. Other Post Employment Benefits Plan (OPEB) (continued)

Annual OPEB Cost and Funded Status and Funding Progress

For 2009, the City's annual OPEB cost (expense) of \$211,000 for the Plan was equal to the ARC. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2009	\$ 211,000	40%	\$ 127,000

Contributions to the Plan were made by the City through payment for covered participants' explicit and implicit rate subsidies totaling \$32,800 and \$51,200, respectively. In future years, three-year trend information will be presented. The City adopted GASB Statement No. 45 during the fiscal year ended June 30, 2009 and has elected to implement prospectively, therefore, prior year comparative data is not available.

The funded status of the Plan as of June 30, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 1,944,000
Actuarial value of Plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,944,000</u>
Funded ratio (actuarial value of Plan assets / AAL)	0.0%
Covered payroll (active plan members)	\$ 4,626,000
UAAL as a percentage of covered payroll	42.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2009

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

8. Other Post Employment Benefits Plan (OPEB) (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements of .5% to an ultimate rate of 5 percent after twelve years. The asset valuation method used is market value. The Plan's UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 29 years.

9. Deferred Revenue

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

	Deferred Revenue
Lot Clearing Fees (General Fund)	\$ 4,588
Vehicle Tax (General Fund)	38,635
Real Property Tax (General Fund)	159,794
Tax Rollback (General Fund)	203,980
Total	<u>\$ 406,997</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
 June 30, 2009

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

10. 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.

11. Interfund Balances and Activity

a. Due From/To Other Funds

The compositions of interfund balances as of June 30, 2009 are as follows:

	Payable Fund				Total
	General Fund	Gross Revenue Fund	Solid Waste Fund	Hospitality Fund	
<u>Receivable Fund</u>					
General Fund	\$ -	\$ 188,872	\$ 51,127	\$ 26,960	\$ 266,959
Solid Waste Fund	-	2,842	-	-	2,842
	<u>\$ -</u>	<u>\$ 191,714</u>	<u>\$ 51,127</u>	<u>\$ 26,960</u>	<u>\$ 269,801</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, 2009.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2009

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

12. 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, 2009 was \$513,977.

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 \$537,068 for the year ended June 30, 2009.



OTHER REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION



CITY OF LANCASTER, SOUTH CAROLINA

Schedules of Funding Progress and Employer Contributions -
Other Postemployment Benefits - Defined Benefit Health Care Plan

For the Fiscal Year Ended June 30, 2009
(Unaudited)

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2007	\$ -	\$ 1,944,000	\$ 1,944,000	0%	4,626,000	42%

Schedule of Employer Contributions

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Funded</u>
2009	\$ 211,000	\$ 84,000	40%

Fiscal year ending June 30, 2009 was the year of implementation of GASB Statement No. 45 and the City has elected to implement this statement prospectively. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.



COMBINING AND INDIVIDUAL FUND STATEMENT SECTION



General Fund
Comparative Balance Sheets

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and cash equivalents	\$ 6,425,792	\$ 6,402,540
Receivables:		
Taxes, net	228,941	206,742
Grants	-	1,653
Intergovernmental	327,611	386,739
Taxes - other	214,587	959,024
Due from other funds	266,959	560,795
Designated assets	774,736	698,880
Restricted assets	193,522	191,129
Inventory	2,999	5,055
Total assets	<u>\$ 8,435,147</u>	<u>\$ 9,412,557</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable and accrued expenses	\$ 929,421	\$ 2,226,287
Compensated absences payable	50,804	49,031
Net OPEB obligation	127,000	-
Due to other funds	-	10,959
Deferred revenues - tax rollback	203,980	390,184
Deferred revenues - other	203,017	158,897
Total liabilities	<u>1,514,222</u>	<u>2,835,358</u>
Fund balances:		
Reserved:		
Inventory	2,999	5,055
Debt payments	193,522	191,129
Unreserved:		
Designated for:		
Drug Fund	105,952	107,375
Block grant	1	1
Victims' services	32,604	51,023
Downtown development	322,447	258,659
Main street project	5,000	5,000
Police Department communications	67,842	53,400
Undesignated	6,190,558	5,905,557
Total fund balances	<u>6,920,925</u>	<u>6,577,199</u>
Total liabilities and fund balances	<u>\$ 8,435,147</u>	<u>\$ 9,412,557</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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues:				
Taxes:				
Property taxes	\$ 3,190,000	\$ 3,085,104	\$ (104,896)	\$ 3,030,884
Vehicle taxes	220,000	228,172	8,172	231,970
Motor carrier taxes	82,000	83,730	1,730	86,876
Homestead	175,000	172,445	(2,555)	172,683
Delinquent taxes	55,000	135,558	80,558	110,493
Tax penalties	26,000	26,777	777	26,170
Local option sales tax	1,605,000	1,681,710	76,710	1,635,752
Total taxes	<u>5,353,000</u>	<u>5,413,496</u>	<u>60,496</u>	<u>5,294,828</u>
Fines, fees, licenses, and permits:				
Victim's services	29,300	29,311	11	33,966
Court fines	388,000	388,033	33	458,554
Duke power fees	475,000	465,486	(9,514)	481,887
Certification fees	1,500	1,005	(495)	1,185
Franchise fees	145,000	147,858	2,858	141,574
Privilege licenses	1,200,000	1,682,141	482,141	1,636,388
Building permits	40,000	35,245	(4,755)	58,813
Payments in lieu of taxes	223,000	217,184	(5,816)	352,353
Total fines, fees, licenses, and permits	<u>2,501,800</u>	<u>2,966,263</u>	<u>464,463</u>	<u>3,164,720</u>
Intergovernmental revenues:				
State shared revenue	265,000	254,733	(10,267)	266,996
Merchants inventory	72,000	71,687	(313)	71,687
Accomodations tax	45,000	47,582	2,582	48,374
Exemption	100,000	136,195	36,195	133,432
Total intergovernmental	<u>482,000</u>	<u>510,197</u>	<u>28,197</u>	<u>520,489</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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues (continued):				
Charges for services:				
Lot clearing	\$ 3,000	\$ 3,582	\$ 582	\$ 9,030
Fire protection contracts	17,000	17,562	562	47,991
School guards	38,000	69,616	31,616	53,142
Total charges for services	58,000	90,760	32,760	110,163
Grants	572,600	292,626	(279,974)	364,464
Interest	68,000	67,937	(63)	195,902
Other revenues:				
Insurance proceeds	15,000	2,799	(12,201)	10,885
Sale of assets	25,000	18,981	(6,019)	400
Police revenues	30,000	31,989	1,989	34,785
Miscellaneous	45,000	61,933	16,933	9,840
Cemetary fees	10,000	9,000	(1,000)	6,950
Planning and zoning	3,000	3,170	170	2,799
Total other	128,000	127,872	(128)	65,659
Total revenues	9,163,400	9,469,151	305,751	9,716,225
Expenditures:				
General administration:				
Mayor and council:				
Personnel services	78,900	77,576	1,324	69,557
Operating expenses	41,800	35,392	6,408	37,318
Total mayor and council	120,700	112,968	7,732	106,875



