

CITY OF LANCASTER, SOUTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Prepared by:

FINANCE DEPARTMENT

James A. Absher, Jr., CGFO, CPFIM
Finance Director



CITY OF LANCASTER, SOUTH CAROLINA

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CITY OF LANCASTER, SOUTH CAROLINA

INTRODUCTORY SECTION





CITY HALL 216 SOUTH CATAWBA STREET P.O. BOX 1149 LANCASTER, S.C. 29721-1149 803-286-8414
www.lancastercitysc.com

January 5, 2011

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

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lancaster (the "City") for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City of Lancaster's financial statements have been audited by Blair, Bohle' & Whitsitt, CPA's, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's Single Audit Report.

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

Profile of the Government

The City of Lancaster was founded by settlers from Lancaster, Pennsylvania and was originally known as Barnettsville when the first courthouse was erected in 1795. In 1802, an application was made for a charter for the village of Lancaster. A court dispute over the original plat was not resolved until 1824. In December 1830, by Act of the South Carolina Legislature, the Town of Lancaster was incorporated. The Town of Lancaster was re-charted in 1898 and as the City of Lancaster in 1967.

The City operates under the council-administrator form of government. Policy making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's administrator. The City's administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and other duties as assigned by City Council. The council is elected on a non-partisan basis. The mayor is elected at large and council members are elected by district and serve four-year staggered terms.

The City provides a full range of services including: police and fire protection, the construction and maintenance of streets and other infrastructure; parks and leisure/cultural activities; sanitation services; water and sewer services; and building, inspection, planning and zoning services.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Administrator in the spring of each year. The City Administrator and Finance Director use these requests as the beginning point in the development of a proposed budget. The City Administrator then presents this proposed budget to City Council for review. The council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Administrator at the fund level and

may be amended as necessary during the fiscal year. City Council is informed of budgetary expenditures in relation to appropriations monthly in the form of a budget to actual revenue and expenditure report which is posted to the City's website upon review by council.

Factors Affecting Financial Condition

Local Economy. The City of Lancaster's and Lancaster County's industrial base has changed from textiles to a diverse array of industries and a number of global corporations. Although the unemployment rate remains unusually high, several recent economic development projects have been announced that shows signs of possible improvement in the long-term unemployment rate. Recent projects include the construction of the Founders Federal Credit Union corporate headquarters within the city limits and the relocation of Nutramax to the City of Lancaster within the last fiscal year. Both of these investments show the potential for future economic growth within the City and Lancaster County. The City of Lancaster and Lancaster County Economic Development Corporation work closely together to bring jobs to the area for citizens of the City.

Long-term financial planning. The City of Lancaster through the years has made significant investment in infrastructure, especially in water and sewer, to provide the necessary capacity for the City to be able to recruit new industries and businesses to the area. The City also has used long-term financial planning to position itself to weather the current financial conditions without adversely affecting the services provided to its citizens. The City is currently looking at its current long range financial planning tools, such as the capital improvement plan (CIP), and looking for ways to better use these tools in conjunction with long range strategic planning to continue and improve the City's strong financial position and the services provided to the citizens.

Cash management policies and practices. Cash available for investing during the year was invested in interest-bearing public funds bank accounts and the State of South Carolina Local Government Investment Pool. The South Carolina Local Government Investment Pool is a pool of funds belonging to participating local governments which is managed by the State Treasurer in obligations of the United States and its agencies and repurchase agreements collateralized by securities of the U.S. Government or its agencies.

The investment goal of the City is to maintain adequate cash reserves to meet current obligations and to invest in those legal securities that maximize earning and protect principal. The current market climate has reduced the earnings the City is receiving from its investments. As a result, in the upcoming fiscal year the City will be reevaluating its current investment strategies and determining if different methods would produce higher earnings while still providing adequate cash flow and protecting principal while staying in compliance with the guidelines of the South Carolina Code of Laws, Section 6-5-10.

Risk management. Risk management activities are coordinated and managed by the City's Support Services Department and Risk Safety Manager in particular. Risk management efforts of the departments are designed to minimize the loss of the City's human, physical, and

financial resources through appropriate planning, training, case management, and the provision of adequate insurance coverage.

The City maintains its insurance for tort liability, property, automobile, fleet, machinery, and crime with the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRF). Workers' compensation is maintained through the South Carolina Municipal Insurance Trust (SCMIT) fund. Both SCMIRF and SCMIT funds are self-insured pools with other municipalities of South Carolina. These programs are sponsored by and coordinated through the Municipal Association of South Carolina (MASC).

Pension and other post employment benefits. All full-time employees of the City participate in one of two defined benefit pension plans, administered by the State of South Carolina. The South Carolina Retirement System (SCRS) and the Police Officer's Retirement System (PORS), both of which are cost sharing multiple-employer public employee retirement plans. The SCRS and PORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The plans' provisions are established under Title 9 of the SC Code of Laws. Both employees and the City are required to contribute to the SCRS and PORS at rates established under the authority of Title 9 of the SC Code of Laws. The City's contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employee's annual earnings.

The City also provides health and dental care benefits for retirees that meet certain service requirements. Beginning in the fiscal year ended June 30, 2009, the City implemented GASB Statement No. 45, which requires an actuarial calculation of expected future retiree health insurance costs. As discussed in the notes to the financial statements, the City's unfunded actuarially accrued liability (UAAL) for future retiree health costs is \$1,422,800. During the year, the City funded its annual required contribution (ARC) of \$211,000 and as of the fiscal year ended June 30, 2010 has contributed 100% of its annual OPEB costs.

Additional information on the City's pension arrangements can be found in the notes to the financial statements.

Awards and Acknowledgements

For the first time, the City of Lancaster has submitted to the Government Finance Officers Association of the United States and Canada (GFOA) for the Distinguished Budget Presentation Award for its annual budget document dated July 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, the City's budget must be judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

In addition to the Distinguished Budget Presentation Award, the City will also submit its comprehensive annual financial report (CAFR) to the GFOA for consideration to receive a Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department along with the individual departments who contributed information contained in this report. We would like to express our appreciation to all members of the departments. Credit must also be given to the Mayor and City Council for their support in maintaining the highest standards of professionalism in the management of the City of Lancaster.

Respectfully submitted,

A handwritten signature in black ink that reads "Helen P. Sowell". The signature is written in a cursive style with a large initial 'H' and 'S'.

Helen P. Sowell, City Administrator

A handwritten signature in black ink that reads "James A. Absher, Jr.". The signature is written in a cursive style with a large initial 'J' and 'A'.

James A. Absher, Jr., Finance Director

Mayor and City Council

Mayor Joe M. Shaw, Mayor
Kenneth Hood, Councilman, District 1
Gonzie Mackey, Mayor Pro-Tempore, District 2
Linda Blackmon-Brace, Councilwoman, District 3
Tamara Green Garris, Councilwoman, District 4
John P. Howard, Councilman, District 5
Sara Eddins, Councilwoman, District 6

City Management

Helen P. Sowell, City Administrator

Department Heads

Teresa G. Meeks, Director
Support Services

James A. Absher, Jr., Director
Finance

Hugh White, Chief
Police Department

Richard T. Bowers, Director
Building, Planning & Zoning

Chris Nunnery, Chief
Fire Department

N.D. (Mac) McDonald, Director
Public Utilities

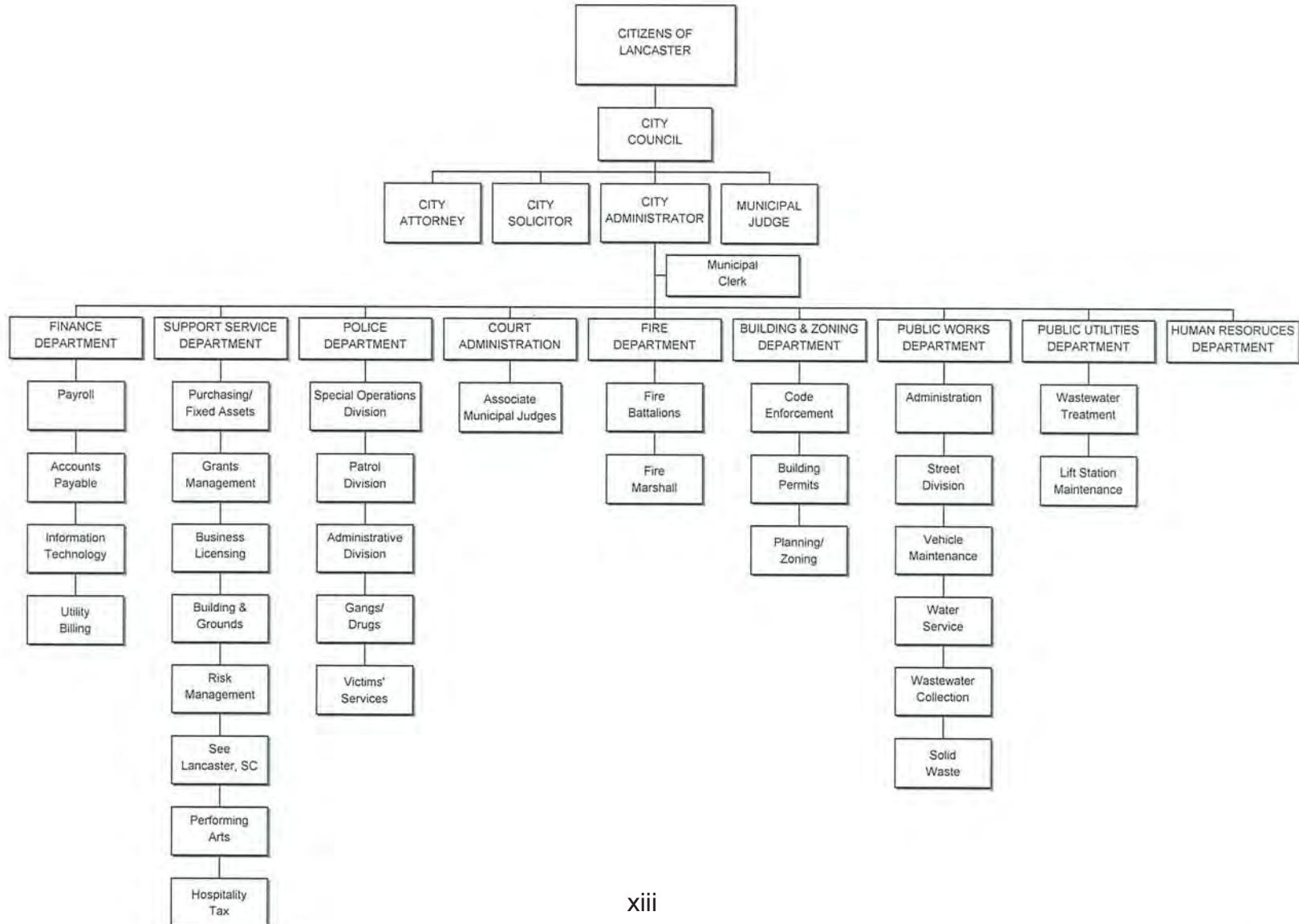
Lisa Driggers, Director
Human Resources

Kathryn A. Hayes, Administrator
Municipal Court

Jerry Crocket, Director
Public Works



City of Lancaster



CITY OF LANCASTER, SOUTH CAROLINA

FINANCIAL SECTION





Blair, Bohlé & Whitsitt
Certified Public Accountants

10815 Sikes Place
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Charlotte, NC
28277

704-841-9800 Main
704-841-9802 Fax
www.bbwpllc.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, the aggregate remaining fund information and the budgetary comparison schedule for the general fund of the City of Lancaster, South Carolina, as of and for the year ended June 30, 2010, 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, 2010, 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 January 5, 2011, 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 on pages 3 through 13 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.

Honorable Mayor and City Council
City of Lancaster, South Carolina
Lancaster, South Carolina
Page 2

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 introductory section, combining and individual fund financial statement section, the other financial information section, and the statistical section 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Lancaster, South Carolina. The combining and individual fund financial statement section, the other financial information section and the Schedule of Expenditures of Federal Awards 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 introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Blair Bohle & Whitsitt, PC

January 5, 2011



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, 2010. 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 \$38,307,940 (net assets) compared to \$36,010,891 (net assets) at June 30, 2009.
- The government's total assets increased by \$2,297,049 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 \$1,380,938 compared to \$952,250 at June 30, 2009.
- In the General Fund, revenue exceeded expense by \$805,424 compared to expense exceeding revenue by \$343,726 last year.
- In the Gross Revenue (water/sewer) Fund, revenue exceeded expense by \$1,181,205 compared to \$630,871 last year.
- In the Solid Waste Fund, revenue exceeded expense by \$199,733 compared to \$321,379 last year.
- As of the close of the current fiscal year, the City of Lancaster's governmental funds reported combined ending fund balances of \$8,949,965, an increase of \$690,535 in comparison with the prior year (\$8,259,430). Unreserved fund balance of \$8,685,360 or 97.0% of total fund balance is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,461,744 or 78.7% of total General Fund expenditures (\$9,476,261) for the fiscal year. From FY 0809 to FY 0910, unrestricted fund balance increased by 11.5% (\$6,691,800 to \$7,461,744).
- Total debt for FY 0910 was approximately \$14,500,000 compared to FY 0809 of \$16,000,000. This amounts to a net decrease of 9.4% or approximately \$1,500,000.

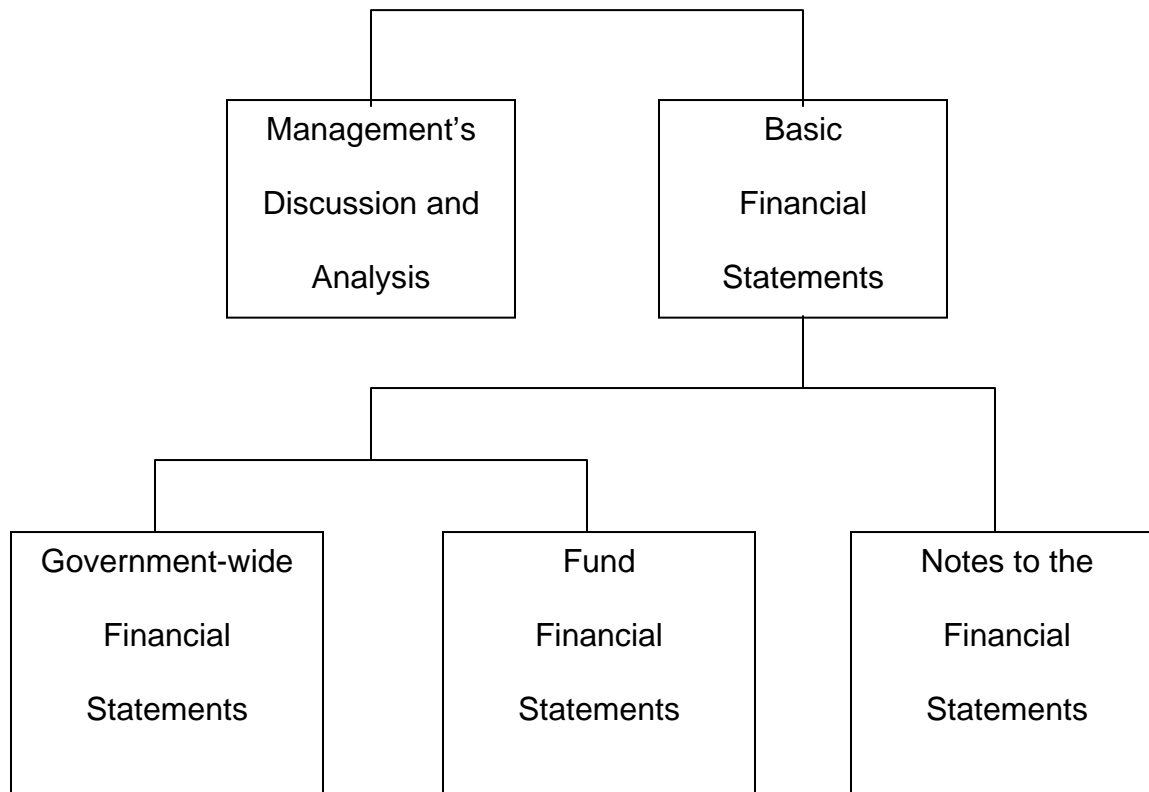
Overview of the Financial Statements

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 A and B) 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 C through H) are the **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 water and sewer as well as waste disposal services offered by the City of Lancaster. The City has no component units.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements 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 - 52 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 - 106 of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2010 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 larger governmental units were required to implement Statement 34 in 2002, and the remaining smaller governmental units implemented 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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 11,085,435	\$ 9,773,652	\$ 6,464,088	\$ 6,359,629	\$ 17,549,523	\$ 16,133,281
Capital assets	11,408,445	11,401,336	25,993,311	25,861,925	37,401,756	37,263,261
Total assets	<u>22,493,880</u>	<u>21,174,988</u>	<u>32,457,399</u>	<u>32,221,554</u>	<u>54,951,279</u>	<u>53,396,542</u>
Long-term liabilities outstanding	1,151,827	1,522,236	11,820,085	14,487,594	12,971,912	16,009,830
Other liabilities	1,829,609	1,056,421	1,841,818	319,400	3,671,427	1,375,821
Total liabilities	<u>2,981,436</u>	<u>2,578,657</u>	<u>13,661,903</u>	<u>14,806,994</u>	<u>16,643,339</u>	<u>17,385,651</u>
Net assets:						
Invested in capital assets, net of related debt	10,506,563	10,183,930	12,867,301	11,507,618	23,373,864	21,691,548
Restricted	1,110,038	1,338,043	2,051,211	2,017,930	3,161,249	3,355,973
Unrestricted	7,895,843	7,074,358	3,876,984	3,889,012	11,772,827	10,963,370
Total net assets	<u>\$ 19,512,444</u>	<u>\$ 18,596,331</u>	<u>\$ 18,795,496</u>	<u>\$ 17,414,560</u>	<u>\$ 38,307,940</u>	<u>\$ 36,010,891</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 \$38,307,940 as of June 30, 2010. The City's net assets increased by \$2,297,049 for the fiscal year ended June 30, 2010. However, the largest portion (61.0%) 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 (8.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,772,827 is unrestricted.