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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Expenditures (continued):				
General administration (continued):				
City administrator:				
Personnel services	\$ 148,800	\$ 147,559	\$ 1,241	\$ 153,579
Operating expenses	36,000	32,332	3,668	47,529
Total city administrator	<u>184,800</u>	<u>179,891</u>	<u>4,909</u>	<u>201,108</u>
Building and grounds maintenance:				
Personnel services	131,200	130,363	837	124,290
Operating expenses	<u>111,800</u>	<u>92,965</u>	<u>18,835</u>	<u>101,208</u>
Total building and grounds maintenance	<u>243,000</u>	<u>223,328</u>	<u>19,672</u>	<u>225,498</u>
Human Resources:				
Personnel services	99,300	97,274	2,026	69,612
Operating expenses	<u>55,650</u>	<u>49,541</u>	<u>6,109</u>	<u>70,029</u>
Total human resources	<u>154,950</u>	<u>146,815</u>	<u>8,135</u>	<u>139,641</u>
Finance:				
Personnel services	214,300	210,864	3,436	204,447
Operating expenses	<u>28,400</u>	<u>21,184</u>	<u>7,216</u>	<u>19,260</u>
Total finance	<u>242,700</u>	<u>232,048</u>	<u>10,652</u>	<u>223,707</u>
Legal services:				
Personnel services	7,100	6,862	238	6,868
Operating expenses	<u>74,200</u>	<u>68,400</u>	<u>5,800</u>	<u>68,670</u>
Total legal services	<u>81,300</u>	<u>75,262</u>	<u>6,038</u>	<u>75,538</u>
General expense:				
Personnel services	632,100	616,617	15,483	564,860
Operating expenses	1,015,500	940,803	74,697	825,549
Feasibility study for establishment of redevelopment agency	2,070	-	2,070	-
Capital outlay	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>50,000</u>
Total general expense	<u>1,650,670</u>	<u>1,557,420</u>	<u>93,250</u>	<u>1,440,409</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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Expenditures (continued):				
General administration (continued):				
Administrative services:				
Personnel services	\$ 161,900	\$ 161,255	\$ 645	\$ 155,276
Operating expenses	16,800	14,818	1,982	15,408
Total administrative services	178,700	176,073	2,627	170,684
Total general administration	2,856,820	2,703,805	153,015	2,583,460
Public safety:				
Police:				
Personnel services	2,124,800	2,114,370	10,430	2,022,482
Operating expenses	327,400	295,828	31,572	294,892
Capital outlay	125,100	1,507	123,593	21,600
Total police	2,577,300	2,411,705	165,595	2,338,974
Victims' services:				
Personnel services	44,500	43,854	646	41,888
Operating expenses	6,150	3,877	2,273	9,179
Total victims' services	50,650	47,731	2,919	51,067
Law enforcement block grant:				
Capital outlay	34,500	14,100	20,400	143,237
Judiciary:				
Personnel services	238,200	235,648	2,552	214,094
Operating expenses	251,600	246,754	4,846	290,401
Capital outlay	6,700	6,266	434	3,050
Total judiciary	496,500	488,668	7,832	507,545
Fire:				
Personnel services	1,171,000	1,167,663	3,337	1,128,462
Operating expenses	154,880	149,045	5,835	201,511
Total fire	1,325,880	1,316,708	9,172	1,329,973
Total public safety	4,484,830	4,278,912	205,918	4,370,796



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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Expenditures (continued):				
Public works:				
Street division:				
Personnel services	\$ 254,100	\$ 246,688	\$ 7,412	\$ 275,032
Operating expenses	402,500	373,910	28,590	345,236
Total street division	<u>656,600</u>	<u>620,598</u>	<u>36,002</u>	<u>620,268</u>
Vehicle maintenance:				
Personnel services	183,100	180,054	3,046	178,294
Operating expenses	47,150	37,021	10,129	57,260
Total vehicle maintenance	<u>230,250</u>	<u>217,075</u>	<u>13,175</u>	<u>235,554</u>
Total public works	<u>886,850</u>	<u>837,673</u>	<u>49,177</u>	<u>855,822</u>
Code enforcement:				
Personnel services	181,800	179,847	1,953	184,570
Operating expenses	69,650	58,062	11,588	47,668
Total code enforcement	<u>251,450</u>	<u>237,909</u>	<u>13,541</u>	<u>232,238</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>75,350</u>	<u>50,050</u>	<u>25,300</u>	<u>42,629</u>
Debt service:				
Principal	297,400	272,279	25,121	339,700
Interest and fees	70,600	66,723	3,877	75,436
Total debt service	<u>368,000</u>	<u>339,002</u>	<u>28,998</u>	<u>415,136</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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Expenditures (continued):				
Capital improvements:				
Capital outlay	\$ 752,800	\$ 580,296	\$ 172,504	\$ 599,768
Total expenditures	9,774,100	9,125,425	648,675	9,197,627
Excess of revenues over (under) expenditures	(610,700)	343,726	954,426	518,598
Other financing sources (uses):				
Fund balance appropriated	610,600	-	(610,600)	-
Transfer from Hospitality Tax Fund	100	-	(100)	-
Total other financing sources	610,700	-	(610,700)	-
Excess of revenues and other sources over expenditures	\$ -	343,726	\$ 343,726	518,598
Beginning of year, July 1		6,577,199		6,058,601
End of year, June 30		\$ 6,920,925		\$ 6,577,199



CITY OF LANCASTER, SOUTH CAROLINACombining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	Southside Project	Hospitality Tax Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 88,171	\$ -	\$ 88,171
Receivables:			
Mortgages	71,848	-	71,848
Taxes - other	-	60,925	60,925
Restricted assets	-	1,144,521	1,144,521
Total assets	<u>\$ 160,019</u>	<u>\$ 1,205,446</u>	<u>\$ 1,365,465</u>
Liabilities and fund balances			
Liabilities:			
Due to other funds	\$ -	\$ 26,960	\$ 26,960
Total liabilities	<u>-</u>	<u>26,960</u>	<u>26,960</u>
Fund balances (deficit)			
Designated:			
Visitor Center	-	200,000	200,000
Undesignated	160,019	978,486	1,138,505
Total fund balances	<u>160,019</u>	<u>1,178,486</u>	<u>1,338,505</u>
Total liabilities and fund balances	<u>\$ 160,019</u>	<u>\$ 1,205,446</u>	<u>\$ 1,365,465</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, 2009

	Southside Project	Hospitality Tax Fund	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ -	\$ 718,926	\$ 718,926
Interest	1,472	4,485	5,957
Total revenues	<u>1,472</u>	<u>723,411</u>	<u>724,883</u>
Expenditures			
Current:			
General administration	56,166	564,002	620,168
Capital outlay	-	17,320	17,320
Total expenditures	<u>56,166</u>	<u>581,322</u>	<u>637,488</u>
Net change in fund balances	(54,694)	142,089	87,395
Fund balance - beginning	<u>214,713</u>	<u>1,036,397</u>	<u>1,251,110</u>
Fund balance - ending	<u>\$ 160,019</u>	<u>\$ 1,178,486</u>	<u>\$ 1,338,505</u>



CITY OF LANCASTER, SOUTH CAROLINASouthside Project
Comparative Balance Sheets*June 30, 2009 and 2008*

	<u>2009</u>	<u>2008</u>
Assets		
Cash and cash equivalents	\$ 88,171	\$ 135,742
Mortgages	71,848	78,971
Total assets	<u>\$ 160,019</u>	<u>\$ 214,713</u>
Liabilities and fund balances		
Fund balances:		
Undesignated	<u>160,019</u>	<u>214,713</u>
Total fund balances	<u>160,019</u>	<u>214,713</u>
Total liabilities and fund balances	<u>\$ 160,019</u>	<u>\$ 214,713</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues		
Interest	\$ 1,472	\$ 1,776
Total revenues	<u>1,472</u>	<u>1,776</u>
Expenditures		
Current:		
General administration	56,166	21,570
Total expenditures	<u>56,166</u>	<u>21,570</u>
Net change in fund balances	(54,694)	(19,794)
Beginning of year, July 1	<u>214,713</u>	<u>234,507</u>
End of year, June 30	<u>\$ 160,019</u>	<u>\$ 214,713</u>