Several aspects of the City operations influenced total unrestricted net assets, which increased by \$803,457 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 \$805,424.
- In the Hospitality Fund, expense exceeded revenue by \$55,490 – which when added to the \$59,399 expense over revenue in the Southside fund – resulted in excess expense over revenue for the non-major governmental funds amounting to \$114,889.
- In the Gross Revenue Fund, revenue exceeded expense by \$1,181,205.
- In the Solid Waste Fund, revenue exceeded expense by \$199,733.



City of Lancaster Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 716,664	\$ 543,234	\$ 6,928,793	\$ 7,430,369	\$ 7,645,457	\$ 7,973,603
Operating grants and contributions	596,489	292,626	-	32,801	596,489	325,427
Capital grants and contributions	-	9,795	731,674	-	731,674	9,795
General revenues:						
Property taxes	4,897,937	4,754,054	-	-	4,897,937	4,754,054
Other taxes	3,960,039	3,886,268	-	-	3,960,039	3,886,268
Grants and contributions not restricted to specific programs	325,019	374,003	-	-	325,019	374,003
Other	165,477	194,192	406,647	395,291	572,124	589,483
Total revenues	<u>10,661,625</u>	<u>10,054,172</u>	<u>8,067,114</u>	<u>7,858,461</u>	<u>18,728,739</u>	<u>17,912,633</u>
Expenses:						
General government	3,653,829	3,828,191	-	-	3,653,829	3,828,191
Public safety	4,482,373	4,591,769	-	-	4,482,373	4,591,769
Public Works	864,617	899,345	-	-	864,617	899,345
Planning	187,303	240,646	-	-	187,303	240,646
Parks and Playgrounds	102,767	101,470	-	-	102,767	101,470
Community Service	401,993	51,557	-	-	401,993	51,557
Interest and fees	52,630	66,723	-	-	52,630	66,723
Water and sewer	-	-	5,363,105	5,755,799	5,363,105	5,755,799
Solid Waste	-	-	1,323,073	1,150,412	1,323,073	1,150,412
Total expenses	<u>9,745,512</u>	<u>9,779,701</u>	<u>6,686,178</u>	<u>6,906,211</u>	<u>16,431,690</u>	<u>16,685,912</u>
Increase in net assets	916,113	274,471	1,380,936	952,250	2,297,049	1,226,721
Net assets, July 1	<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>
Net assets, June 30	<u>\$ 19,512,444</u>	<u>\$ 18,596,331</u>	<u>\$ 18,795,496</u>	<u>\$ 17,414,560</u>	<u>\$ 38,307,940</u>	<u>\$ 36,010,891</u>

Governmental activities. Governmental activities increased the City's net assets by \$916,113 thereby accounting for 39.9% of the total growth in the net assets of the City of Lancaster. Key elements of this increase are as follows:

- Hospitality Fund expense in excess of revenue amounted to \$55,490.
- In the General Fund, revenue exceeded expense by \$805,424. This was largely due to business license revenue in excess of budget amounting to approximately \$425,738. This excess was the result of better than expected collections during the year ended June 30, 2010.



Business-type activities: Business-type activities increased the City of Lancaster’s net assets by \$1,380,936, accounting for 60.1% of the total growth in the government’s net assets. Key elements of this increase are as follows:

- The Gross Revenue Fund yielded \$1,181,205 of the increase in business-type activity net assets. This was largely to \$731,674 of revenue from grant income as well as a decrease in operating expenses of \$387,448.
- The Solid Waste Fund yielded \$199,733 of the increase in business-type activity net assets. This increase in net assets is a decrease from the \$321,378 increase recorded by the fund last year. This was largely due to an increase in overall revenue from operations of \$57,116 and an increase in the operating expenses of \$164,532 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 \$7,461,744 while total fund balance reached \$7,726,349. 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 78.7% of total General Fund expenditures, while total fund balance represents 81.5% of that same amount.

At June 30, 2010, the governmental funds of City of Lancaster reported a combined fund balance of \$8,949,965, an 8.4% increase over last year (\$8,259,430).

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 0910 budget amendments.

Ord No	Eff Date	Budget Impact	Comment - Primary Reasons for Change
O09-18	10/13/09	\$2,538,970	Interfund loan and addition of Capital Improvement Plan Purchases
O09-28	11/10/09	\$0	Move funds from contingency to fund utility line projects
O10-04	4/13/10	\$67,400	To fund unexpected costs incurred throughout fiscal year by departments.
O10-07	8/24/10	\$31,080	To fund unexpected legal expenditures in General Fund and balance individual line items within departments.
O10-08	9/28/10	\$0	To adjust for compensated absence accrual at year-end.



Some of the significant differences between budgeted amounts and actual amounts for FY 0910 were as follows:

- In the General Fund, actual revenue for privilege licenses exceeded budgeted amounts by \$425,738 due to better than anticipated collections while current real property tax revenue was less than budgeted by \$16,932 due to the increased delinquency in collections by the City. However, collections in delinquent property taxes exceeded budget by \$97,578.
- In the Gross Revenue Fund, actual revenue for water and sewer charges was \$57,355 less than budgeted revenue. Additionally, actual amounts for capital outlay and miscellaneous expense were less than budgeted amounts by \$1,358,795 and \$255,289, respectively. The primary reason for the capital outlay difference was the Waste Water Hydrochloride and Transfer Station Upgrade Projects that were started during FY0910 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 \$2,563,996, and those for the Solid Waste Fund amounted to \$1,312,990. The total growth in net assets for both funds was \$1,181,205 and \$199,733 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, 2010, totals \$37,401,756 (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 \$637,132 including construction in progress at \$372,922, building/equipment/infrastructure additions at \$74,490, machinery/equipment purchases of \$161,720, and land acquisition of \$25,000.
- Capital asset additions for business-type activities amounted to \$1,607,406 including construction in progress at \$1,334,057 and \$273,349 for equipment and infrastructure.



City of Lancaster's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,191,503	\$ 3,166,503	\$ 364,554	\$ 364,554	\$ 3,556,057	\$ 3,531,057
Buildings, systems and improvements	3,483,211	3,532,503	22,322,202	23,060,351	25,805,413	26,592,854
Machinery and equipment	977,607	1,120,061	1,935,833	2,269,837	2,913,440	3,389,898
Infrastructure	3,346,867	3,545,934	-	-	3,346,867	3,545,934
Construction in progress	409,257	36,335	1,370,722	167,183	1,779,979	203,518
Total	\$ 11,408,445	\$ 11,401,336	\$ 25,993,311	\$ 25,861,925	\$ 37,401,756	\$ 37,263,261

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, 2010, the City of Lancaster had total bonded debt outstanding of \$950,000. Of this, \$550,000 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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 550,000	\$ 670,000	\$ -	\$ -	\$ 550,000	\$ 670,000
Capital lease obligations	351,882	547,406	3,093,533	3,400,166	3,445,415	3,947,572
Revenue bonds	-	-	400,000	585,000	400,000	585,000
Revolving loans	-	-	10,032,477	10,369,140	10,032,477	10,369,140
Total	\$ 901,882	\$ 1,217,406	\$ 13,526,010	\$ 14,354,306	\$ 14,427,892	\$ 15,571,712

During the past fiscal year, the City's total debt decreased by \$1,143,820 (7.3%).

The City maintains a Standard and Poors rating of A 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 2009 put the city's population at 10,160 (some 13.1% of Lancaster County's estimated population of 77,767). 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".

Top Ten Largest Lancaster Vicinity Employers

(Source: Lancaster County Economic Development Corp./SC Department of Employment and Workforce)

<u>Employer</u>	<u>Description</u>	<u># of Employees</u>
Lancaster County School District	County school system	1532
Lancaster County	County government	734
Springs Memorial Hospital	Hospital	710
Cardinal Health	Healthcare	700
Red Ventures	Call Center	575
Duracell	Batteries	400
Continental Tire	Tire manufacturing	400
Inspiration Ministries	Evangelical	335
Founders Federal Credit Union	Credit union	320
Wal-Mart	Retail goods	303

Lancaster County's unemployment rate at June 2010 was 15.6%, down by 3.5 percentage points from the June 2009 rate of 19.1%. This compares to statewide rates of 10.7% as of June 2010 versus 12.1% for June 2009. The labor force increased from 30,161 (June 2009) to 30,192 (June 2010). (Source: SC Department of Employment and Workforce – Newswire)

The following chart reflects the City of Lancaster retail businesses and sales from 2005 through 2009. (Source: SC Department of Revenue Annual Sales Reports)

Year	Number of Businesses	Retail Sales	% Incr/Decr
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%
2009	321	\$370,836,792	(5.49%)

Estimated median household income for Lancaster County was \$43,636 which amounts to 105% of statewide median household income (\$41,548) for 2009.

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 is being undertaken with anticipated completion in FY1011.



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. These projects are in various stages of completion at the end of FY0910 and will be completed in FY1011. In the Solid Waste Fund – the city’s transfer station is being updated and expanded at a cost of some \$950,000 with completion of the project in FY1011.

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, 2010

	Governmental Activities	Business Type Activities	Total Primary Government
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,540,603	\$ 4,181,493	\$ 10,722,096
Accounts receivable			
Taxes, net	237,821	-	237,821
Grants	102,254	-	102,254
Internal balances	1,352,306	(1,352,306)	-
Mortgages	32,673	-	32,673
Water and Sewer	-	495,647	495,647
Garbage and Trash	-	91,220	91,220
Roll-off containers	-	11,157	11,157
Intergovernmental	338,867	-	338,867
Other	337,287	445,463	782,750
Inventory	59,040	92,162	151,202
Cash and cash equivalents - capital improvement account	-	163,571	163,571
Cash and cash equivalents - designated assets	792,097	-	792,097
Cash and cash equivalents - restricted assets	1,292,487	2,269,065	3,561,552
Deferred charges	-	66,616	66,616
Total current assets	11,085,435	6,464,088	17,549,523
Non-current assets:			
Capital assets:			
Nondepreciable	3,600,760	1,735,276	5,336,036
Depreciable, net of accumulated depreciation	7,807,685	24,258,035	32,065,720
Total non-current assets	11,408,445	25,993,311	37,401,756
Total assets	\$ 22,493,880	\$ 32,457,399	\$ 54,951,279
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,677,851	\$ 178,509	\$ 1,856,360
Customer deposits	-	217,855	217,855
Unearned revenue	101,770	-	101,770
Current portion of long-term liabilities	49,988	1,445,454	1,495,442
Total current liabilities	1,829,609	1,841,818	3,671,427
Long-term liabilities:			
Due in more than one year	1,151,827	11,820,085	12,971,912
Total liabilities	2,981,436	13,661,903	16,643,339
Net assets			
Invested in capital assets, net of related debt	10,506,563	12,867,301	23,373,864
Restricted for tourism	1,098,480	-	1,098,480
Restricted for debt service	-	2,051,211	2,051,211
Restricted for victims' services	11,558	-	11,558
Unrestricted	7,895,843	3,876,984	11,772,827
Total net assets	\$ 19,512,444	\$ 18,795,496	\$ 38,307,940

See notes to financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

Year ended June 30, 2010

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	\$ 3,653,829	\$ 114,932	\$ 596,489	\$ -	\$ (2,942,408)	\$ -	\$ (2,942,408)
Public safety	4,482,373	412,569	-	-	(4,069,804)	-	(4,069,804)
Public works	864,617	-	-	-	(864,617)	-	(864,617)
Code enforcement	187,303	71,498	-	-	(115,805)	-	(115,805)
Parks and playgrounds	102,767	-	-	-	(102,767)	-	(102,767)
Community service	401,993	117,665	-	-	(284,328)	-	(284,328)
Interest and fees	52,630	-	-	-	(52,630)	-	(52,630)
Total governmental activities	<u>9,745,512</u>	<u>716,664</u>	<u>596,489</u>	<u>-</u>	<u>(8,432,359)</u>	<u>-</u>	<u>(8,432,359)</u>
Business-type activities:							
Water and Sewer	5,363,105	5,787,000	-	731,674	-	1,155,569	1,155,569
Solid waste	1,323,073	1,141,793	-	-	-	(181,280)	(181,280)
Total business-type activities	<u>6,686,178</u>	<u>6,928,793</u>	<u>-</u>	<u>731,674</u>	<u>-</u>	<u>974,289</u>	<u>974,289</u>
Total primary government	<u>\$ 16,431,690</u>	<u>\$ 7,645,457</u>	<u>\$ 596,489</u>	<u>\$ 731,674</u>	<u>(8,432,359)</u>	<u>974,289</u>	<u>(7,458,070)</u>
General revenues:							
Ad valorem taxes					4,897,937	-	4,897,937
Other taxes and licenses					3,960,039	-	3,960,039
Unrestricted intergovernmental					325,019	-	325,019
Unrestricted investment earnings					33,068	19,337	52,405
Miscellaneous					82,119	387,310	469,429
Donations					50,290	-	50,290
Total general revenues					<u>9,348,472</u>	<u>406,647</u>	<u>9,755,119</u>
Change in net assets					916,113	1,380,936	2,297,049
Net assets - beginning					<u>18,596,331</u>	<u>17,414,560</u>	<u>36,010,891</u>
Net assets - ending					<u>\$ 19,512,444</u>	<u>\$ 18,795,496</u>	<u>\$ 38,307,940</u>



CITY OF LANCASTER, SOUTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 6,472,656	\$ 67,947	\$ 6,540,603
Receivables:			
Taxes, net	237,821	-	237,821
Grants	102,254	-	102,254
Intergovernmental	338,867	-	338,867
Mortgages	-	32,673	32,673
Taxes - other	276,051	61,236	337,287
Due from other funds	1,036,829	-	1,036,829
Designated assets	792,097	-	792,097
Restricted assets	194,007	1,098,480	1,292,487
Inventory	59,040	-	59,040
Advances to other funds	352,197	-	352,197
Total assets	<u>\$ 9,861,819</u>	<u>\$ 1,260,336</u>	<u>\$ 11,122,155</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,677,851	\$ -	\$ 1,677,851
Compensated absences payable	49,988	-	49,988
Due to other funds	-	36,720	36,720
Unearned revenue	101,770	-	101,770
Deferred revenues - tax rollback	96,661	-	96,661
Deferred revenues - other	209,200	-	209,200
Total liabilities	<u>2,135,470</u>	<u>36,720</u>	<u>2,172,190</u>
Fund balances:			
Reserved:			
Inventory	59,040	-	59,040
Debt payments	194,007	-	194,007
Victims' services	11,558	-	11,558
Unreserved:			
Designated for:			
Drug fund	107,673	-	107,673
Block grant	1	-	1
Downtown development	429,749	-	429,749
Main street project	5,000	-	5,000
Visitor center	-	200,000	200,000
Police department communications	67,842	-	67,842
Undesignated	6,851,479	-	6,851,479
Unreserved, reported in nonmajor Special Revenue Fund	-	1,023,616	1,023,616
Total fund balances	<u>7,726,349</u>	<u>1,223,616</u>	<u>8,949,965</u>
Total liabilities and fund balances	<u>\$ 9,861,819</u>	<u>\$ 1,260,336</u>	<u>\$ 11,122,155</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, 2010

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

Ending fund balance - governmental funds	\$	8,949,965
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets is \$19,113,589 and accumulated depreciation is \$7,705,144.	11,408,445
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Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Lot clearing fees	\$ 3,888	
Vehicle tax	31,711	
Real property tax	173,601	
Tax rollback	<u>96,661</u>	
		305,861

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	550,000	
Capitalized leases	351,882	
Compensated absences payable	<u>249,945</u>	
		<u>(1,151,827)</u>

Net assets of governmental activities	\$	<u><u>19,512,444</u></u>
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CITY OF LANCASTER, SOUTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 5,419,604	\$ 707,745	\$ 6,127,349
Fines, fees, licenses and permits	3,174,474	-	3,174,474
Intergovernmental	465,672	-	465,672
Charges for services	233,296	-	233,296
Grants	596,489	-	596,489
Interest	30,654	2,414	33,068
Other	132,409	-	132,409
Total revenues	<u>10,052,598</u>	<u>710,159</u>	<u>10,762,757</u>
Expenditures			
Current:			
General administration	2,760,628	595,961	3,356,589
Public safety	4,213,301	-	4,213,301
Public works	815,736	-	815,736
Code enforcement	183,814	-	183,814
Parks and playgrounds	97,858	-	97,858
Community service	399,636	-	399,636
Capital outlay	637,134	-	637,134
Debt service:			
Principal	315,524	-	315,524
Interest and fees	52,630	-	52,630
Total expenditures	<u>9,476,261</u>	<u>595,961</u>	<u>10,072,222</u>
Excess of revenues over expenditures	<u>576,337</u>	<u>114,198</u>	<u>690,535</u>
Other financing sources (uses)			
Transfers in	229,087	-	229,087
Transfers out	-	(229,087)	(229,087)
Total other financing sources (uses)	<u>229,087</u>	<u>(229,087)</u>	<u>-</u>
Net change in fund balances	805,424	(114,889)	690,535
Fund balance - beginning	<u>6,920,925</u>	<u>1,338,505</u>	<u>8,259,430</u>
Fund balance - ending	<u>\$ 7,726,349</u>	<u>\$ 1,223,616</u>	<u>\$ 8,949,965</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, 2010

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

Net change in fund balances - total governmental funds	\$	690,535
--	----	---------

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.