CITY OF LANCASTER, SOUTH CAROLINAHospitality Tax Fund
Comparative Balance Sheets*June 30, 2009 and 2008*

	2009	2008
Assets		
Receivables		
Taxes - other	\$ 60,925	\$ 56,166
Due from General Fund	-	10,959
Restricted assets	1,144,521	979,272
Total assets	<u>\$ 1,205,446</u>	<u>\$ 1,046,397</u>
Liabilities and fund balances		
Accounts payable and accrued expenses	\$ -	\$ 10,000
Due to other funds	26,960	-
Total liabilities	<u>26,960</u>	<u>10,000</u>
Fund balances:		
Designated:		
Visitor Center	200,000	150,000
Undesignated	978,486	886,397
Total fund balances	<u>1,178,486</u>	<u>1,036,397</u>
Total liabilities and fund balances	<u>\$ 1,205,446</u>	<u>\$ 1,046,397</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, 2009 and 2008

	2009	2008
Revenues		
Taxes	\$ 718,926	\$ 700,488
Interest	4,485	18,916
Total revenues	<u>723,411</u>	<u>719,404</u>
Expenditures		
Current:		
General administration	564,002	515,878
Capital outlay	17,320	-
Total expenditures	<u>581,322</u>	<u>515,878</u>
Net change in fund balances	142,089	203,526
Beginning of year, July 1	<u>1,036,397</u>	<u>832,871</u>
End of year, June 30	<u>\$ 1,178,486</u>	<u>\$ 1,036,397</u>



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund
Comparative Balance Sheets

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 223,497	\$ 947,005
Receivables:		
Water and sewer	512,672	451,629
Other	5,693	27,055
Inventory	64,647	69,145
Total current assets	<u>806,509</u>	<u>1,494,834</u>
Noncurrent assets		
Capital improvement account	<u>1,874,318</u>	<u>1,443,885</u>
Restricted assets		
Customer deposits	216,849	209,299
Bond depreciation account	275,002	257,754
Bond contingency account	275,002	257,754
Bond debt service and reserve account	1,467,926	1,493,110
Total restricted assets	<u>2,234,779</u>	<u>2,217,917</u>
Deferred charges, net	<u>80,195</u>	<u>93,774</u>
Capital assets (net, where applicable, of accumulated depreciation)	<u>25,138,781</u>	<u>24,827,947</u>
Total noncurrent assets	<u>29,328,073</u>	<u>28,583,523</u>
Total assets	<u>30,134,582</u>	<u>30,078,357</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	91,081	749,190
Compensated absences payable	95,806	95,027
Current portion of long-term debt	950,867	923,782
Capital leases payable - current	239,417	137,108
Customer deposits	216,849	209,299
Due to General Fund	188,872	529,783
Due to Solid Waste Fund	2,842	1,527
Total current liabilities	<u>1,785,734</u>	<u>2,645,716</u>
Noncurrent liabilities		
Revenue bonds and notes payable	10,003,272	9,913,643
Capital leases payable - long-term	2,873,346	2,677,639
Total noncurrent liabilities	<u>12,876,618</u>	<u>12,591,282</u>
Total liabilities	<u>14,662,352</u>	<u>15,236,998</u>
Net assets		
Invested in capital assets, net of related debt	11,071,878	11,175,775
Restricted for debt payments	2,017,930	2,008,618
Net assets unrestricted	2,382,422	1,656,966
Total net assets	<u>\$ 15,472,230</u>	<u>\$ 14,841,359</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, 2009**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)*

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues				
Water and sewer charges	\$ 6,371,700	\$ 6,085,169	\$ (286,531)	\$ 5,095,207
Water penalties	206,000	193,939	(12,061)	214,628
Tap fees	25,000	34,003	9,003	25,457
Interest income	32,000	30,236	(1,764)	145,695
Grant income	71,000	32,801	(38,199)	609,084
Other	14,000	7,920	(6,080)	13,849
Total revenues	<u>6,719,700</u>	<u>6,384,068</u>	<u>(335,632)</u>	<u>6,103,920</u>
Expenditures				
Public works administration:				
Salaries and employee benefits	178,900	169,229	9,671	165,446
Clothing	600	230	370	70
Vehicle maintenance	2,000	1,525	475	1,749
Communications	14,400	13,371	1,029	14,786
Utilities	27,600	27,309	291	22,995
Repairs and maintenance	500	295	205	2,257
Special contracts	14,200	14,132	68	19,924
Materials and supplies	6,700	6,098	602	4,772
Miscellaneous	7,500	4,179	3,321	6,069
Total public works administration	<u>252,400</u>	<u>236,368</u>	<u>16,032</u>	<u>238,068</u>
Water service:				
Salaries and employee benefits	357,000	352,826	4,174	349,476
Clothing	8,100	7,986	114	7,273
Vehicle maintenance	52,000	50,717	1,283	54,580
Communications	3,900	3,792	108	4,052
Repairs and maintenance	73,000	71,316	1,684	31,640
Special contracts	81,500	80,954	546	64,422
Materials and supplies	171,000	170,124	876	153,388
Miscellaneous	551,600	516,759	34,841	476,165
Total water service	<u>1,298,100</u>	<u>1,254,474</u>	<u>43,626</u>	<u>1,140,996</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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Expenditures (continued):				
Utility billing:				
Salaries and employee benefits	\$ 152,500	\$ 151,837	\$ 663	\$ 146,555
Communications	7,200	6,625	575	6,028
Repairs and maintenance	500	-	500	-
Special contracts	53,000	43,252	9,748	44,926
Materials and supplies	4,500	2,549	1,951	2,376
Miscellaneous	2,000	466	1,534	243
Total utility billing	<u>219,700</u>	<u>204,729</u>	<u>14,971</u>	<u>200,128</u>
Wastewater treatment:				
Salaries and employee benefits	318,600	315,674	2,926	311,867
Clothing	4,000	3,858	142	3,866
Vehicle maintenance	16,000	15,888	112	12,069
Communications	11,600	11,431	169	11,383
Utilities	199,600	195,323	4,277	187,765
Repairs and maintenance	208,000	170,889	37,111	158,863
Special contracts	58,000	50,278	7,722	10,896
Materials and supplies	40,400	38,727	1,673	28,898
Miscellaneous	268,150	265,851	2,299	209,876
Total wastewater treatment	<u>1,124,350</u>	<u>1,067,919</u>	<u>56,431</u>	<u>935,483</u>
Wastewater collection:				
Salaries and employee benefits	454,300	456,274	(1,974)	379,417
Clothing	7,000	5,006	1,994	4,711
Vehicle maintenance	51,000	49,929	1,071	56,315
Communications	2,000	1,539	461	2,015
Repairs and maintenance	55,200	52,090	3,110	12,272
Special contracts	553,200	415,219	137,981	30,285
Materials and supplies	71,500	69,639	1,861	64,325
Miscellaneous	5,300	878	4,422	1,928
Total wastewater collection	<u>1,199,500</u>	<u>1,050,574</u>	<u>148,926</u>	<u>551,268</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, 2009**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)*

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Expenditures (continued):				
General:				
Salaries and employee benefits	\$ 100	\$ -	\$ 100	\$ -
Communications	15,600	15,425	175	14,963
Insurance	172,500	167,870	4,630	194,695
Repairs and maintenance	21,200	15,886	5,314	11,594
Special contracts	65,500	40,263	25,237	55,260
Miscellaneous	685,450	272,769	412,681	408,113
Total general	<u>960,350</u>	<u>512,213</u>	<u>448,137</u>	<u>684,625</u>
Debt service:				
Principal payments	1,135,900	1,085,454	50,446	832,309
Interest	414,000	386,433	27,567	363,755
Total debt service	<u>1,549,900</u>	<u>1,471,887</u>	<u>78,013</u>	<u>1,196,064</u>
Capital outlay	<u>2,241,300</u>	<u>1,358,133</u>	<u>883,167</u>	<u>6,238,399</u>
Total expenditures	<u>8,845,600</u>	<u>7,156,297</u>	<u>1,689,303</u>	<u>11,185,031</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,125,900)</u>	<u>(772,229)</u>	<u>1,353,671</u>	<u>(5,081,111)</u>
Other financing sources (uses)				
Fund balance appropriated	545,900	-	(545,900)	-
Loan proceeds	1,110,000	1,041,400	(68,600)	5,188,844
Proceeds from capital lease	470,000	459,689	(10,311)	-
Total other financing sources (uses)	<u>2,125,900</u>	<u>1,501,089</u>	<u>(624,811)</u>	<u>5,188,844</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 728,860</u>	<u>\$ 728,860</u>	<u>\$ 107,733</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, 2009
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)*

	2009	2008
Reconciliation from budgetary basis (modified accrual) to full accrual:		
Revenues and other sources over (under) expenditures	\$ 728,860	\$ 107,733
Payment of debt principal	1,085,454	832,309
Loan proceeds	(1,041,400)	(5,188,844)
Proceeds from capital lease	(459,689)	-
Insurance proceeds and other	2,602	13,932
Depreciation	(1,043,089)	(925,330)
Capital outlay	1,358,133	6,238,399
	<u>\$ 630,871</u>	<u>\$ 1,078,199</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating activities		
Cash received from customers	\$ 6,281,350	\$ 5,466,345
Cash received from grants	32,801	609,084
Cash paid to employees	(1,445,061)	(1,344,633)
Cash paid to suppliers	<u>(3,534,051)</u>	<u>(3,237,831)</u>
Net cash provided by operating activities	<u>1,335,039</u>	<u>1,492,965</u>
Noncapital financing activities		
Due to other funds	(339,596)	403,639
Customer deposits	<u>7,550</u>	<u>4,599</u>
Net cash provided by (used in) noncapital activities	<u>(332,046)</u>	<u>408,238</u>
Capital and related financing activities		
Loan proceeds	1,041,400	5,188,844
Insurance proceeds	-	13,840
Proceeds from sale of capital assets	6,811	92
Acquisition of capital assets	(898,443)	(6,238,399)
Principal paid on capital leases	(161,673)	(151,382)
Principal paid on bond and note maturities	(924,686)	(680,926)
Interest and bond fees	<u>(372,854)</u>	<u>(350,173)</u>
Net cash used in capital and related financing activities	<u>(1,309,445)</u>	<u>(2,218,104)</u>
Investing activities		
Interest on investments	<u>30,236</u>	<u>145,695</u>
Net cash provided by investing activities	<u>30,236</u>	<u>145,695</u>
Net increase (decrease) in cash and cash equivalents/investments	(276,216)	(171,206)
Cash and cash equivalents/investments		
Beginning of year	<u>4,608,810</u>	<u>4,780,016</u>
End of year	<u>\$ 4,332,594</u>	<u>\$ 4,608,810</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 984,466	\$ 1,282,327
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,043,089	925,330
Change in assets and liabilities		
Accounts receivable	(39,681)	117,204
Inventory	4,498	32,849
Accounts payable and accrued expenses	(658,112)	(872,873)
Compensated absences	779	8,128
Total adjustments	<u>350,573</u>	<u>210,638</u>
Net cash provided by operating activities	<u>\$ 1,335,039</u>	<u>\$ 1,492,965</u>
Noncash capital activity		
Purchase of fixed assets with capital lease	<u>\$ 459,689</u>	<u>\$ -</u>