Capital outlay	\$ 637,134	
Depreciation expense	<u>(630,024)</u>	
		7,110

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Lot clearing fees	(700)	
Vehicle tax	(6,924)	
Real property tax	13,808	
Tax rollback	<u>(107,319)</u>	
		(101,135)

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.

319,601

Rounding		<u>2</u>
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Change in net assets of governmental activities	\$	<u><u>916,113</u></u>
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CITY OF LANCASTER, SOUTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund Year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 5,382,000	\$ 5,382,000	\$ 5,419,604	\$ 37,604
Fines, fees, licenses and permits	2,656,700	2,687,780	3,174,474	486,694
Intergovernmental	450,000	450,000	465,672	15,672
Charges for services	405,400	405,400	233,296	(172,104)
Grants	781,900	781,900	596,489	(185,411)
Interest	40,000	40,000	30,654	(9,346)
Other	80,200	80,200	132,409	52,209
Total revenues	<u>9,796,200</u>	<u>9,827,280</u>	<u>10,052,598</u>	<u>225,318</u>
Expenditures				
Current:				
General administration	2,972,200	2,973,930	2,760,628	213,302
Public safety	4,566,100	4,589,150	4,213,301	375,849
Public works	887,500	893,800	815,736	78,064
Code enforcement	213,100	213,100	183,814	29,286
Parks and playgrounds	98,000	98,000	97,858	142
Community service	521,600	521,600	399,636	121,964
Capital outlay	885,800	885,800	637,134	248,666
Debt service:				
Principal	316,200	316,200	315,524	676
Interest and fees	56,400	56,400	52,630	3,770
Total expenditures	<u>10,516,900</u>	<u>10,547,980</u>	<u>9,476,261</u>	<u>1,071,719</u>
Excess (deficiency) of revenues over expenditures	<u>(720,700)</u>	<u>(720,700)</u>	<u>576,337</u>	<u>1,297,037</u>
Other financing sources				
Transfers in	246,000	246,000	229,087	(16,913)
Transfers out	(465,000)	(465,000)	-	465,000
Fund balance appropriated	939,700	939,700	-	(939,700)
Total other financing sources	<u>720,700</u>	<u>720,700</u>	<u>229,087</u>	<u>(491,613)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>805,424</u>	<u>\$ 805,424</u>
Fund balance - beginning			<u>6,920,925</u>	
Fund balance - ending			<u>\$ 7,726,349</u>	



STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2010

	Enterprise Funds		
	Gross Revenue	Solid Waste	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,216,315	\$ 1,965,178	\$ 4,181,493
Receivables:			
Water and sewer	495,647	-	495,647
Garbage and trash	-	91,220	91,220
Roll-off containers	-	11,157	11,157
Other	415,355	30,108	445,463
Due from other funds	-	21,859	21,859
Inventory	92,162	-	92,162
Total current assets	3,219,479	2,119,522	5,339,001
Noncurrent assets			
Capital improvement account	163,571	-	163,571
Restricted assets:			
Customer deposits	217,855	-	217,855
Bond depreciation account	290,360	-	290,360
Bond contingency account	290,360	-	290,360
Bond debt service and reserve account	1,470,491	-	1,470,491
Total restricted assets	2,269,066	-	2,269,066
Deferred charges, net	66,616	-	66,616
Capital assets (net, where applicable, of accumulated depreciation)	24,946,598	1,046,713	25,993,311
Total noncurrent assets	27,445,851	1,046,713	28,492,564
Total assets	30,665,330	3,166,235	33,831,565
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	136,617	41,892	178,509
Compensated absences payable	103,197	36,331	139,528
Current portion of long-term debt	979,754	-	979,754
Capital leases payable - current	255,191	70,981	326,172
Customer deposits	217,855	-	217,855
Due to General Fund	623,997	376,112	1,000,109
Due to Solid Waste Fund	21,859	-	21,859
Total current liabilities	2,338,470	525,316	2,863,786
Long-term liabilities			
Advances from other funds	-	352,197	352,197
Revenue bonds and notes payable	9,052,723	-	9,052,723
Capital leases payable - long-term	2,620,702	146,659	2,767,361
Total long-term liabilities	11,673,425	498,856	12,172,281
Total liabilities	14,011,895	1,024,172	15,036,067
Net assets			
Invested in capital assets, net of related debt	12,038,228	829,073	12,867,301
Restricted for debt payments	2,051,211	-	2,051,211
Net assets unrestricted	2,563,996	1,312,990	3,876,986
Total net assets	\$ 16,653,435	\$ 2,142,063	\$ 18,795,498

See notes to financial statements.



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 Year ended June 30, 2010

	Enterprise Funds		
	Gross Revenue	Solid Waste	Total
Operating revenues			
Water and sewer charges	\$ 5,535,645	\$ -	\$ 5,535,645
Water penalties	218,310	-	218,310
Tap fees	33,044	-	33,044
Garbage fees	-	1,043,958	1,043,958
Roll-off containers	-	97,835	97,835
Other	10,350	373,678	384,028
Total operating revenues	<u>5,797,349</u>	<u>1,515,471</u>	<u>7,312,820</u>
Operating expenses			
Public works administration	217,338	-	217,338
Residential garbage	-	523,821	523,821
Commercial garbage	-	268,503	268,503
Transfer station	-	231,853	231,853
Water service	1,264,255	-	1,264,255
Utility billing	212,799	-	212,799
Wastewater treatment	931,708	-	931,708
Wastewater collection	648,077	-	648,077
General expense	554,753	125,338	680,091
Depreciation and amortization	1,152,988	161,516	1,314,504
Total operating expenses	<u>4,981,918</u>	<u>1,311,031</u>	<u>6,292,949</u>
Operating income	<u>815,431</u>	<u>204,440</u>	<u>1,019,871</u>
Nonoperating revenue (expense)			
Interest income	12,000	7,337	19,337
Interest expense	(381,182)	(12,044)	(393,226)
Insurance proceeds	3,282	-	3,282
Capital grant income	731,674	-	731,674
Total other income (expense)	<u>365,774</u>	<u>(4,707)</u>	<u>361,067</u>
Change in net assets	1,181,205	199,733	1,380,938
Total net assets - beginning	<u>15,472,230</u>	<u>1,942,330</u>	<u>17,414,560</u>
Total net assets - ending	<u>\$ 16,653,435</u>	<u>\$ 2,142,063</u>	<u>\$ 18,795,498</u>

See notes to financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

Exhibit H

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year ended June 30, 2010

	ENTERPRISE FUNDS		
	Gross Revenue	Solid Waste	Total
Operating activities			
Cash received from customers	\$ 5,404,712	\$ 1,599,849	\$ 7,004,561
Cash paid to employees	(1,413,460)	(583,468)	(1,996,928)
Cash paid to suppliers	(2,390,058)	(536,777)	(2,926,835)
Net cash provided by operating activities	1,601,194	479,604	2,080,798
Noncapital financing activities			
Due from other funds	-	(19,017)	(19,017)
Due to other funds	454,142	677,182	1,131,324
Customer deposits	1,006	-	1,006
Net cash provided by noncapital financing activities	455,148	658,165	1,113,313
Capital and related financing activities			
Loan proceeds	23,675	-	23,675
Proceeds from capital leases	1,006	1,006	2,012
Proceeds from capital grants	731,674	-	731,674
Insurance proceeds	3,282	-	3,282
Proceeds from sale of capital assets	-	-	-
Acquisition of capital assets	(960,805)	(485,085)	(1,445,890)
Principal paid on capital leases	(237,876)	(70,769)	(308,645)
Principal paid on bond and note maturities	(945,337)	-	(945,337)
Interest and bond fees	(367,603)	(12,044)	(379,647)
Net cash used in capital and related financing activities	(1,751,984)	(566,892)	(2,318,876)
Investing activities			
Interest on investments	12,000	7,337	19,337
Net cash provided by investing activities	12,000	7,337	19,337
Net increase in cash and cash equivalents/investments	316,358	578,214	894,572
Cash and cash equivalents/investments			
Beginning of year	4,332,594	1,386,964	5,719,558
End of year	\$ 4,648,952	\$ 1,965,178	\$ 6,614,130
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 815,431	\$ 204,440	\$ 1,019,871
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,152,988	161,516	1,314,504
Change in assets and liabilities			
Accounts receivable	(392,637)	84,378	(308,259)
Inventory	(27,515)	-	(27,515)
Accounts payable and accrued expenses	45,536	30,422	75,958
Compensated absences	7,391	(1,152)	6,239
Total adjustments	785,763	275,164	1,060,927
Net cash provided by operating activities	\$ 1,601,194	\$ 479,604	\$ 2,080,798
Reconciliation to statement of net assets			
Unrestricted cash and cash equivalents	\$ 2,216,315	\$ 1,965,178	\$ 4,181,493
Restricted cash and cash equivalents	2,432,637	-	2,432,637
	\$ 4,648,952	\$ 1,965,178	\$ 6,614,130

See notes to financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Agency Funds
Assets	
Cash and temporary investments	\$ 16,591
Total assets	<u>\$ 16,591</u>
Liabilities	
Due to firemen's association	\$ 16,591
Total liabilities	<u>\$ 16,591</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2010

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, 2010

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 solid waste collection services to the residential and industrial users.

The City reports the following fiduciary funds:

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, 2010

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. 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, 2010

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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, Hospitality Tax, 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.

Budgetary line item revisions within a fund in an amount in excess of \$5,000 per instance must be approved by City Council. All revisions for capital improvement items or which would increase or decrease the adopted budget's individual fund balances 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, 2010

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, 2010

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 Department of Motor Vehicles 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, 2010

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. The amount of net assets restricted for this purpose was \$2,051,211 at June 30, 2010, all of which is in the Gross Revenue Fund of the City.

Additional resources have been restricted for governmental activities related to tourism and victims' services. Their use is limited by the applicable laws of the State of South Carolina. At June 30, 2010, \$1,098,480 was restricted in the Hospitality Tax Fund for tourism and \$11,558 was restricted in the General Fund for victims' services.

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



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2010

I. Summary of Significant Accounting Policies (continued)

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

7. Capital Assets (continued)

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.

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, 2010

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.

Reserved for victims' services – fund balance designated for victims' services.

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 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, 2010

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 2009 figures have been reclassified, where appropriate, to conform with the financial statement presentation used in 2010.

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.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2010

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 \$4,154,192 and the bank balance was \$4,185,768. Of the bank balance, \$1,000,000 was covered by federal depository insurance and \$3,185,768 was covered by collateral held by the pledging financial institutions in the City's name.

At June 30, 2010, 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	\$ 1,470,491	N/A	Unrated
State Treasurer's Investment Pool	9,631,225	N/A	Unrated
Total Investments	<u>\$ 11,101,716</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, 2010

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	\$ 10,722,096
Fiduciary funds	16,591
Restricted and designated assets	<u>4,517,220</u>
 Total	 \$ <u>15,255,907</u>

2. Receivables – Allowance for Doubtful Accounts

At June 30, 2010, 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						
	General Fund	Gross Revenue Fund	Solid Waste	Nonmajor Funds	Total	Adjustments to Full-Accrual	Total
Receivables:							
Taxes	\$ 289,348	\$ -	\$ -	\$ -	\$ 289,348	\$ -	\$ 289,348
Intergovernmental	338,867	-	-	-	338,867	-	338,867
Grants	102,254	-	-	-	102,254	-	102,254
Mortgages	-	-	-	110,201	110,201	-	110,201
Water and sewer	-	495,647	-	-	495,647	-	495,647
Garbage and trash	-	-	91,220	-	91,220	-	91,220
Roll-off containers	-	-	13,993	-	13,993	-	13,993
Other	386,558	418,546	30,108	61,236	896,448	-	896,448
Gross receivables	1,117,027	914,193	135,321	171,437	2,337,978	-	2,337,978
Less: allowance for uncollectibles	162,034	3,191	2,836	77,528	245,589	-	245,589
Net total receivables	<u>\$ 954,993</u>	<u>\$ 911,002</u>	<u>\$ 132,485</u>	<u>\$ 93,909</u>	<u>\$ 2,092,389</u>	<u>\$ -</u>	<u>\$ 2,092,389</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2010

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, 2010 was as follows:

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

General administration	\$ 299,559
Public safety	264,770
Public works	57,268
Code Enforcement	3,518
Parks and playgrounds	<u>4,909</u>
Total depreciation expense	<u><u>\$ 630,024</u></u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,166,503	\$ 25,000	\$ -	\$ -	\$ 3,191,503
Construction in progress	36,335	372,922	-	-	409,257
Total capital assets not being depreciated	<u>3,202,838</u>	<u>397,922</u>	<u>-</u>	<u>-</u>	<u>3,600,760</u>
Capital assets being depreciated:					
Buildings and improvements	5,102,670	77,490	-	-	5,180,160
Machinery and Equipment	5,260,311	161,720	-	-	5,422,031
Infrastructure	4,910,639	-	-	-	4,910,639
Total capital assets being depreciated	<u>15,273,620</u>	<u>239,210</u>	<u>-</u>	<u>-</u>	<u>15,512,830</u>
Less accumulated depreciation for:					
Buildings and improvements	1,570,167	126,782	-	-	1,696,949
Machinery and Equipment	4,140,250	304,174	-	-	4,444,424
Infrastructure	1,364,704	199,068	-	-	1,563,772
Total accumulated depreciation	<u>7,075,121</u>	<u>\$ 630,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>7,705,145</u>
Total capital assets being depreciated, net	<u>8,198,499</u>				<u>7,807,685</u>
Governmental activity capital assets, net	<u><u>\$ 11,401,337</u></u>				<u><u>\$ 11,408,445</u></u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2010

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, 2010 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	135,413	848,972	-	(130,518)	853,867
Total capital assets not being depreciated	499,967	848,972	-	(130,518)	1,218,421
Capital assets being depreciated:					
Buildings	1,494,840	-	-	-	1,494,840
Equipment	4,774,601	111,833	-	-	4,886,434
Water and Sewer System	36,041,968	-	-	130,518	36,172,486
Total capital assets being depreciated	42,311,409	111,833	-	130,518	42,553,760
Less accumulated depreciation for:					
Building and building improvements	714,283	44,137	-	-	758,420
Equipment	3,196,138	284,321	-	-	3,480,459
Water and Sewer System	13,762,174	824,530	-	-	14,586,704
Total accumulated depreciation	17,672,595	\$ 1,152,988	\$ -	\$ -	18,825,583
Total capital assets being depreciated, net	24,638,814				23,728,177
Gross Revenue capital assets, net	25,138,781				24,946,598
<i>Solid Waste</i>					
Capital assets not being depreciated:					
Construction in progress	31,770	485,085	-	-	516,855
Capital assets being depreciated:					
Equipment	3,259,787	\$ -	\$ -	\$ -	3,259,787
Total capital assets being depreciated	3,259,787	-	-	-	3,259,787
Less accumulated depreciation for:					
Equipment	2,568,413	161,516	-	-	2,729,929
Total accumulated depreciation	2,568,413	\$ 161,516	\$ -	\$ -	2,729,929
Total capital assets being depreciated, net	691,374				529,858
Solid Waste capital assets, net	723,144				1,046,713
Business-type activities capital assets, net	\$ 25,861,925				\$ 25,993,311



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2010

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, 2010. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
South Main Streetscape	\$ 180,304	\$ 273,888
WWTP Disinfection Project	795,956	611,344
WWTP Effluent Pump Station	57,361	79,639
Transfer Station Expansion	392,343	472,909
Total	<u>\$ 1,425,964</u>	<u>\$ 1,437,780</u>

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at June 30, 2010, were as follows:

	Governmental-wide Financial Statements						
	Fund Financial Statements						Total
	General Fund	Other Governmental Funds	Gross Revenue Fund	Solid Waste	Total	Adjustments to Full-Accrual	
Payables:							
Accounts and vouchers	\$ 1,353,747	\$ -	\$ 63,907	\$ 29,559	\$ 1,447,213	\$ -	\$ 1,447,213
Accrued payroll and related liabilities	228,701	-	12,052	6,623	247,376	-	247,376
Accrued interest payable	7,845	-	60,603	1,810	70,258	-	70,258
Other	87,558	-	55	3,900	91,513	-	91,513
Total accounts payable and accrued liabilities	<u>\$ 1,677,851</u>	<u>\$ -</u>	<u>\$ 136,617</u>	<u>\$ 41,892</u>	<u>\$ 1,856,360</u>	<u>\$ -</u>	<u>\$ 1,856,360</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2010

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, 2010, the City leased buildings, infrastructure, vehicles, and equipment valued at:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Buildings	\$ 180,505	\$ 30,836	\$ 149,669
Infrastructure	2,943,975	251,464	2,692,511
Equipment	9,626	5,134	4,492
Vehicles	1,494,517	540,871	953,646
Total	\$ 4,628,623	\$ 828,305	\$ 3,800,318

Amortization of leased buildings, infrastructure, vehicles and equipment under capital assets is included with depreciation expense.