CITY OF LANCASTER, SOUTH CAROLINA

Solid Waste Fund Comparative Balance Sheets

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,386,964	\$ 1,080,072
Receivables:		
Garbage and trash	86,432	88,190
Roll-off containers	13,456	26,942
Other	116,975	22,572
Due from other funds	2,842	1,527
Total current assets	<u>1,606,669</u>	<u>1,219,303</u>
Capital assets (net, where applicable, of accumulated depreciation)	<u>723,144</u>	<u>476,578</u>
Total noncurrent assets	<u>723,144</u>	<u>476,578</u>
Total assets	<u>2,329,813</u>	<u>1,695,881</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	11,470	3,867
Compensated absences payable	37,483	40,051
Capital leases payable - current	69,049	-
Due to General Fund	51,127	31,012
Total current liabilities	<u>169,129</u>	<u>74,930</u>
Noncurrent liabilities		
Capital leases payable - long-term	<u>218,354</u>	-
Total noncurrent liabilities	<u>218,354</u>	-
Total liabilities	<u>387,483</u>	<u>74,930</u>
Net assets		
Invested in capital assets, net of related debt	435,741	476,578
Net assets unrestricted	1,506,589	1,144,373
Total net assets	<u>\$ 1,942,330</u>	<u>\$ 1,620,951</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, 2009**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)*

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues				
Garbage fees	\$ 1,023,000	\$ 1,021,213	\$ (1,787)	\$ 1,021,578
Roll-off containers	93,000	96,045	3,045	110,432
Interest	14,000	13,436	(564)	39,112
Other	263,000	341,097	78,097	119,511
Total revenues	<u>1,393,000</u>	<u>1,471,791</u>	<u>78,791</u>	<u>1,290,633</u>
Expenditures				
General:				
Salaries and employee benefits	100	-	100	-
Insurance	57,000	55,072	1,928	62,763
Repairs and maintenance	160,500	85	160,415	77
Special contracts	80,650	5,650	75,000	21,074
Miscellaneous	79,550	56,279	23,271	79,097
Total general	<u>377,800</u>	<u>117,086</u>	<u>260,714</u>	<u>163,011</u>
Residential garbage:				
Salaries and employee benefits	383,900	374,704	9,196	365,735
Clothing	5,750	5,618	132	5,147
Communications	1,500	1,115	385	614
Vehicle maintenance	75,500	55,831	19,669	82,601
Materials and supplies	25,900	3,633	22,267	40,758
Miscellaneous	2,600	1,608	992	1,673
Total residential garbage	<u>495,150</u>	<u>442,509</u>	<u>52,641</u>	<u>496,528</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, 2009

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

	2009			2008
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures (continued):				
Commerical garbage:				
Salaries and employee benefits	\$ 80,100	\$ 77,485	\$ 2,615	\$ 76,318
Clothing	1,250	770	480	839
Vehicle maintenance	55,000	51,751	3,249	46,817
Repairs and maintenance	500	-	500	-
Special contracts	118,000	101,231	16,769	95,618
Materials and supplies	27,000	8,938	18,062	22,981
Miscellaneous	1,600	309	1,291	-
Total commercial garbage	<u>283,450</u>	<u>240,484</u>	<u>42,966</u>	<u>242,573</u>
Transfer station:				
Salaries and employee benefits	101,000	98,655	2,345	74,471
Clothing	2,000	1,232	768	1,242
Vehicle maintenance	117,000	96,625	20,375	80,006
Communications	1,500	1,148	352	1,318
Repairs and maintenance	3,000	3,000	-	710
Special contracts	5,000	1,861	3,139	4,939
Materials and supplies	6,000	2,784	3,216	3,443
Miscellaneous	1,100	-	1,100	-
Total transfer station	<u>236,600</u>	<u>205,305</u>	<u>31,295</u>	<u>166,129</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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Expenditures (continued):				
Debt service:				
Principal	\$ 33,400	\$ 33,305	\$ 95	\$ 27,623
Interest	4,900	3,913	987	(1,822)
Total debt service	<u>38,300</u>	<u>37,218</u>	<u>1,082</u>	<u>25,801</u>
Capital outlay	<u>355,000</u>	<u>387,680</u>	<u>(32,680)</u>	<u>219,100</u>
Total expenditures	<u>1,786,300</u>	<u>1,430,282</u>	<u>356,018</u>	<u>1,313,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(393,300)</u>	<u>41,509</u>	<u>434,809</u>	<u>(22,509)</u>
Other financing sources (uses)				
Fund balance appropriated	38,300	-	(38,300)	-
Proceeds from capital lease	<u>355,000</u>	<u>321,667</u>	<u>33,333</u>	<u>-</u>
Total other financing uses	<u>393,300</u>	<u>321,667</u>	<u>(4,967)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 363,176</u>	<u>\$ 429,842</u>	<u>\$ (22,509)</u>
			2009	2008
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues and other sources over expenditures			\$ 363,176	\$ (22,509)
Payment of debt principal			33,305	27,623
Proceeds from capital lease			(321,667)	-
Depreciation			(141,115)	(155,143)
Capital outlay			<u>387,680</u>	<u>219,100</u>
Change in net assets per full accrual basis - Exhibit G			<u>\$ 321,379</u>	<u>\$ 69,071</u>