For the City, the future minimum lease payments as of June 30, 2010 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business - Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 205,212	\$ 11,875	\$ 326,172	\$ 113,100
2012	9,651	5,738	323,431	102,011
2013	10,516	5,338	340,719	90,682
2014	11,424	4,903	247,300	79,732
2015	12,390	4,431	199,670	71,411
2016-2020	78,366	13,617	1,262,916	219,444
2021-2022	24,323	741	393,325	11,861
	\$ 351,882	\$ 46,643	\$ 3,093,533	\$ 688,241

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, 2010

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
2011	\$ 125,000	\$ 27,390
2012	135,000	21,265
2013	140,000	14,650
2014	150,000	7,650
	<u>\$ 550,000</u>	<u>\$ 70,955</u>

4. Bond Refunding and State Revolving Loans

The City's bond refunding and state revolving loans at June 30, 2010 are comprised of the following:

1998 Bond Refunding Loan - The City advance refunded the 1988 and 1991 revenue bonds of the Gross Revenue Fund with one bond refunding during the fiscal year ended June 30, 1998 totaling \$1,825,000. 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. \$ 400,000

1996 State Revolving Loan - The City received a loan from the State Revolving Fund in the amount of \$5,760,765. The loan was 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. 2,229,070

1998 State Revolving Loan - The City received a loan from the State Revolving Fund in the amount of \$709,061 during the fiscal year ended June 30, 1999. The loan was used to defray costs associated with wastewater pump renovations. 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. 221,361



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2010

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. \$ 855,143

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. 716,539

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 \$6,253,919 for the wastewater treatment plant upgrade and expansion. The loan has an interest rate of 1% and is payable in quarterly payments of \$86,349, including principal and interest, and matures in March 2028. 5,610,364

Total Bond Refunding and State Revolving Loans	10,032,477
Less amount representing current portion	<u>979,754</u>
Long-term portion	<u>\$ 9,052,723</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
2011	\$ 979,754	\$ 217,411
2012	1,012,464	185,323
2013	830,997	156,921
2014	839,340	132,536
2015	814,769	108,977
2016 - 2020	2,630,172	309,289
2021 - 2025	1,990,482	110,067
2026 - 2028	934,499	14,094
	<u>\$ 10,032,477</u>	<u>\$ 1,234,618</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2010

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, 2009	Additions	Payments	Balance June 30, 2010	Current Portion of Long-term Liabilities
Governmental Activities:					
Capitalized leases	\$ 547,406	\$ -	\$ 195,524	\$ 351,882	\$ 205,212
General Obligation Bonds	670,000	-	120,000	550,000	125,000
Compensated absences	304,830	178,473	183,371	299,932	49,989
Total governmental activities	<u>\$ 1,522,236</u>	<u>\$ 178,473</u>	<u>\$ 498,895</u>	<u>\$ 1,201,814</u>	<u>\$ 380,201</u>
Business-type Activities:					
Capitalized leases	\$ 3,400,167	\$ 2,012	\$ 308,646	\$ 3,093,533	\$ 326,172
Refunding bond and State Revolving loans	10,954,139	23,675	945,337	10,032,477	979,754
Compensated absences	133,288	95,456	89,216	139,528	139,528
Total business-type activities	<u>\$ 14,487,594</u>	<u>\$ 121,143</u>	<u>\$ 1,343,199</u>	<u>\$ 13,265,538</u>	<u>\$ 1,445,454</u>

For governmental activities, compensated absences payable are liquidated by the General Fund.

The total interest incurred for the year ended June 30, 2010 was \$445,856. Of this amount, \$0 was capitalized as a component of the cost of capital assets constructed during the year.

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, 2010 was \$33,833,810. The computation of legal debt limits is as follows:

General obligation debt limitation (\$33,833,810 x 8%)	\$2,706,705
General obligation debt at June 30, 2010	<u>550,000</u>
Excess of debt limit over general obligation debt	<u>\$2,156,705</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2010

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. An automatic COLA adjustment of up to two percent 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 automatic annual COLA increase of up to two percent 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, 2010

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, 2010, 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 must contribute 100% of the actuarially determined employer contribution rates. 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, 2010</u>	<u>Fiscal Year Ending June 30, 2009</u>	<u>Fiscal Year Ending June 30, 2008</u>
<u>SCRS</u>				
Employee contributions	6.5%	\$216,244	\$210,606	\$198,519
Employer contributions	9.24%	\$317,818	\$307,708	\$286,827
<u>PORS</u>				
Employee contributions	6.5%	\$164,705	\$167,110	\$159,740
Employer contributions	10.65%	\$279,998	\$273,803	\$252,699

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, 2009, the measurement date for the plan year 2010, there were 178 covered participants; 17 members are retirees receiving benefits, 4 are dependents receiving benefits, and 157 are active participants.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2010

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 5.0 percent rate of return on SC Orbet fixed income securities.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
 June 30, 2010

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 2010, the City's annual OPEB cost (expense) of \$210,400 for the Plan is as follows:

Annual required contribution	\$ 211,000
Interest on net OPEB obligation	9,500
Adjustment to annual required contribution	<u>(10,100)</u>
Annual OPEB cost	210,400
Contributions made	<u>338,000</u>
Decrease in net OPEB obligation	<u><u>\$ (127,600)</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 and 2010 were as follows:

Fiscal Year <u>Ended</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2009	\$ 211,000	40%	\$ 127,000
06/30/2010	210,400	100%	(600)

Contributions to the Plan were made by the City through payment for covered participants' explicit and implicit rate subsidies and totaled \$36,300 and \$49,800, respectively for the year ended June 30, 2010. 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.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2010

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

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

The funded status of the Plan as of July 1, 2009, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 1,549,800
Actuarial value of Plan assets	<u>127,000</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,422,800</u>
Funded ratio (actuarial value of Plan assets / AAL)	8%
Covered payroll (active plan members)	\$ 5,241,300
UAAL as a percentage of covered payroll	27%

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.

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, 2009 actuarial valuation, the projected unit cost actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative and investment related expenses) and an annual healthcare cost trend rate of 8.10 percent initially, graded to a rate of 4.5 percent over 80 years. The asset valuation



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2010

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

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

Actuarial Methods and Assumptions (continued)

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, 2010, was 28 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	Unearned Revenue
Lot Clearing Fees (General Fund)	\$ 3,888	\$ -
Vehicle Tax (General Fund)	31,711	-
Real Property Tax (General Fund)	173,601	-
Tax Rollback (General Fund)	96,661	-
Performing Arts (General Fund)	-	101,770
Total	<u>\$ 305,861</u>	<u>\$ 101,770</u>

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 Financing Fund (SCMIRF) 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 the South Carolina Municipal Insurance Trust (SCMIT) 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.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2010

III. Detail Notes on All Funds (continued)

B. Liabilities (continued)

10. Risk Management (continued)

The workers' compensation policy provides coverage as required by statute. The automobile liability policy covers up to \$1,000,000 per occurrence. The comprehensive general liability policy covers up to \$1,000,000 per claim, and the crime policy covers up to \$100,000 per occurrence. The other policies essentially cover the amount of loss. In the event a claim is settled for an amount exceeding the limits of these policies, the City would have to pay the excess. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

11. Interfund Balances and Activity

a. Due From/To Other Funds

The compositions of interfund balances as of June 30, 2010 are as follows:

	Payable Fund				Total
	General Fund	Gross Revenue Fund	Solid Waste Fund	Hospitality Fund	
Receivable Fund					
General Fund	\$ -	\$ 623,997	\$ 728,309	\$ 36,720	\$ 1,389,026
Solid Waste Fund	-	21,859	-	-	21,859
	<u>\$ -</u>	<u>\$ 645,856</u>	<u>\$ 728,309</u>	<u>\$ 36,720</u>	<u>\$ 1,410,885</u>

The interfund balances, except for \$408,879 due from the Solid Waste Fund to the General Fund, were used primarily for operating purposes. These amounts are expected to be liquidated through normal operating activities of the individual funds.

On October 13, 2009, the General Fund loaned the Solid Waste Fund \$465,000 as a partial funding for expansion of the solid waste transfer station. The loan carries an interest rate of 1% and is to be repaid in annual installments of \$60,770 representing interest and principal on the loan beginning April 1, 2010 and ending April 1, 2017. As of June 30, 2010, the outstanding balance on this loan was \$408,879. Principal payments on the loan are expected to total \$56,682 in 2011, \$57,249 in 2012, \$57,822 in 2013, \$58,400 in 2014, \$58,984 in 2015, \$59,573 in 2016, and \$60,169 in 2017.

b. Interfund Transfers

During the 2010 fiscal year, the City made a one-time transfer from the Hospitality Tax Fund of \$229,087 to the General Fund.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2010

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.

The City of Lancaster owns a portion of the property formerly known as Springs Mill. An environmental site assessment of the property was prepared by the South Carolina Department of Health and Environmental Control (DHEC) in June of 2010. The report identified certain environment hazards on the property. The potential environmental remediation costs that may be incurred by the City cannot be reasonably estimated at this time but the City believes that the amount, once determined, will not be material to the financial statements.

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, 2010 was \$527,536.

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 \$559,160 for the year ended June 30, 2010.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2010

III. Detail Notes on All Funds (continued)

D. Pending Implementation of GASB Statements

The GASB has issued the following statement:

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for the City's year ending June 30, 2011. This Statement redefines the components of fund balance and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The effect of implementation of the Statement on the financial statements has not been determined.

E. SUBSEQUENT EVENTS

The City has evaluated all events subsequent to the balance sheet date of June 30, 2010, through January 5, 2011, which is the date these financial statements were issued, and have determined that there are no additional subsequent events that require disclosure.



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, 2010
(Unaudited)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$ -	\$ 1,944,000	\$ 1,944,000	0%	4,626,000	42%
July 1, 2009	127,000	1,549,800	1,422,800	8%	5,241,300	27%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Funded
2009	\$ 211,000	\$ 84,000	40%
2010	211,000	338,000	100%

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



GOVERNMENTAL FUNDS



General Fund
Comparative Balance Sheets

June 30, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents	\$ 6,472,656	\$ 6,425,792
Receivables:		
Taxes, net	237,821	228,941
Grants	102,254	-
Intergovernmental	338,867	327,611
Taxes - other	276,051	214,587
Due from other funds	1,036,829	266,959
Designated assets	792,097	774,736
Restricted assets	194,007	193,522
Inventory	59,040	2,999
Advances to other funds	352,197	-
Total assets	<u>\$ 9,861,819</u>	<u>\$ 8,435,147</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,677,851	\$ 929,421
Compensated absences payable	49,988	50,804
Net OPEB obligation	-	127,000
Unearned revenue	101,770	-
Deferred revenues - tax rollback	96,661	407,960
Deferred revenues - other	209,200	(963)
Total liabilities	<u>2,135,470</u>	<u>1,514,222</u>
Fund balances:		
Reserved:		
Inventory	59,040	2,999
Debt payments	194,007	193,522
Victims' services	11,558	32,604
Unreserved:		
Designated for:		
Drug fund	107,673	105,952
Block grant	1	1
Downtown development	429,749	322,447
Main street project	5,000	5,000
Police department communications	67,842	67,842
Undesignated	6,851,479	6,190,558
Total fund balances	<u>7,726,349</u>	<u>6,920,925</u>
Total liabilities and fund balances	<u>\$ 9,861,819</u>	<u>\$ 8,435,147</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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues:				
Taxes:				
Property taxes	\$ 3,320,000	\$ 3,203,068	\$ (116,932)	\$ 3,085,104
Vehicle taxes	222,000	208,529	(13,471)	228,172
Motor carrier taxes	85,000	66,450	(18,550)	83,730
Homestead	171,000	176,659	5,659	172,445
Delinquent taxes	55,000	152,578	97,578	135,558
Tax penalties	23,000	73,646	50,646	26,777
Local option sales tax	1,506,000	1,538,674	32,674	1,681,710
Total taxes	<u>5,382,000</u>	<u>5,419,604</u>	<u>37,604</u>	<u>5,413,496</u>
Fines, fees, licenses, and permits:				
Victim's services	30,000	26,821	(3,179)	29,311
Court fines	386,000	385,748	(252)	388,033
Duke power fees	594,000	592,626	(1,374)	465,486
Certification fees	1,700	2,000	300	1,005
Franchise fees	146,000	146,413	413	147,858
Privilege licenses	1,231,080	1,656,818	425,738	1,682,141
Building permits	37,000	71,498	34,498	35,245
Payments in lieu of taxes	262,000	292,550	30,550	217,184
Total fines, fees, licenses, and permits	<u>2,687,780</u>	<u>3,174,474</u>	<u>486,694</u>	<u>2,966,263</u>
Intergovernmental revenues:				
State shared revenue	216,000	213,629	(2,371)	254,733
Merchants inventory	71,000	71,687	687	71,687
Accommodations tax	45,000	39,702	(5,298)	47,582
Exemption	118,000	140,654	22,654	136,195
Total intergovernmental	<u>450,000</u>	<u>465,672</u>	<u>15,672</u>	<u>510,197</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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues (continued):				
Charges for services:				
Lot clearing	\$ 4,400	\$ 5,694	\$ 1,294	\$ 3,582
Fire protection contracts	44,000	41,925	(2,075)	17,562
School guards	60,000	68,012	8,012	69,616
See Lancaster	45,000	49,887	4,887	-
Performing arts	252,000	67,778	(184,222)	-
Total charges for services	405,400	233,296	(172,104)	90,760
Grants	781,900	596,489	(185,411)	292,626
Interest	40,000	30,654	(9,346)	67,937
Other revenues:				
Insurance proceeds	10,000	7,134	(2,866)	2,799
Sale of assets	15,000	-	(15,000)	18,981
Police revenues	30,000	24,118	(5,882)	31,989
Miscellaneous	12,200	89,562	77,362	61,933
Cemetery fees	10,000	9,125	(875)	9,000
Planning and zoning	3,000	2,470	(530)	3,170
Total other	80,200	132,409	52,209	127,872
Total revenues	9,827,280	10,052,598	225,318	9,469,151
Expenditures:				
General administration:				
Mayor and council:				
Personnel services	71,570	71,159	411	77,576
Operating expenses	42,730	37,199	5,531	35,392
Total mayor and council	114,300	108,358	5,942	112,968



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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures (continued):				
General administration (continued):				
City administrator:				
Personnel services	\$ 138,830	\$ 138,414	\$ 416	\$ 147,559
Operating expenses	26,450	19,798	6,652	32,332
Total city administrator	<u>165,280</u>	<u>158,212</u>	<u>7,068</u>	<u>179,891</u>
Building and grounds maintenance:				
Personnel services	130,400	128,722	1,678	130,363
Operating expenses	66,100	59,747	6,353	92,965
Total building and grounds maintenance	<u>196,500</u>	<u>188,469</u>	<u>8,031</u>	<u>223,328</u>
Human Resources:				
Personnel services	101,000	98,389	2,611	97,274
Operating expenses	54,800	44,924	9,876	49,541
Total human resources	<u>155,800</u>	<u>143,313</u>	<u>12,487</u>	<u>146,815</u>
Finance:				
Personnel services	213,950	211,878	2,072	210,864
Operating expenses	27,550	24,379	3,171	21,184
Total finance	<u>241,500</u>	<u>236,257</u>	<u>5,243</u>	<u>232,048</u>
Legal services:				
Personnel services	7,855	7,829	26	6,862
Operating expenses	92,545	92,488	57	68,400
Total legal services	<u>100,400</u>	<u>100,317</u>	<u>83</u>	<u>75,262</u>
General expense:				
Personnel services	670,000	682,608	(12,608)	616,617
Operating expenses	1,043,300	948,049	95,251	940,803
Contingency	87,000	-	87,000	-
Capital outlay	1,000	-	1,000	-
Total general expense	<u>1,801,300</u>	<u>1,630,657</u>	<u>170,643</u>	<u>1,557,420</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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures (continued):				
General administration (continued):				
Administrative services:				
Personnel services	\$ 174,900	\$ 171,991	\$ 2,909	\$ 161,255
Operating expenses	23,950	23,054	896	14,818
Total administrative services	198,850	195,045	3,805	176,073
Total general administration	2,973,930	2,760,628	213,302	2,703,805
Public safety:				
Police:				
Personnel services	2,124,100	2,061,005	63,095	2,114,370
Operating expenses	296,850	268,194	28,656	295,828
Capital outlay	125,100	6,823	118,277	1,507
Total police	2,546,050	2,336,022	210,028	2,411,705
Victims' services:				
Personnel services	43,350	43,294	56	43,854
Operating expenses	5,450	4,572	878	3,877
Total victims' services	48,800	47,866	934	47,731
Law enforcement block grant:				
Capital outlay	125,000	5,060	119,940	14,100
Judiciary:				
Personnel services	246,500	245,670	830	235,648
Operating expenses	246,300	238,174	8,126	246,754
Capital outlay	-	-	-	6,266
Total judiciary	492,800	483,844	8,956	488,668
Fire:				
Personnel services	1,218,300	1,191,644	26,656	1,167,663
Operating expenses	158,200	148,865	9,335	149,045
Total fire	1,376,500	1,340,509	35,991	1,316,708
Total public safety	4,589,150	4,213,301	375,849	4,278,912



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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures (continued):				
Public works:				
Street division:				
Personnel services	\$ 245,600	\$ 217,388	\$ 28,212	\$ 246,688
Operating expenses	428,100	401,735	26,365	373,910
Total street division	<u>673,700</u>	<u>619,123</u>	<u>54,577</u>	<u>620,598</u>
Vehicle maintenance:				
Personnel services	176,900	161,850	15,050	180,054
Operating expenses	43,200	34,763	8,437	37,021
Total vehicle maintenance	<u>220,100</u>	<u>196,613</u>	<u>23,487</u>	<u>217,075</u>
Total public works	<u>893,800</u>	<u>815,736</u>	<u>78,064</u>	<u>837,673</u>
Code enforcement:				
Personnel services	148,800	148,385	415	179,847
Operating expenses	64,300	35,429	28,871	58,062
Total code enforcement	<u>213,100</u>	<u>183,814</u>	<u>29,286</u>	<u>237,909</u>
Parks and playgrounds:				
Operating expenses	<u>98,000</u>	<u>97,858</u>	<u>142</u>	<u>97,778</u>
Community service:				
Other community services:				
Operating expenses	<u>42,000</u>	<u>6,000</u>	<u>36,000</u>	<u>50,050</u>
Total other community services	<u>42,000</u>	<u>6,000</u>	<u>36,000</u>	<u>50,050</u>
See Lancaster:				
Personnel services	108,500	107,563	937	-
Operating expenses	117,800	112,440	5,360	-
Total See Lancaster	<u>226,300</u>	<u>220,003</u>	<u>6,297</u>	<u>-</u>
Performing Arts:				
Operating expenses	<u>253,300</u>	<u>173,633</u>	<u>79,667</u>	<u>-</u>
Total Performing Arts	<u>253,300</u>	<u>173,633</u>	<u>79,667</u>	<u>-</u>
Total community service	<u>521,600</u>	<u>399,636</u>	<u>121,964</u>	<u>50,050</u>
Debt service:				
Principal	316,200	315,524	676	272,279
Interest and fees	56,400	52,630	3,770	66,723
Total debt service	<u>372,600</u>	<u>368,154</u>	<u>4,446</u>	<u>339,002</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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures (continued):				
Capital improvements:				
Capital outlay	\$ 885,800	\$ 637,134	\$ 248,666	\$ 580,296
Total expenditures	10,547,980	9,476,261	1,071,719	9,125,425
Excess of revenues over (under) expenditures	(720,700)	576,337	1,297,037	343,726
Other financing sources (uses):				
Fund balance appropriated	939,700	-	(939,700)	-
Transfer from Hospitality Tax Fund	246,000	229,087	(16,913)	-
Transfer to Solid Waste Fund	(465,000)	-	465,000	-
Total other financing sources	720,700	229,087	(491,613)	-
Excess of revenues and other sources over (under) expenditures	\$ -	805,424	\$ 805,424	343,726
Beginning of year, July 1		6,920,925		6,577,199
End of year, June 30		\$ 7,726,349		\$ 6,920,925



CITY OF LANCASTER, SOUTH CAROLINACombining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

	Southside Project	Hospitality Tax Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 67,947	\$ -	\$ 67,947
Receivables:			
Mortgages	32,673	-	32,673
Taxes - other	-	61,236	61,236
Restricted assets	-	1,098,480	1,098,480
Total assets	<u>\$ 100,620</u>	<u>\$ 1,159,716</u>	<u>\$ 1,260,336</u>
Liabilities and fund balances			
Liabilities:			
Due to other funds	\$ -	\$ 36,720	\$ 36,720
Total liabilities	<u>-</u>	<u>36,720</u>	<u>36,720</u>
Fund balances (deficit)			
Designated:			
Visitor center	-	200,000	200,000
Undesignated	100,620	922,996	1,023,616
Total fund balances	<u>100,620</u>	<u>1,122,996</u>	<u>1,223,616</u>
Total liabilities and fund balances	<u>\$ 100,620</u>	<u>\$ 1,159,716</u>	<u>\$ 1,260,336</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, 2010

	Southside Project	Hospitality Tax Fund	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ -	\$ 707,745	\$ 707,745
Interest	1,179	1,235	2,414
Total revenues	<u>1,179</u>	<u>708,980</u>	<u>710,159</u>
Expenditures			
Current:			
General administration	60,578	535,383	595,961
Total expenditures	<u>60,578</u>	<u>535,383</u>	<u>595,961</u>
Other financing sources (uses)			
Transfers out	-	(229,087)	(229,087)
Total other financing uses	<u>-</u>	<u>(229,087)</u>	<u>(229,087)</u>
Net change in fund balances	(59,399)	(55,490)	(114,889)
Fund balance - beginning	<u>160,019</u>	<u>1,178,486</u>	<u>1,338,505</u>
Fund balance - ending	<u>\$ 100,620</u>	<u>\$ 1,122,996</u>	<u>\$ 1,223,616</u>



CITY OF LANCASTER, SOUTH CAROLINASouthside Project
Comparative Balance Sheets*June 30, 2010 and 2009*

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 67,947	\$ 88,171
Mortgages	32,673	71,848
Total assets	<u>\$ 100,620</u>	<u>\$ 160,019</u>
Liabilities and fund balances		
Fund balances:		
Undesignated	100,620	160,019
Total fund balances	<u>100,620</u>	<u>160,019</u>
Total liabilities and fund balances	<u>\$ 100,620</u>	<u>\$ 160,019</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues		
Interest	\$ 1,179	\$ 1,472
Total revenues	<u>1,179</u>	<u>1,472</u>
Expenditures		
Current:		
General administration	<u>60,578</u>	<u>56,166</u>
Total expenditures	<u>60,578</u>	<u>56,166</u>
Net change in fund balances	(59,399)	(54,694)
Beginning of year, July 1	<u>160,019</u>	<u>214,713</u>
End of year, June 30	<u>\$ 100,620</u>	<u>\$ 160,019</u>



CITY OF LANCASTER, SOUTH CAROLINAHospitality Tax Fund
Comparative Balance Sheets*June 30, 2010 and 2009*

	2010	2009
Assets		
Receivables		
Taxes - other	\$ 61,236	\$ 60,925
Restricted assets	1,098,480	1,144,521
Total assets	<u>\$ 1,159,716</u>	<u>\$ 1,205,446</u>
Liabilities and fund balances		
Due to other funds	\$ 36,720	\$ 26,960
Total liabilities	<u>36,720</u>	<u>26,960</u>
Fund balances:		
Designated:		
Visitor center	200,000	200,000
Undesignated	922,996	978,486
Total fund balances	<u>1,122,996</u>	<u>1,178,486</u>
Total liabilities and fund balances	<u>\$ 1,159,716</u>	<u>\$ 1,205,446</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, 2010 and 2009

	2010	2009
Revenues		
Taxes	\$ 707,745	\$ 718,926
Interest	1,235	4,485
Total revenues	<u>708,980</u>	<u>723,411</u>
Expenditures		
Current:		
General administration	535,383	564,002
Capital outlay	-	17,320
Total expenditures	<u>535,383</u>	<u>581,322</u>
Excess of revenues over expenditures	<u>173,597</u>	<u>142,089</u>
Other financing sources (uses)		
Transfers out	(229,087)	-
Total other financing uses	<u>(229,087)</u>	<u>-</u>
Net change in fund balances	(55,490)	142,089
Beginning of year, July 1	<u>1,178,486</u>	<u>1,036,397</u>
End of year, June 30	<u><u>\$ 1,122,996</u></u>	<u><u>\$ 1,178,486</u></u>



ENTERPRISE FUNDS



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund
Comparative Balance Sheets

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,216,315	\$ 223,497
Receivables:		
Water and sewer	495,647	512,672
Other	415,355	5,693
Inventory	92,162	64,647
Total current assets	<u>3,219,479</u>	<u>806,509</u>
Noncurrent assets		
Capital improvement account	<u>163,571</u>	<u>1,874,318</u>
Restricted assets		
Customer deposits	217,855	216,849
Bond depreciation account	290,360	275,002
Bond contingency account	290,360	275,002
Bond debt service and reserve account	1,470,491	1,467,926
Total restricted assets	<u>2,269,066</u>	<u>2,234,779</u>
Deferred charges, net	<u>66,616</u>	<u>80,195</u>
Capital assets (net, where applicable, of accumulated depreciation)	<u>24,946,598</u>	<u>25,138,781</u>
Total noncurrent assets	<u>27,445,851</u>	<u>29,328,073</u>
Total assets	<u>30,665,330</u>	<u>30,134,582</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	136,617	91,081
Compensated absences payable	103,197	95,806
Current portion of long-term debt	979,754	950,867
Capital leases payable - current	255,191	239,417
Customer deposits	217,855	216,849
Due to General Fund	623,997	188,872
Due to Solid Waste Fund	21,859	2,842
Total current liabilities	<u>2,338,470</u>	<u>1,785,734</u>
Noncurrent liabilities		
Revenue bonds and notes payable	9,052,723	10,003,272
Capital leases payable - long-term	2,620,702	2,873,346
Total noncurrent liabilities	<u>11,673,425</u>	<u>12,876,618</u>
Total liabilities	<u>14,011,895</u>	<u>14,662,352</u>
Net assets		
Invested in capital assets, net of related debt	12,038,228	11,071,878
Restricted for debt payments	2,051,211	2,017,930
Net assets unrestricted	2,563,996	2,382,422
Total net assets	<u>\$ 16,653,435</u>	<u>\$ 15,472,230</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, 2010**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)*

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues				
Water and sewer charges	\$ 5,593,000	\$ 5,535,645	\$ (57,355)	\$ 6,085,169
Water penalties	202,000	218,310	16,310	193,939
Tap fees	30,000	33,044	3,044	34,003
Interest income	14,000	12,000	(2,000)	30,236
Grant income	-	-	-	32,801
Other	17,000	10,350	(6,650)	7,920
Total revenues	<u>5,856,000</u>	<u>5,809,349</u>	<u>(46,651)</u>	<u>6,384,068</u>
Expenditures				
Public works administration:				
Salaries and employee benefits	166,800	158,072	8,728	169,229
Clothing	520	388	132	230
Vehicle maintenance	2,125	2,112	13	1,525
Communications	11,875	10,506	1,369	13,371
Utilities	26,000	23,309	2,691	27,309
Repairs and maintenance	575	-	575	295
Special contracts	14,125	14,114	11	14,132
Materials and supplies	5,400	4,548	852	6,098
Miscellaneous	7,500	4,289	3,211	4,179
Total public works administration	<u>234,920</u>	<u>217,338</u>	<u>17,582</u>	<u>236,368</u>
Water service:				
Salaries and employee benefits	351,900	347,687	4,213	352,826
Clothing	8,400	8,244	156	7,986
Vehicle maintenance	67,800	67,794	6	50,717
Communications	3,275	3,266	9	3,792
Repairs and maintenance	54,000	52,286	1,714	71,316
Special contracts	54,500	51,892	2,608	80,954
Materials and supplies	203,000	202,885	115	170,124
Miscellaneous	542,725	530,201	12,524	516,759
Total water service	<u>1,285,600</u>	<u>1,264,255</u>	<u>21,345</u>	<u>1,254,474</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, 2010
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures (continued):				
Utility billing:				
Salaries and employee benefits	\$ 157,425	\$ 152,798	\$ 4,627	\$ 151,837
Communications	5,000	4,992	8	6,625
Repairs and maintenance	200	165	35	-
Special contracts	51,000	50,965	35	43,252
Materials and supplies	3,700	3,677	23	2,549
Miscellaneous	300	202	98	466
Total utility billing	<u>217,625</u>	<u>212,799</u>	<u>4,826</u>	<u>204,729</u>
Wastewater treatment:				
Salaries and employee benefits	309,200	307,331	1,869	315,674
Clothing	4,500	4,103	397	3,858
Vehicle maintenance	16,625	16,614	11	15,888
Communications	9,300	8,416	884	11,431
Utilities	194,400	193,594	806	195,323
Repairs and maintenance	197,400	107,414	89,986	170,889
Special contracts	32,000	31,995	5	50,278
Materials and supplies	30,000	24,794	5,206	38,727
Miscellaneous	286,875	237,447	49,428	265,851
Total wastewater treatment	<u>1,080,300</u>	<u>931,708</u>	<u>148,592</u>	<u>1,067,919</u>
Wastewater collection:				
Salaries and employee benefits	455,683	454,963	720	456,274
Clothing	8,700	8,671	29	5,006
Vehicle maintenance	49,400	49,356	44	49,929
Communications	1,668	1,667	1	1,539
Repairs and maintenance	34,300	34,215	85	52,090
Special contracts	34,275	34,259	16	415,219
Materials and supplies	61,102	61,102	-	69,639
Miscellaneous	4,500	3,844	656	878
Total wastewater collection	<u>649,628</u>	<u>648,077</u>	<u>1,551</u>	<u>1,050,574</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, 2010**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)*

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures (continued):				
General:				
Communications	\$ 17,500	\$ 17,201	\$ 299	\$ 15,425
Insurance	192,000	191,474	526	167,870
Repairs and maintenance	20,500	13,196	7,304	15,886
Special contracts	57,000	48,641	8,359	40,263
Miscellaneous	533,927	284,241	249,686	272,769
Total general	<u>820,927</u>	<u>554,753</u>	<u>266,174</u>	<u>512,213</u>
Debt service:				
Principal payments	1,220,600	1,183,213	37,387	1,085,454
Interest	381,200	381,182	18	386,433
Total debt service	<u>1,601,800</u>	<u>1,564,395</u>	<u>37,405</u>	<u>1,471,887</u>
Capital outlay	<u>2,319,600</u>	<u>960,805</u>	<u>1,358,795</u>	<u>1,358,133</u>
Total expenditures	<u>8,210,400</u>	<u>6,354,130</u>	<u>1,856,270</u>	<u>7,156,297</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,354,400)</u>	<u>(544,781)</u>	<u>1,809,619</u>	<u>(772,229)</u>
Other financing sources (uses)				
Fund balance appropriated	504,400	-	(504,400)	-
Loan proceeds	-	23,675	23,675	1,041,400
Capital grant income	1,850,000	731,674	(1,118,326)	-
Proceeds from capital lease	-	1,006	1,006	459,689
Total other financing sources (uses)	<u>2,354,400</u>	<u>756,355</u>	<u>(1,598,045)</u>	<u>1,501,089</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 211,574</u>	<u>\$ 211,574</u>	<u>\$ 728,860</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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

	2010	2009
Reconciliation from budgetary basis (modified accrual) to full accrual:		
Revenues and other sources over (under) expenditures	\$ 211,574	\$ 728,860
Payment of debt principal	1,183,213	1,085,454
Loan proceeds	(23,675)	(1,041,400)
Proceeds from capital lease	(1,006)	(459,689)
Insurance proceeds and other	3,282	2,602
Depreciation	(1,152,988)	(1,043,089)
Capital outlay	960,805	1,358,133
	<u>960,805</u>	<u>1,358,133</u>
Change in net assets per full accrual basis - Exhibit G	<u>\$ 1,181,205</u>	<u>\$ 630,871</u>