Solid Waste Fund
Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2009 and 2008

	2009	2008
Operating activities		
Cash received from customers	\$ 1,379,196	\$ 1,221,397
Cash paid to employees	(553,412)	(510,291)
Cash paid to suppliers	(446,937)	(551,070)
Net cash provided by operating activities	<u>378,847</u>	<u>160,036</u>
Noncapital financing activities		
Due from other funds	(948)	(948)
Due to other funds	19,748	4,682
Net cash provided by noncapital activities	<u>18,800</u>	<u>3,734</u>
Capital and related financing activities		
Acquisition of capital assets	(66,014)	(219,100)
Principal paid on capital leases	(34,264)	(27,623)
Interest and bond fees	(3,913)	1,822
Net cash used in capital and related financing activities	<u>(104,191)</u>	<u>(244,901)</u>
Investing activities		
Interest on investments	13,436	39,112
Net cash provided by investing activities	<u>13,436</u>	<u>39,112</u>
Net increase (decrease) in cash and cash equivalents/investments	306,892	(42,019)
Cash and cash equivalents/investments		
Beginning of year	1,080,072	1,122,091
End of year	<u>\$ 1,386,964</u>	<u>\$ 1,080,072</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 311,856	\$ 28,137
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	141,115	155,143
Change in assets and liabilities		
Accounts receivable	(79,159)	(30,124)
Accounts payable and accrued expenses	7,603	647
Compensated absences	(2,568)	6,233
Total adjustments	<u>66,991</u>	<u>131,899</u>
Net cash provided by operating activities	<u>\$ 378,847</u>	<u>\$ 160,036</u>
Noncash capital activity		
Purchase of fixed assets with capital lease	<u>\$ 321,667</u>	<u>\$ -</u>



CITY OF LANCASTER, SOUTH CAROLINA

Fiduciary Fund Type- Agency Fund- Firemen's Fund

Comparative Statement of Fiduciary Net Assets
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and temporary investments	\$ 16,735	\$ 17,041
Total assets	<u>\$ 16,735</u>	<u>\$ 17,041</u>
Liabilities		
Due to firemen's association	\$ 16,735	\$ 17,041
Total liabilities	<u>\$ 16,735</u>	<u>\$ 17,041</u>



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Changes in Fiduciary Assets and Liabilities Agency Funds

June 30, 2009

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>
Firemen's Fund				
Assets				
Cash and temporary investments	\$ 17,041	\$ 15,523	\$ 15,829	\$ 16,735
Total assets	<u>\$ 17,041</u>	<u>\$ 15,523</u>	<u>\$ 15,829</u>	<u>\$ 16,735</u>
Liabilities				
Due to firemen's association	\$ 17,041	\$ 15,523	\$ 15,829	\$ 16,735
Total liabilities	<u>\$ 17,041</u>	<u>\$ 15,523</u>	<u>\$ 15,829</u>	<u>\$ 16,735</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, 2009*

Operating revenues	<u>\$ 6,353,832</u>
Operating expenses (including depreciation)	4,855,389
Contract with Lancaster Water and Sewer District	<u>513,977</u>
Total operating expenses	<u>5,369,366</u>
Nonoperating revenues (expenses):	
Interest income	30,236
Interest expense and bond fees	(386,433)
Gain on sale of fixed assets	<u>2,602</u>
Total nonoperating expense	<u>(353,595)</u>
Net income	<u>630,871</u>
Add:	
Depreciation allowance	1,043,089
Interest and fees on bonds	<u>386,433</u>
Total additions	<u>1,429,522</u>
Net earnings	<u>\$ 2,060,393</u>
Debt service requirements	<u>\$ 1,201,505</u>
Debt coverage ratio	<u>1.71</u>