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2010 and 2009

	2010	2009
Operating activities		
Cash received from customers	\$ 5,404,712	\$ 6,281,350
Cash received from grants	-	32,801
Cash paid to employees	(1,413,460)	(1,445,061)
Cash paid to suppliers	(2,390,058)	(3,534,051)
Net cash provided by operating activities	<u>1,601,194</u>	<u>1,335,039</u>
Noncapital financing activities		
Due to other funds	454,142	(339,596)
Customer deposits	1,006	7,550
Net cash provided by (used in) noncapital activities	<u>455,148</u>	<u>(332,046)</u>
Capital and related financing activities		
Loan proceeds	23,675	1,041,400
Proceeds from capital lease	1,006	-
Proceeds from capital grants	731,674	-
Insurance proceeds	3,282	-
Proceeds from sale of capital assets	-	6,811
Acquisition of capital assets	(960,805)	(898,443)
Principal paid on capital leases	(237,876)	(161,673)
Principal paid on bond and note maturities	(945,337)	(924,686)
Interest and bond fees	(367,603)	(372,854)
Net cash used in capital and related financing activities	<u>(1,751,984)</u>	<u>(1,309,445)</u>
Investing activities		
Interest on investments	12,000	30,236
Net cash provided by investing activities	<u>12,000</u>	<u>30,236</u>
Net increase (decrease) in cash and cash equivalents/investments	316,358	(276,216)
Cash and cash equivalents/investments		
Beginning of year	<u>4,332,594</u>	<u>4,608,810</u>
End of year	<u>\$ 4,648,952</u>	<u>\$ 4,332,594</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 815,431	\$ 984,466
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,152,988	1,043,089
Change in assets and liabilities		
Accounts receivable	(392,637)	(39,681)
Inventory	(27,515)	4,498
Accounts payable and accrued expenses	45,536	(658,112)
Compensated absences	7,391	779
Total adjustments	<u>785,763</u>	<u>350,573</u>
Net cash provided by operating activities	<u>\$ 1,601,194</u>	<u>\$ 1,335,039</u>
Noncash capital activity		
Purchase of fixed assets with capital lease	<u>\$ -</u>	<u>\$ 459,689</u>



CITY OF LANCASTER, SOUTH CAROLINA

Solid Waste Fund Comparative Balance Sheets

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,965,178	\$ 1,386,964
Receivables:		
Garbage and trash	91,220	86,432
Roll-off containers	11,157	13,456
Other	30,108	116,975
Due from other funds	21,859	2,842
Total current assets	<u>2,119,522</u>	<u>1,606,669</u>
Capital assets (net, where applicable, of accumulated depreciation)	<u>1,046,713</u>	<u>723,144</u>
Total noncurrent assets	<u>1,046,713</u>	<u>723,144</u>
Total assets	<u>3,166,235</u>	<u>2,329,813</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	41,892	11,470
Compensated absences payable	36,331	37,483
Capital leases payable - current	70,981	69,049
Due to General Fund	376,112	51,127
Total current liabilities	<u>525,316</u>	<u>169,129</u>
Noncurrent liabilities		
Advances from other funds	352,197	-
Capital leases payable - long-term	146,659	218,354
Total noncurrent liabilities	<u>498,856</u>	<u>218,354</u>
Total liabilities	<u>1,024,172</u>	<u>387,483</u>
Net assets		
Invested in capital assets, net of related debt	829,073	435,741
Net assets unrestricted	1,312,990	1,506,589
Total net assets	<u>\$ 2,142,063</u>	<u>\$ 1,942,330</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, 2010**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)*

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues				
Garbage fees	\$ 1,075,400	\$ 1,043,958	\$ (31,442)	\$ 1,021,213
Roll-off containers	93,000	97,835	4,835	96,045
Interest	7,000	7,337	337	13,436
Other	324,000	373,678	49,678	341,097
Total revenues	<u>1,499,400</u>	<u>1,522,808</u>	<u>23,408</u>	<u>1,471,791</u>
Expenditures				
General:				
Insurance	101,250	61,710	39,540	55,072
Repairs and maintenance	180,500	-	180,500	85
Special contracts	116,600	5,724	110,876	5,650
Miscellaneous	86,650	57,904	28,746	56,279
Total general	<u>485,000</u>	<u>125,338</u>	<u>359,662</u>	<u>117,086</u>
Residential garbage:				
Salaries and employee benefits	382,500	382,305	195	374,704
Clothing	6,600	6,566	34	5,618
Communications	1,500	977	523	1,115
Vehicle maintenance	109,400	109,386	14	55,831
Materials and supplies	24,100	23,765	335	3,633
Miscellaneous	1,000	822	178	1,608
Total residential garbage	<u>525,100</u>	<u>523,821</u>	<u>1,279</u>	<u>442,509</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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures (continued):				
Commerical garbage:				
Salaries and employee benefits	\$ 78,000	\$ 77,028	\$ 972	\$ 77,485
Clothing	1,500	1,408	92	770
Vehicle maintenance	58,850	58,803	47	51,751
Repairs and maintenance	500	-	500	-
Special contracts	115,050	113,747	1,303	101,231
Materials and supplies	19,200	16,821	2,379	8,938
Miscellaneous	900	696	204	309
Total commercial garbage	<u>274,000</u>	<u>268,503</u>	<u>5,497</u>	<u>240,484</u>
Transfer station:				
Salaries and employee benefits	145,300	122,983	22,317	98,655
Clothing	2,650	2,622	28	1,232
Vehicle maintenance	117,000	100,808	16,192	96,625
Communications	1,350	1,336	14	1,148
Repairs and maintenance	3,000	2,262	738	3,000
Special contracts	4,850	939	3,911	1,861
Materials and supplies	5,000	903	4,097	2,784
Miscellaneous	550	-	550	-
Total transfer station	<u>279,700</u>	<u>231,853</u>	<u>47,847</u>	<u>205,305</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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures (continued):				
Debt service:				
Principal	\$ 128,970	\$ 70,768	\$ 58,202	\$ 33,305
Interest	8,500	12,044	(3,544)	3,913
Total debt service	<u>137,470</u>	<u>82,812</u>	<u>54,658</u>	<u>37,218</u>
Capital outlay	<u>784,000</u>	<u>485,085</u>	<u>298,915</u>	<u>387,680</u>
Total expenditures	<u>2,485,270</u>	<u>1,717,412</u>	<u>767,858</u>	<u>1,430,282</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(985,870)</u>	<u>(194,604)</u>	<u>791,266</u>	<u>41,509</u>
Other financing sources (uses)				
Fund balance appropriated	520,870	-	(520,870)	-
Proceeds from capital lease	-	1,006	1,006	321,667
Transfer from General Fund	<u>465,000</u>	<u>-</u>	<u>(465,000)</u>	<u>-</u>
Total other financing uses	<u>985,870</u>	<u>1,006</u>	<u>(984,864)</u>	<u>321,667</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (193,598)</u>	<u>\$ (193,598)</u>	<u>\$ 363,176</u>
			2010	2009
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues and other sources over expenditures			\$ (193,598)	\$ 363,176
Payment of debt principal			70,768	33,305
Proceeds from capital lease			(1,006)	(321,667)
Depreciation			(161,516)	(141,115)
Capital outlay			<u>485,085</u>	<u>387,680</u>
Change in net assets per full accrual basis - Exhibit G			<u>\$ 199,733</u>	<u>\$ 321,379</u>



CITY OF LANCASTER, SOUTH CAROLINA

Schedule 15

Solid Waste Fund
Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating activities		
Cash received from customers	\$ 1,599,849	\$ 1,379,196
Cash paid to employees	(583,468)	(553,412)
Cash paid to suppliers	<u>(536,777)</u>	<u>(446,937)</u>
Net cash provided by operating activities	<u>479,604</u>	<u>378,847</u>
Noncapital financing activities		
Due from other funds	(19,017)	(948)
Due to other funds	<u>677,182</u>	<u>19,748</u>
Net cash provided by noncapital activities	<u>658,165</u>	<u>18,800</u>
Capital and related financing activities		
Acquisition of capital assets	(485,085)	(66,014)
Proceeds from capital lease	1,006	-
Principal paid on capital leases	(70,769)	(34,264)
Interest and bond fees	<u>(12,044)</u>	<u>(3,913)</u>
Net cash used in capital and related financing activities	<u>(566,892)</u>	<u>(104,191)</u>
Investing activities		
Interest on investments	<u>7,337</u>	<u>13,436</u>
Net cash provided by investing activities	<u>7,337</u>	<u>13,436</u>
Net increase (decrease) in cash and cash equivalents/investments	578,214	306,892
Cash and cash equivalents/investments		
Beginning of year	<u>1,386,964</u>	<u>1,080,072</u>
End of year	<u>\$ 1,965,178</u>	<u>\$ 1,386,964</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 204,440	\$ 311,856
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	161,516	141,115
Change in assets and liabilities		
Accounts receivable	84,378	(79,159)
Accounts payable and accrued expenses	30,422	7,603
Compensated absences	<u>(1,152)</u>	<u>(2,568)</u>
Total adjustments	<u>275,164</u>	<u>66,991</u>
Net cash provided by operating activities	<u>\$ 479,604</u>	<u>\$ 378,847</u>
Noncash capital activity		
Purchase of fixed assets with capital lease	<u>\$ -</u>	<u>\$ 321,667</u>



FIDUCIARY FUND



CITY OF LANCASTER, SOUTH CAROLINA

Fiduciary Fund Type- Agency Fund- Firemen's Fund

Comparative Statement of Fiduciary Net Assets
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and temporary investments	\$ 16,591	\$ 16,735
Total assets	<u>\$ 16,591</u>	<u>\$ 16,735</u>
Liabilities		
Due to firemen's association	\$ 16,591	\$ 16,735
Total liabilities	<u>\$ 16,591</u>	<u>\$ 16,735</u>



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Changes in Fiduciary Assets and Liabilities Agency Funds

June 30, 2010

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>
Firemen's Fund				
Assets				
Cash and temporary investments	\$ 16,735	\$ 14,082	\$ 14,226	\$ 16,591
Total assets	<u>\$ 16,735</u>	<u>\$ 14,082</u>	<u>\$ 14,226</u>	<u>\$ 16,591</u>
Liabilities				
Due to firemen's association	\$ 16,735	\$ 14,082	\$ 14,226	\$ 16,591
Total liabilities	<u>\$ 16,735</u>	<u>\$ 14,082</u>	<u>\$ 14,226</u>	<u>\$ 16,591</u>



OTHER FINANCIAL INFORMATION SECTION



CITY OF LANCASTER, SOUTH CAROLINASchedule of Debt Coverage
Gross Revenue Fund*For the Fiscal Year Ended June 30, 2010*

Operating revenues	<u>\$ 6,529,023</u>
Operating expenses (including depreciation)	4,454,382
Contract with Lancaster Water and Sewer District	<u>527,536</u>
Total operating expenses	<u>4,981,918</u>
Nonoperating revenues (expenses):	
Interest income	12,000
Interest expense and bond fees	(381,182)
Insurance proceeds	<u>3,282</u>
Total nonoperating expense	<u>(365,900)</u>
Net income	<u>1,181,205</u>
Add:	
Depreciation allowance	1,152,988
Interest and fees on bonds	<u>381,182</u>
Total additions	<u>1,534,170</u>
Net earnings	<u>\$ 2,715,375</u>
Debt service requirements	<u>\$ 1,191,286</u>
Debt coverage ratio	<u>2.28</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, 2010

Funds available for the year ended June 30, 2009	<u>\$ 32,604</u>
Victims' percentage of assessments	<u>26,821</u>
Total revenues	26,821
Actual expenditures	<u>(47,867)</u>
Grant and assessment receipts under expenditures	<u>(21,046)</u>
Funds available for the year ended June 30, 2010	<u><u>\$ 11,558</u></u>



CITY OF LANCASTER, SOUTH CAROLINA

Schedule of Victims' Fines, Assessments and Fees Collected

For the Fiscal Year Ended June 30, 2010

	Retained By City				Remitted to State		Total Collected
	Victim Assessment	Victim Surcharge	Fines Collected	Other Revenue	Assessment	Other Fees	
July-09	\$ 1,399	\$ 514	\$ 11,097	\$ 1,301	\$ 11,131	\$ 3,610	\$ 29,052
August-09	1,409	754	10,914	1,094	11,280	4,557	30,008
September-09	1,414	899	11,877	2,775	11,311	5,846	34,122
October-09	1,045	618	8,284	925	8,315	4,111	23,298
November-09	1,541	496	12,047	696	12,265	4,913	31,958
December-09	1,123	406	9,308	1,098	8,938	4,325	25,198
January-10	2,261	739	18,073	2,204	17,996	8,153	49,426
February-10	1,842	786	15,143	720	14,685	4,355	37,531
March-10	2,519	679	20,044	1,543	20,051	8,580	53,416
April-10	1,544	699	11,952	973	12,285	5,703	33,156
August-10	1,428	565	11,201	766	11,364	5,375	30,699
June-10	1,525	615	12,447	2,151	12,149	5,818	34,705
	<u>\$ 19,050</u>	<u>\$ 7,770</u>	<u>\$ 152,387</u>	<u>\$ 16,246</u>	<u>\$ 151,770</u>	<u>\$ 65,346</u>	<u>\$ 412,569</u>



STATISTICAL SECTION - UNAUDITED



CITY OF LANCASTER, SOUTH CAROLINA

Net Assets by Component,
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	\$ 7,652,734	\$ 8,396,369	\$ 8,290,654	\$ 9,783,893	\$ 10,127,959	\$ 10,189,630	\$ 10,183,930	\$ 10,506,563
Restricted for tourism	92,316	409,141	705,201	1,095,633	821,582	979,272	1,144,521	1,098,480
Restricted for debt service	171,694	179,433	181,197	184,256	187,659	191,129	193,522	-
Unrestricted	4,232,441	4,391,770	5,189,683	5,470,942	6,343,575	6,961,829	7,074,358	7,907,401
Total governmental activities net assets	\$ 12,149,185	\$ 13,376,713	\$ 14,366,735	\$ 16,534,724	\$ 17,480,775	\$ 18,321,860	\$ 18,596,331	\$ 19,512,444
Business-type activities								
Invested in capital assets, net of related debt	\$ 7,544,749	\$ 7,641,105	\$ 7,912,706	\$ 8,121,010	\$ 10,637,771	\$ 11,652,353	\$ 11,507,618	\$ 12,867,301
Restricted for debt service	1,337,813	1,373,490	1,413,093	1,522,996	1,923,007	2,008,618	2,017,930	2,057,211
Restricted for CDBG	-	7,630	-	-	-	-	-	-
Unrestricted	1,955,006	2,518,494	3,241,612	4,036,351	2,754,263	2,801,339	3,889,012	3,870,984
Total business-type activities net assets	\$ 10,837,568	\$ 11,540,719	\$ 12,567,411	\$ 13,680,357	\$ 15,315,041	\$ 16,462,310	\$ 17,414,560	\$ 18,795,496
Primary government								
Invested in capital assets, net of related debt	\$ 15,197,483	\$ 16,037,474	\$ 16,203,360	\$ 17,904,903	\$ 20,765,730	\$ 21,841,983	\$ 21,691,548	\$ 23,373,864
Restricted for tourism	92,316	409,141	705,201	1,095,633	821,582	979,272	1,144,521	1,098,480
Restricted for debt service	1,509,507	1,552,923	1,594,290	1,707,252	2,110,666	2,199,747	2,211,452	2,057,211
Restricted for CDBG	-	7,630	-	-	-	-	-	-
Unrestricted	6,187,447	6,910,264	8,431,295	9,507,293	9,097,838	9,763,168	10,963,370	11,778,385
Total primary government net assets	\$ 22,986,753	\$ 24,917,432	\$ 26,934,146	\$ 30,215,081	\$ 32,795,816	\$ 34,784,170	\$ 36,010,891	\$ 38,307,940

Note: The City of Lancaster began to report accrual implementation when it implemented GASB 34 in fiscal year 2003.