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



CITY OF LANCASTER, SOUTH CAROLINA

Analysis of Victims' Services
 For the Fiscal Year Ended June 30, 2009

Funds available for the year ended June 30, 2008	<u>\$ 51,023</u>
Victims' percentage of assessments	<u>29,311</u>
Total revenues	29,311
Actual expenditures	<u>(47,730)</u>
Grant and Assessment Receipts under expenditures	<u>(18,419)</u>
Funds available for the year ended June 30, 2009	<u><u>\$ 32,604</u></u>



CITY OF LANCASTER, SOUTH CAROLINA

Schedule of Victims' Fines, Assessments and Fees Collected
For the Fiscal Year Ended June 30, 2009

	Retained By City				Remitted to State		Total Collected
	Victim Assessment	Victim Surcharge	Fines Collected	Other Revenue	Assessment	Other Fees	
July-07	\$ 1,952	\$ 1,248	\$ 16,349	\$ 3,914	\$ 15,532	\$ 7,501	\$ 46,496
August-07	1,478	893	12,265	1,100	11,766	6,079	33,581
September-07	1,252	684	10,618	1,460	9,961	4,399	28,374
October-07	1,622	960	13,008	2,846	12,887	6,036	37,359
November-07	1,040	640	8,667	815	8,277	4,202	23,641
December-07	1,946	943	16,217	1,350	15,483	7,752	43,691
January-08	1,571	879	12,883	820	12,531	5,947	34,631
February-08	1,457	804	12,142	613	11,580	5,608	32,204
March-08	2,177	921	18,474	524	17,442	7,260	46,798
April-08	1,517	861	12,713	1,835	12,074	7,094	36,094
August-08	1,335	549	11,129	1,437	10,457	4,345	29,252
June-08	1,666	917	13,531	1,506	13,262	5,719	36,601
	<u>\$ 19,013</u>	<u>\$ 10,299</u>	<u>\$ 157,996</u>	<u>\$ 18,220</u>	<u>\$ 151,252</u>	<u>\$ 71,942</u>	<u>\$ 428,722</u>



CITY OF LANCASTER, SOUTH CAROLINA

Tax Base Information

For the Fiscal Year Ended June 30, 2009

Property Type	Assessment Ratio	2005 Assessment	2006 Assessment	2007 Assessment	2008 Assessment
Total Bills		4,617	4,689	4,701	4,728
Land & Building	4.0%	\$ 5,470,080	\$ 6,668,830	\$ 6,699,370	\$ 6,718,620
Land & Building	6.0%	15,379,740	17,933,520	18,327,080	18,419,330
Mobile Home	4.0%	22,030	13,420	11,120	11,120
Mobile Home	6.0%	29,760	24,520	83,260	88,460
Subtotal - Land/Building/Mobile Home		20,901,610	24,640,290	25,120,830	25,237,530
Pers - Office	10.5%	1,111,930	1,046,840	1,068,110	1,258,510
Pers - Aircraft	10.5%	2,220	2,320	530	550
Pers - Boat/ Motor/Trailer	10.5%	34,900	41,570	47,475	45,310
429 - Outdoor Sign	10.5%	-	-	-	-
529 - Merchant Furniture/Fixtures	10.5%	1,478,120	1,903,410	1,826,630	1,962,550
629 - Manufacturing Pers	10.5%	2,053,520	2,252,030	2,134,060	1,889,360
Mfg Land & Buildings	10.5%	675,260	662,030	662,890	662,890
729 - Utilities	10.5%	1,639,570	1,517,660	1,606,150	1,691,270
829 - Railroads	9.5%	45,920	38,270	38,550	39,450
929 - Campers	10.5%	1,310	2,610	1,160	1,030
Subtotal - SCTC & County Auditor		7,042,750	7,466,740	7,385,555	7,550,920
Subtotal Assessment		27,944,360	32,107,030	32,506,385	32,788,450
FILOT		1,606,669	1,885,615	2,307,059	1,432,726
Total Assessment (Excluding Vehicles)		\$ 29,551,029	\$ 33,992,645	\$ 34,813,444	\$ 34,221,176
Gross Property Tax		\$ 4,451,607	\$ 4,666,309	\$ 4,888,650	\$ 4,924,211
Homestead		180,813	167,620	171,143	171,587
Local Option Credit		797,352	869,160	1,067,700	1,135,059
Fee in Lieu		259,962	260,740	325,212	206,326
Net Property Tax		\$ 3,213,480	\$ 3,368,789	\$ 3,324,595	\$ 3,411,239
Vehicle Assessment		\$ 2,496,490	\$ 2,247,923	\$ 2,244,410	\$ 2,109,768
Vehicle Tax Collected		\$ 297,876	\$ 270,351	\$ 259,000	\$ 228,172
Tax Rate in Mills		150.0	137.0	140.0	143.5
Sales Tax Credit Factor		0.001867	0.001735	0.002104	0.002218



COMPLIANCE SECTION





Blair, Bohlé & Whitsitt^{LLC}
Certified Public Accountants

10815 Sikes Place
Suite 100
Charlotte, NC
28277

704-841-9800 Main
704-841-9802 Fax
www.bbwpflc.com

**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, 2009, which collectively comprise the City of Lancaster's basic financial statements and have issued our report thereon dated October 6, 2009. 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 October 6, 2009.

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

October 6, 2009