CITY OF LANCASTER, SOUTH CAROLINA

Changes in Net Assets, Last Eight Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities								
General administration	\$ 2,361,500	\$ 2,396,872	\$ 2,483,485	\$ 2,871,033	\$ 3,965,591	\$ 3,532,169	\$ 3,828,191	\$ 3,653,829
Public safety	4,013,558	4,158,116	4,262,256	4,518,843	4,344,021	4,644,590	4,591,769	4,482,373
Public works	843,840	905,991	853,950	826,893	874,349	925,599	899,345	864,617
Code enforcement	194,122	206,679	236,330	223,674	235,403	234,941	240,646	187,303
Parks and playgrounds	90,063	93,819	96,954	96,954	101,470	101,470	101,470	102,767
Community service	28,500	42,000	80,444	109,071	68,313	42,629	51,557	401,993
Interest and fees	87,341	78,199	67,873	60,601	101,629	75,436	66,723	52,630
Total governmental activities expense	<u>7,618,924</u>	<u>7,881,676</u>	<u>8,081,292</u>	<u>8,707,069</u>	<u>9,690,776</u>	<u>9,556,834</u>	<u>9,779,701</u>	<u>9,745,512</u>
Business-type activities								
Water and sewer	4,407,642	4,505,020	4,642,388	4,702,789	4,847,371	5,039,653	5,755,799	5,363,105
Solid waste	835,695	872,471	869,309	1,012,012	1,081,289	1,221,561	1,150,412	1,323,073
Total business-type activities expense	<u>5,243,337</u>	<u>5,377,491</u>	<u>5,511,697</u>	<u>5,714,801</u>	<u>5,928,660</u>	<u>6,261,214</u>	<u>6,906,211</u>	<u>6,686,178</u>
Total primary government expenses	<u>\$ 12,862,261</u>	<u>\$ 13,259,167</u>	<u>\$ 13,592,989</u>	<u>\$ 14,421,870</u>	<u>\$ 15,619,436</u>	<u>\$ 15,818,048</u>	<u>\$ 16,685,912</u>	<u>\$ 16,431,690</u>
Program revenues								
Governmental activities								
Charges for service:								
General administration	\$ 122,078	\$ 123,572	\$ 136,711	\$ 113,309	\$ 91,486	\$ 110,279	\$ 90,645	\$ 114,932
Public safety	398,550	432,874	515,992	567,776	500,795	492,520	417,344	412,569
Public works	-	-	-	-	-	-	-	-
Code enforcement	36,661	79,808	40,956	60,510	49,505	58,813	35,245	71,498
Parks and playgrounds	-	-	-	-	-	-	-	-
Community service	-	-	-	-	-	-	-	117,665
Interest and fees	-	-	-	-	-	-	-	-
Operating grants and contributions	173,345	178,302	101,150	1,315,171	568,572	364,464	292,626	596,489
Capital grants and contributions	-	-	-	-	-	-	9,795	-
Total governmental activities program revenues	<u>730,634</u>	<u>814,556</u>	<u>794,809</u>	<u>2,056,766</u>	<u>1,210,358</u>	<u>1,026,076</u>	<u>845,655</u>	<u>1,313,153</u>
Business-type activities								
Water and sewer	4,582,571	4,897,357	5,283,028	5,292,750	5,637,329	5,335,291	6,313,111	5,787,000
Solid waste	994,678	1,015,582	1,022,655	1,162,975	1,138,386	1,132,010	1,117,258	1,141,793
Operating grants and contributions	-	-	-	180,044	502,805	609,084	32,801	731,674
Capital grants and contributions	-	106,000	161,879	-	-	-	-	-
Total business-type activities program revenues	<u>5,577,249</u>	<u>6,018,939</u>	<u>6,467,562</u>	<u>6,635,769</u>	<u>7,278,520</u>	<u>7,076,385</u>	<u>7,463,170</u>	<u>7,660,467</u>
Total primary government program revenues	<u>\$ 6,307,883</u>	<u>\$ 6,833,495</u>	<u>\$ 7,262,371</u>	<u>\$ 8,692,535</u>	<u>\$ 8,488,878</u>	<u>\$ 8,102,461</u>	<u>\$ 8,308,825</u>	<u>\$ 8,973,620</u>

Note: The City began to report accrual information when it implemented GASB 34 in fiscal year 2003.



CITY OF LANCASTER, SOUTH CAROLINA

Changes in Net Assets, Last Eight Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Net (expense)/revenue								
Governmental activities	\$ (6,888,290)	\$ (7,067,120)	\$ (7,286,483)	\$ (6,650,303)	\$ (8,480,418)	\$ (8,530,758)	\$ (8,934,046)	\$ (8,432,359)
Business-type activities	333,912	641,448	955,865	920,968	1,349,860	815,171	556,959	974,289
Total primary government net expense	<u>(6,554,378)</u>	<u>(6,425,672)</u>	<u>(6,330,618)</u>	<u>(5,729,335)</u>	<u>(7,130,558)</u>	<u>(7,715,587)</u>	<u>(8,377,087)</u>	<u>(7,458,070)</u>
General revenues and other changes in net assets								
Governmental activities								
Ad valorem taxes	4,481,673	4,261,840	4,446,987	4,628,579	4,852,881	4,843,596	4,754,054	4,897,937
Other taxes and licenses	2,680,932	3,174,839	3,339,415	3,566,245	3,811,441	3,858,938	3,886,268	3,960,039
Unrestricted intergovernmental	326,192	337,191	344,288	372,110	366,282	387,057	374,003	325,019
Unrestricted investment earnings	44,740	45,035	69,671	171,880	263,169	216,594	73,893	33,068
Miscellaneous	55,400	72,543	76,144	79,478	105,041	65,258	108,890	82,119
Donations	-	-	-	-	-	-	-	50,290
Gain on sale of capital assets	-	-	-	-	27,655	400	11,409	-
Total governmental activities	<u>7,588,937</u>	<u>7,891,448</u>	<u>8,276,505</u>	<u>8,818,292</u>	<u>9,426,469</u>	<u>9,371,843</u>	<u>9,208,517</u>	<u>9,348,472</u>
Business-type activities								
Unrestricted investment earnings	30,142	28,549	60,003	186,112	258,609	184,807	43,672	19,337
Miscellaneous	-	-	8,312	4,266	4,218	147,200	349,017	387,310
Gain on sale of capital assets	80,063	12,425	2,512	1,600	21,997	92	2,602	-
Total business-type activities	<u>110,205</u>	<u>40,974</u>	<u>70,827</u>	<u>191,978</u>	<u>284,824</u>	<u>332,099</u>	<u>395,291</u>	<u>406,647</u>
Change in net assets								
Governmental activities	700,647	824,328	990,022	2,167,989	946,051	841,085	274,471	916,113
Business-type activities	444,117	682,422	1,026,692	1,112,946	1,634,684	1,147,270	952,250	1,380,936
Total primary government	<u>\$ 1,144,764</u>	<u>\$ 1,506,750</u>	<u>\$ 2,016,714</u>	<u>\$ 3,280,935</u>	<u>\$ 2,580,735</u>	<u>\$ 1,988,355</u>	<u>\$ 1,226,721</u>	<u>\$ 2,297,049</u>

Note: The City began to report accrual information when it implemented GASB 34 in fiscal year 2003.



CITY OF LANCASTER, SOUTH CAROLINA

Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 199,919	\$ 226,230	\$ 193,041	\$ 193,533	\$ 192,977	\$ 1,156,307	\$ 329,040	\$ 196,184	\$ 196,521	\$ 253,047
Unreserved:										
Designated	71,002	225,328	323,618	300,524	275,262	341,624	400,024	475,458	533,846	621,823
Undesignated	3,078,401	3,003,493	3,159,766	3,629,625	4,406,930	5,059,425	5,329,537	5,905,557	6,190,558	6,851,479
Total General Fund	<u>\$ 3,349,322</u>	<u>\$ 3,455,051</u>	<u>\$ 3,676,425</u>	<u>\$ 4,123,682</u>	<u>\$ 4,875,169</u>	<u>\$ 6,557,356</u>	<u>\$ 6,058,601</u>	<u>\$ 6,577,199</u>	<u>\$ 6,920,925</u>	<u>\$ 7,726,349</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	4,757	-	-	-	-	50,000	100,000	150,000	200,000	200,000
Undesignated	279,174	250,937	344,071	646,180	974,949	828,638	967,378	1,101,110	1,138,505	1,023,616
Total all other governmental funds	<u>\$ 283,931</u>	<u>\$ 250,937</u>	<u>\$ 344,071</u>	<u>\$ 646,180</u>	<u>\$ 974,949</u>	<u>\$ 878,638</u>	<u>\$ 1,067,378</u>	<u>\$ 1,251,110</u>	<u>\$ 1,338,505</u>	<u>\$ 1,223,616</u>



CITY OF LANCASTER, SOUTH CAROLINA

Changes in Fund Balances, Governmental Funds
Last Eight Fiscal Years

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Taxes	\$ 4,916,663	\$ 5,306,180	\$ 5,549,200	\$ 5,680,491	\$ 5,966,935	\$ 5,995,316	\$ 6,132,422	\$ 6,127,349
Fines, fees, licenses and permits	2,454,911	2,608,132	2,680,491	2,968,236	3,032,912	3,164,720	2,966,263	3,174,474
Intergovernmental	368,681	375,153	421,431	446,129	487,705	520,489	510,197	465,672
Charges for services	122,078	123,572	119,682	129,113	88,216	110,163	90,760	233,296
Grants	173,345	178,302	115,511	429,228	568,572	364,464	292,626	596,489
Interest	44,740	45,035	69,671	171,874	263,170	216,594	73,894	33,068
Other	61,707	81,537	85,459	104,940	75,527	65,659	127,872	132,409
Total revenues	<u>8,142,125</u>	<u>8,717,911</u>	<u>9,041,445</u>	<u>9,930,011</u>	<u>10,483,037</u>	<u>10,437,405</u>	<u>10,194,034</u>	<u>10,762,757</u>
Expenditures								
General administration	2,030,907	2,227,878	2,307,898	2,738,928	3,409,733	3,120,908	3,323,973	3,356,589
Public safety	3,674,085	3,982,201	3,940,762	4,207,366	4,031,147	4,370,796	4,278,912	4,213,301
Public works	794,095	860,681	804,792	790,905	800,594	855,822	837,673	815,736
Code enforcement	194,013	206,679	233,950	222,623	234,977	232,238	237,909	183,814
Parks and playgrounds	86,306	90,050	93,195	93,195	97,778	97,778	97,778	97,858
Community service	28,500	42,000	80,444	109,071	68,313	42,629	50,050	399,636
Capital outlay	658,055	276,489	217,699	1,011,144	1,699,778	599,768	597,616	637,134
Debt service:								
Principal	274,427	204,368	214,576	189,763	349,103	339,700	272,279	315,524
Interest and fees	87,229	78,199	67,873	60,601	101,629	75,436	66,723	52,630
Total expenditures	<u>7,827,617</u>	<u>7,968,545</u>	<u>7,961,189</u>	<u>9,423,596</u>	<u>10,793,052</u>	<u>9,735,075</u>	<u>9,762,913</u>	<u>10,072,222</u>
Excess of revenues over (under) expenditures	314,508	749,366	1,080,256	506,415	(310,015)	702,330	431,121	690,535
Other financing sources (uses)								
Transfers in	-	197,500	148,000	283,126	39,178	-	-	229,087
Transfers out	-	(197,500)	(148,000)	(283,126)	(39,178)	-	-	(229,087)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 314,508</u>	<u>\$ 749,366</u>	<u>\$ 1,080,256</u>	<u>\$ 506,415</u>	<u>\$ (310,015)</u>	<u>\$ 702,330</u>	<u>\$ 431,121</u>	<u>\$ 690,535</u>
Debt service as a percentage of noncapital expenditures	<u>5.04%</u>	<u>3.67%</u>	<u>3.65%</u>	<u>2.98%</u>	<u>4.96%</u>	<u>4.54%</u>	<u>3.70%</u>	<u>3.90%</u>



CITY OF LANCASTER, SOUTH CAROLINA

Tax Revenues by Source, Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Business License</u>	<u>Hospitality</u>	<u>Total</u>
2001	\$ 2,296,065	\$ 1,155,375	\$ -	\$ 3,451,440
2002	2,504,968	1,220,270	-	3,725,238
2003	2,952,346	1,287,116	138,681	4,378,143
2004	2,708,976	1,290,596	581,926	4,581,498
2005	2,866,132	1,403,363	620,706	4,890,201
2006	2,982,590	1,563,831	675,163	5,221,584
2007	3,122,112	1,665,166	716,850	5,504,128
2008	3,030,884	1,636,388	700,488	5,367,760
2009	3,085,104	1,682,141	718,926	5,486,171
2010	3,203,068	1,656,818	707,745	5,567,631
Change 2000-2010	\$ 907,003	\$ 501,443	\$ 707,745	\$ 2,116,191



CITY OF LANCASTER, SOUTH CAROLINA

Assessed Value and Estimated Market Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Total		Assessed Value as a Percentage of Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Taxable Value	Assessed Value	Estimated Actual Taxable Value	Assessed Value	Estimated Actual Taxable Value		
2001	\$ 17,680,380	\$ 331,915,317	\$ 8,753,535	\$ 83,444,604	\$ 26,433,915	\$ 415,359,921	6.36%	140.1
2002	18,060,781	335,949,100	9,457,752	91,291,422	27,518,533	427,240,522	6.44%	140.1
2003	18,858,120	350,112,092	10,497,477	103,521,212	29,355,597	453,633,304	6.47%	142.1
2004	18,951,990	351,605,652	9,837,904	97,357,647	28,789,894	448,963,299	6.41%	144.0
2005	19,457,770	360,603,098	9,776,550	98,932,161	29,234,320	459,535,259	6.36%	147.0
2006	19,696,190	363,992,250	9,539,240	98,355,864	29,235,430	462,348,114	6.32%	150.0
2007	23,416,790	435,769,417	9,824,160	103,489,016	33,240,950	539,258,433	6.16%	137.0
2008	23,898,380	444,040,000	9,629,965	104,329,824	33,528,345	548,369,824	6.11%	140.0
2009	24,041,806	446,813,566	9,660,688	104,539,989	33,702,494	551,353,555	6.11%	143.5
2010	24,276,030	450,874,564	9,970,555	99,180,999	34,246,585	550,055,563	6.23%	143.5

Source: Lancaster County Auditor

Note: Real property in Lancaster County is reassessed once every four years with a one year lag for implementation, unless there is a physical or legal change affecting the property. The County assesses real property at 4-6% (legal residency is 4%) of the appraised value. Personal property is assessed at 10.5% of market value, except railroads (9.5%), motor homes (6%) and motor vehicles (6%). The motor vehicle assessment ratio has been declining by 0.75% each year since 2002 and stopped at 6% in 2007.



CITY OF LANCASTER, SOUTH CAROLINA

Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rate per 1,000 of assessed value)

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Lancaster County</u>	<u>USC - Lancaster</u>	<u>Lancaster County School District</u>	<u>Total Direct & Overlapping</u>
2001	140.10	62.00	2.00	164.00	368.10
2002	140.10	66.00	2.00	167.00	375.10
2003	142.10	67.00	2.50	172.00	383.60
2004	144.00	70.73	2.50	177.00	394.23
2005	147.00	76.50	3.50	182.00	409.00
2006	150.00	86.50	3.50	182.00	422.00
2007	137.00	71.50	3.00	157.50	369.00
2008	140.00	75.90	3.10	167.00	386.00
2009	143.50	82.20	3.30	172.00	401.00
2010	143.50	80.90	3.30	172.00	399.70

Source: Lancaster County Auditor

Note: Millage rates were rolled back in fiscal years 2001 and 2007 due to real property reassessments.



CITY OF LANCASTER, SOUTH CAROLINA

Principal Property Taxpayers,
Current and Nine Years Ago

Taxpayer	Tax Year 2009			Tax Year 2001		
	Taxable Assessed Value	Rank	% of Total City Assessed Value	Taxable Assessed Value	Rank	% of Total City Assessed Value
Lancaster Hospital Corp	\$ 4,349,990	1	12.70%	\$ 3,647,080	1	13.25%
The Gillette Company	4,098,650	2	11.97%	1,922,267	2	6.99%
Springland Associates, LLC	2,157,970	3	6.30%	1,811,250	3	6.58%
Kanawha Insurance Company	1,165,940	4	3.41%	679,250	5	2.47%
Duke Energy Corp	778,170	5	2.27%	800,300	4	2.91%
Lancaster Telephone Company	514,900	6	1.50%	678,300	6	2.46%
Founders Federal Credit Union	415,550	7	1.21%	290,620	9	1.06%
HD Development of Maryland Inc.	375,930	8	1.10%			
Laner Center LLC	361,570	9	1.06%			
Springland Inc.	298,610	10	0.87%	337,366	8	1.23%
Safeco Title Insurance Co Trust				458,860	7	1.67%
Pardue St Limited				286,580	10	1.04%
Total	\$ 14,517,280		42.39%	\$ 10,911,873		39.66%

Source: Lancaster County Treasurer's and Auditor's Office



CITY OF LANCASTER, SOUTH CAROLINA

Real Property Tax Levies and Collections
Last Nine Years

Levy Year (1)	Original Levy	Adjustments	Total Adjusted Levy	Collected in the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Adjusted Levy Percentage		Amount	Adjusted Levy Percentage
2001	\$ 2,694,094	\$ 954	\$ 2,695,048	\$ 2,504,968	92.95%	\$ 189,615	\$ 2,694,583	99.98%
2002	3,152,167	(517)	3,151,650	2,952,346	93.68%	198,739	3,151,085	99.98%
2003	2,891,475	1,367	2,892,842	2,708,976	93.64%	182,142	2,891,118	99.94%
2004	3,096,331	(222,490)	2,873,841	2,866,132	99.73%	5,062	2,871,194	99.91%
2005	3,205,955	7,525	3,213,480	2,982,590	92.81%	225,708	3,208,298	99.84%
2006	3,351,538	17,252	3,368,790	3,122,112	92.68%	239,464	3,361,576	99.79%
2007	3,297,417	27,178	3,324,595	3,030,884	91.17%	281,119	3,312,003	99.62%
2008	3,382,932	28,306	3,411,238	3,085,104	90.44%	302,272	3,387,376	99.30%
2009	3,566,312	235	3,566,547	3,203,068	89.81%	209,209	3,412,277	95.67%

Source: Lancaster County Auditor and Treasurer

1) Information only available for the last nine tax levy years.



CITY OF LANCASTER, SOUTH CAROLINA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Per Capita
	General Obligation Bonds (8% Limit)	Capital Leases	Utility Revenue Bonds	Capital Leases	State Revolving Fund		
2001	\$ 1,410,000	\$ 428,044	\$ 1,791,174	\$ -	\$ 6,460,369	\$ 10,089,587	\$ 1,234
2002	1,335,000	342,167	1,665,946	-	6,351,464	9,694,577	1,166
2003	1,255,000	452,738	1,535,718	701,607	6,556,927	10,501,990	1,243
2004	1,170,000	333,370	1,395,359	458,276	6,605,656	9,962,661	1,182
2005	1,080,000	208,793	1,248,974	299,377	6,213,469	9,050,613	1,069
2006	985,000	1,193,489	1,097,589	3,171,834	5,817,063	12,264,975	1,460
2007	885,000	944,385	935,000	2,993,753	5,394,507	11,152,645	1,332
2008	780,000	709,685	765,000	2,814,747	10,072,425	15,141,857	1,559
2009	670,000	547,407	585,000	3,400,166	10,369,139	15,571,712	1,560
2010	550,000	351,882	400,000	3,093,533	9,632,477	14,027,892	1,381

Notes:

1) Population and personal income data can be found in the Schedule of Demographic and Economic Statistics



CITY OF LANCASTER, SOUTH CAROLINA

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value</u>	<u>Debt Per Capita</u>
2001	\$ 1,410,000	0.34%	\$ 172
2002	1,335,000	0.31%	161
2003	1,255,000	0.28%	149
2004	1,170,000	0.26%	139
2005	1,080,000	0.24%	128
2006	985,000	0.21%	117
2007	885,000	0.16%	106
2008	780,000	0.14%	80
2009	670,000	0.12%	67
2010	550,000	0.10%	54

Notes:

- 1) See the Schedule of Assessed Value and Estimated Market Value of Taxable Property for property value data.
- 2) Population data can be found in the Schedule of Demographic and Economic Statistics.



CITY OF LANCASTER, SOUTH CAROLINA

Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

<u>Governmental Unit</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to the City</u>	<u>Amount Applicable to the City</u>
Direct:			
City of Lancaster	\$ 550,000	100%	\$ 550,000
Overlapping:			
Lancaster County	15,778,341	100%	15,778,341
Lancaster School District	<u>22,980,000</u>	100%	<u>22,980,000</u>
	<u>38,758,341</u>		<u>38,758,341</u>
 Total direct and overlapping debt	 <u>\$ 39,308,341</u>		 <u>\$ 39,308,341</u>



CITY OF LANCASTER, SOUTH CAROLINALegal Debt Margin Information
Last Eight Fiscal Years

	Fiscal Year Ended June 30,						
	2004	2005	2006	2007	2008	2009	2010
Debt limit (8% of assessed value)	\$ 2,073,870	\$ 2,216,335	\$ 2,364,082	\$ 2,653,094	\$ 2,682,268	\$ 2,630,174	\$ 2,706,705
Total net debt applicable to limit	<u>1,170,000</u>	<u>1,080,000</u>	<u>985,000</u>	<u>885,000</u>	<u>780,000</u>	<u>670,000</u>	<u>550,000</u>
Legal debt margin	<u>\$ 903,870</u>	<u>\$ 1,136,335</u>	<u>\$ 1,379,082</u>	<u>\$ 1,768,094</u>	<u>\$ 1,902,268</u>	<u>\$ 1,960,174</u>	<u>\$ 2,156,705</u>
Total net debt applicable to the limit as a percentage of the debt limit	56.42%	48.73%	41.67%	33.36%	29.08%	25.47%	20.32%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ 33,833,810
Debt limit (8% of assessed value)	2,706,705
Debt applicable to limit (GO bonds)	<u>(550,000)</u>
Legal debt margin without referendum	<u>\$ 2,156,705</u>

Notes:

- 1) The legal debt limit is 8% of total assessed value
- 2) The legal debt margin is the government's available borrowing under SC Code of Laws and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.



CITY OF LANCASTER, SOUTH CAROLINA

Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Combined Utility System Revenue Bonds				
	Operating Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service	Coverage
2001	\$ 3,976,528	\$ 2,713,266	\$ 1,263,262	\$ 696,692	1.81
2002	4,435,280	3,129,395	1,305,885	776,381	1.68
2003	4,687,326	3,200,575	1,486,751	796,899	1.87
2004	5,032,282	3,295,487	1,736,795	831,207	2.09
2005	5,493,784	3,323,594	2,170,190	846,734	2.56
2006	5,462,801	3,539,637	1,923,164	851,096	2.26
2007	6,341,711	3,561,894	2,779,817	851,096	3.27
2008	6,117,852	3,750,568	2,367,284	938,451	2.52
2009	6,386,670	4,326,277	2,060,393	1,201,505	1.71
2010	6,544,305	3,828,930	2,715,375	1,191,286	2.28

Notes:

- 1) Operating expenses do not include interest, depreciation, or amortization expenses.
- 2) Details to the city's outstanding debt can be found in the notes to the financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

Demographic and Economic Statistics*
Last Ten Fiscal Years

<u>Fiscal Year</u>	As of December 31 prior to fiscal year ending date				
	<u>City Population</u>	<u>County Population</u>	<u>Total County Personal Income (in thousands) (1)</u>	<u>County Per Capita Income (1)</u>	<u>County Unemployment Rate (1)</u>
2001	8,177	61,470	\$ 1,238,621	\$ 20,150	5.3%
2002	8,313	61,590	1,278,916	20,765	6.6%
2003	8,448	62,220	1,323,233	21,267	12.9%
2004	8,432	62,520	1,328,000	21,269	11.0%
2005	8,467	63,135	1,401,000	22,191	8.2%
2006	8,399	63,113	1,486,000	23,545	9.6%
2007	8,374	71,723	1,542,045	21,500	8.8%
2008	9,715	73,393	1,620,517	22,080	10.1%
2009	9,981	75,913	1,580,281	20,817	19.1%
2010	10,160	77,767	n/a	n/a	15.6%

Source: Bureau of Census/SC Budget and Control Board Office of Research & Statistics/Bureau of Economic Analysis/
SC Department of Employment and Workforce.

* Some demographic information is for Lancaster County as a whole because information is not kept specific to the City of Lancaster.



CITY OF LANCASTER, SOUTH CAROLINA

Principal Employers
Current and Seven Years Ago

<u>Employer</u>	<u>2010</u>			<u>2003(1)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total County Employment (2)</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>
Lancaster County School District	1,532	1	5.07%	1,374	2	4.95%
Lancaster County (3)	734	2	2.43%	426	7	1.53%
Springs Memorial Hospital	710	3	2.35%	800	3	2.88%
Cardinal Health	700	4	2.32%	700	4	2.52%
Red Ventures	575	5	1.90%	-		0.00%
Duracell	400	3	1.32%	601	5	2.16%
Continental Tire	400	7	1.32%	-		0.00%
Inspiration Ministries	335	8	1.11%	-		0.00%
Founders Federal Credit Union	320	9	1.06%	-		0.00%
Wal-Mart	303	10	1.00%	-		0.00%
Springs Industries				1,400	1	5.04%
Humana				560	6	2.02%
Berkshire Weaving				145	8	0.52%
Joslyn Clark Controls				145	9	0.52%
Virtual Image Technologies				125	10	0.45%
Total	6,009		19.90%	6,276		22.60%
Total County Labor Force (3)	30,192			27,776		

Source: Lancaster County Economic Development Corporation and SC Department of Employment and Workforce

- 1) Prior years unavailable
- 2) Information is only available on county-wide level. Employer information is not kept at city level.
- 3) Total employees includes part-time poll workers as employees.



CITY OF LANCASTER, SOUTH CAROLINA

Full-Time Equivalent (FTE) City Government Employees by Function/Program Last Seven Fiscal Years

Function/Program	FTE Employees as of June 30,						
	2004	2005	2006	2007	2008	2009	2010
General Administration							
City Administrator	3.0	3.0	4.0	3.0	3.0	3.0	3.0
Building and Grounds Maintenance	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Human Resources	1.0	1.0	1.0	1.0	2.0	2.0	2.0
Finance	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Legal	0.0	0.0	0.0	0.0	1.0	1.0	1.0
Support Services	3.0	3.0	4.0	4.0	4.0	4.0	4.0
See Lancaster SC	0.0	0.0	0.0	0.0	0.0	0.0	3.0
Public Safety							
Police	49.5	48.5	48.5	48.5	46.5	46.5	48.5
Victims' Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Court Administration	5.5	5.5	5.5	5.5	6.5	6.5	6.5
Fire	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Public Works							
Street Division	14.0	14.0	11.0	8.0	7.0	7.0	7.0
Vehicle Maintenance	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Code Enforcement							
Building, Planning & Zoning	4.0	4.0	4.0	4.0	4.0	4.0	3.0
Utilities							
Public Works Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Water Service	11.0	11.0	11.0	10.0	10.0	10.0	10.0
Utility Billing	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Wastewater Treatment	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Wastewater Collection	11.0	12.0	12.0	11.0	11.0	13.0	13.0
Solid Waste							
Residential	7.0	7.0	9.0	10.0	10.0	10.0	10.0
Commercial	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Transfer Station	2.0	2.0	2.0	2.0	2.0	2.0	4.0
Total FTE Employees	<u>166.0</u>	<u>166.0</u>	<u>167.0</u>	<u>162.0</u>	<u>162.0</u>	<u>164.0</u>	<u>170.0</u>

Source: City Human Resources Department

Note: A full-time city employee is scheduled to work 1,966, 2,080, or 2,093 hours (including vacation and sick leave) depending on departmental requirements.



CITY OF LANCASTER, SOUTH CAROLINA

Operating Indicators by Function Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Administration										
Human Resources										
Employment applications processed(1)	187	441	402	285	251	165	331	343	387	537
Workers Compensation cases (1)	101	89	81	39	38	30	22	29	10	24
Public Safety										
Police Department										
Arrest warrants served(1)(2)	n/a	n/a	n/a	n/a	1,271	1,350	994	964	1,144	1,109
Traffic cases(1)(2)	n/a	n/a	n/a	n/a	2,280	3,129	3,584	3,774	3,266	2,630
Fraudulent check warrants served(1)(2)	n/a	n/a	n/a	n/a	368	323	71	29	68	1,109
Fire Department										
Fire responses(1)	167	129	159	185	147	200	182	212	196	167
Medical responses(1)	1,177	1,088	959	1,041	549	500	622	734	608	497
Other responses(1)	115	34	102	164	550	511	539	442	418	415
Judiciary										
Criminal Docket total cases filed(2)	n/a	829	2,031	676	733	670	622	786	1,891	2,137
Traffic Docket total cases filed(2)	n/a	2,157	3,214	1,771	2,071	2,982	3,854	3,572	2,874	3,034
DUI Docket total cases filed(2)	n/a	47	57	37	56	49	38	65	151	112
Code Enforcement										
Building, Planning & Zoning										
Number of projects(2)	n/a	n/a	730	772	711	627	648	518	474	488
Number of inspections(2)	n/a	n/a	3,698	4,469	5,663	4,875	3,716	4,416	4,355	4,726
Utilities										
Utility Billing										
Number of utility customers(2)	n/a	5,893	5,843	5,870	5,872	5,859	6,027	5,749	5,876	5,921
Wastewater Treatment										
Number of gallons treated (in millions)	888.187	813.674	1,068.985	864.630	963.360	871.569	942.261	800.928	849.913	932.267
Solid Waste										
Transfer Station										
Tons of household garbage disposed of(2)	n/a	9,463	9,197	9,051	9,019	9,253	9,335	12,926	20,862	21,578

Sources: Various city departments.

Notes:

(1) Statistics are based on the calendar year ending December 31 prior to the fiscal year ending date.

(2) Some departments could not provide records for the entire ten fiscal year period and years provided are presented.



CITY OF LANCASTER, SOUTH CAROLINA

Capital Asset Statistics by Function Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Public Works										
Miles of paved roads maintained	15.96	15.96	15.96	15.96	15.96	15.96	15.96	15.96	15.96	15.96
Parks & Playgrounds										
Number of parks	11	11	11	11	12	12	12	12	12	14

Sources: Various city departments



COMPLIANCE SECTION



CITY OF LANCASTER, SOUTH CAROLINA

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures
Federal Grants:			
<u>U.S. Department of Housing and Urban Development</u>			
Direct:			
Economic Development Initiative:			
Special Project, Neighborhood Initiative	14.251	B-06-SP-SC-0931	\$ 122,250
Passed-through S.C. Department of Commerce:			
Community Development Block Grant:			
ARRA - South Main Street Improvement Project Development	14.255	4-S-08-0008	288,115 <u>410,365</u>
<u>U.S. Department of Transportation National Highway Safety Administration</u>			
Passed-through the S.C. Department of Public Safety:			
Highway Safety Mini-Grant	20.600	2JC09006	20,663
Highway Safety Mini-Grant	20.600	2JC0100066	4,085
Total U.S. Department of Transportation			<u>24,748</u>
<u>U. S. Department of Justice</u>			
Direct:			
2006 Justice Assistance Grant	16.592	2006-DJ-BX-0774	1,000
2009 Justice Assistance Grant	16.592	2009-DJ-BX-0519	2,161
Bulletproof Vest Partnership Grant	16.607	15-0404-0-1-754	2,272
ARRA - 2009 Justice Assistance Grant	16.804	2009-SB-B9-1986	1,900
Total U.S Department of Justice			<u>7,333</u>
<u>U.S. Environmental Protection Agency Office of Water</u>			
Passed-through S.C. State Budget and Control Board, Office of Local Government:			
ARRA - Capitalization Grants for State Revolving Funds:			
Wastewater Treatment, Upgrade and Expansion Program	66.458	F1-09-197-13	738,881
Total assistance			<u>\$ 1,181,327</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2010

A. General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the City of Lancaster, South Carolina (the "City") for the year ended June 30, 2010. Expenditures for federal financial assistance awarded directly from the federal agencies, as well as those passed through other government agencies, are included on the schedule.

B. Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the City's basic financial statements.

C. Relationship to the Basic Financial Statements

Federal award expenditures are reported in the City's basic financial statements as expenditures in the General Fund and Gross Revenue Fund for all federal programs.

D. Matching Costs

Matching costs, i.e., the non-federal share of certain programs costs, are not included in the accompanying Schedule.





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**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, the aggregate remaining fund information, and the budgetary comparison schedule for the general fund of the City of Lancaster, South Carolina (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City of Lancaster's basic financial statements and have issued our report thereon dated January 5, 2011. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

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 of Lancaster, South Carolina in a separate letter dated January 5, 2011.

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

January 5, 2011





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the City of Lancaster, South Carolina's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on City of Lancaster's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Lancaster, South Carolina complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control over Compliance

Management of the City of Lancaster, South Carolina is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lancaster's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the audit committee, management, others within the entity, 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

January 5, 2011



City of Lancaster, South Carolina

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2010

Section I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major federal programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 yes no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.458	ARRA – Capitalization Grants for State Revolving Funds: Wastewater Treatment, Upgrade and Expansion

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? yes no



City of Lancaster, South Carolina

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2010 – 1 Controls over Revenue from See Lancaster and Performing Arts

Criteria: All revenue of the City should be captured in the accounting system at inception.

Condition: Revenues from season ticket sales, sponsorships, and friends donations for See Lancaster and Performing Arts are not recorded in the financial records of the City until money is collected and remitted to the finance department. Additionally, there are no controls over single performance tickets that are sold that would provide a system of checks and balances.

Context: Revenue from single performance ticket sales, season ticket sales, sponsorships, and friends donations totaled approximately \$118,000 during the fiscal year ending June 30, 2010.

Effect: Revenue from single performance ticket sales, season ticket sales, sponsorships, and friends donations for See Lancaster and Performing Arts may not be properly reported in the financial statements of the City.

Cause: Parts of See Lancaster (a nonprofit organization that promotes the City of Lancaster) and Performing Arts (a nonprofit organization that schedules musical performances in the City of Lancaster) were merged into the City during the current fiscal year. The internal controls at these organizations were either nonexistent or were inadequate prior their merger into the City. The City made no significant changes to the internal controls after these organization were merged into the City.

Recommendation: Revenue from season ticket sales, sponsorships and friend contributions for See Lancaster and Performing Arts should be recorded at inception. Copies of invoices mailed to patrons for season tickets, sponsorships and friend contributions should be provided to the finance department of the City when they are created. Additionally, we recommend that single performance tickets be prenumbered and accounted for by the finance department.

Views of responsible officials and planned corrective actions: The City agrees with this finding and has adopted a corrective action plan. The City has ordered prenumbered tickets for single performance tickets and now requires that requests for invoices mailed to patrons for season tickets, sponsorships, and friend contributions be provided to the finance department for preparation of the invoice and for mailing.

Section III – Federal Award Findings and Questioned Costs

None reported.



City of Lancaster, South Carolina

Summary of Prior Audit Findings
For the Year Ended June 30, 2010

There were no federal award-related findings in the prior year.

