

CITY OF LANCASTER, SOUTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

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

December 6, 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, 2011.

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, 2011, 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, 2011, 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 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 object class 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. The unemployment rate remains unusually high, but has decreased slightly during this fiscal year. 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 \$1,549,800. During the year, the City funded its annual required contribution (ARC) of \$211,000 and as of the fiscal year ended June 30, 2011 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

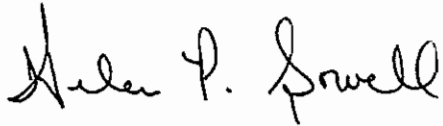
For the first time, the City of Lancaster received the Government Finance Officers Association of the United States and Canada (GFOA) award for the Distinguished Budget Presentation for its annual budget document dated July 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, 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. The City has submitted the July 1, 2011 annual budget document for consideration this year.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lancaster for its comprehensive annual financial report for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

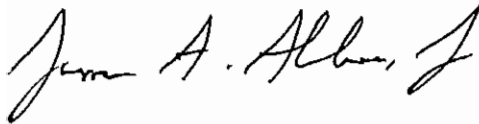
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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'.

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'.

James A. Absher, Jr., Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lancaster
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandson

President

Jeffrey R. Emer

Executive Director

Mayor and City Council

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

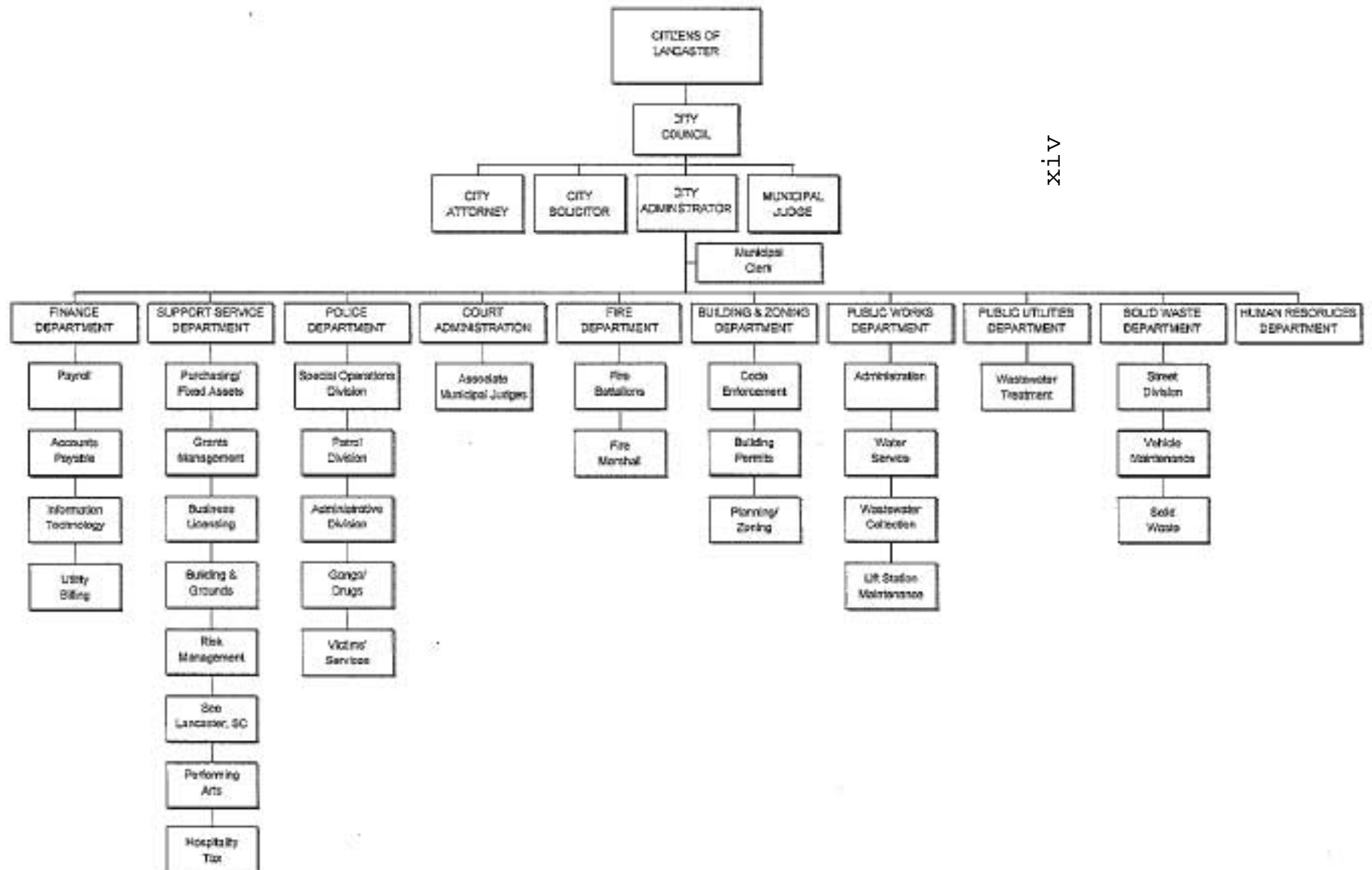
Kathryn A. Hayes, Administrator
Municipal Court

Jerry Crocket, Director
Public Works

Marty Cauthen, Director
Solid Waste



City of Lancaster Organizational Chart



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CITY OF LANCASTER, SOUTH CAROLINA

FINANCIAL SECTION





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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, 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, 2011, 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, 2011, 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 December 6, 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 58 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

December 6, 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, 2011. 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 \$41,319,715 (net assets) compared to \$38,307,940 (net assets) at June 30, 2010.
- The government's total assets increased by \$3,011,776 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 \$1,444,152 compared to \$1,380,938 at June 30, 2010.
- In the General Fund, expenditures exceeded revenues by \$201,930 compared to revenue exceeding expenditures by \$805,424 last year. This is largely attributable to City Council's decision to budget the cash purchase of capital items from reserves in the amount of \$494,336.
- In the Gross Revenue (water/sewer) Fund, revenue exceeded expenses by \$1,348,778 compared to \$1,181,205 last year.
- In the Solid Waste Fund, revenue exceeded expenses by \$95,374 compared to \$199,733 last year.
- As of the close of the current fiscal year, the City of Lancaster's governmental funds reported combined ending fund balances of \$8,823,080, a decrease of \$126,916 in comparison with the prior year (\$8,949,965). Unassigned fund balance of \$5,580,790 or 63% of total fund balance is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,536,433 or 53% of total General Fund expenditures (\$10,408,165) for the fiscal year.
- Total debt for FY1011 was approximately \$12,900,000 compared to FY1011 of \$14,500,000. This amounts to a net decrease of 11.0% or approximately \$1,600,000.

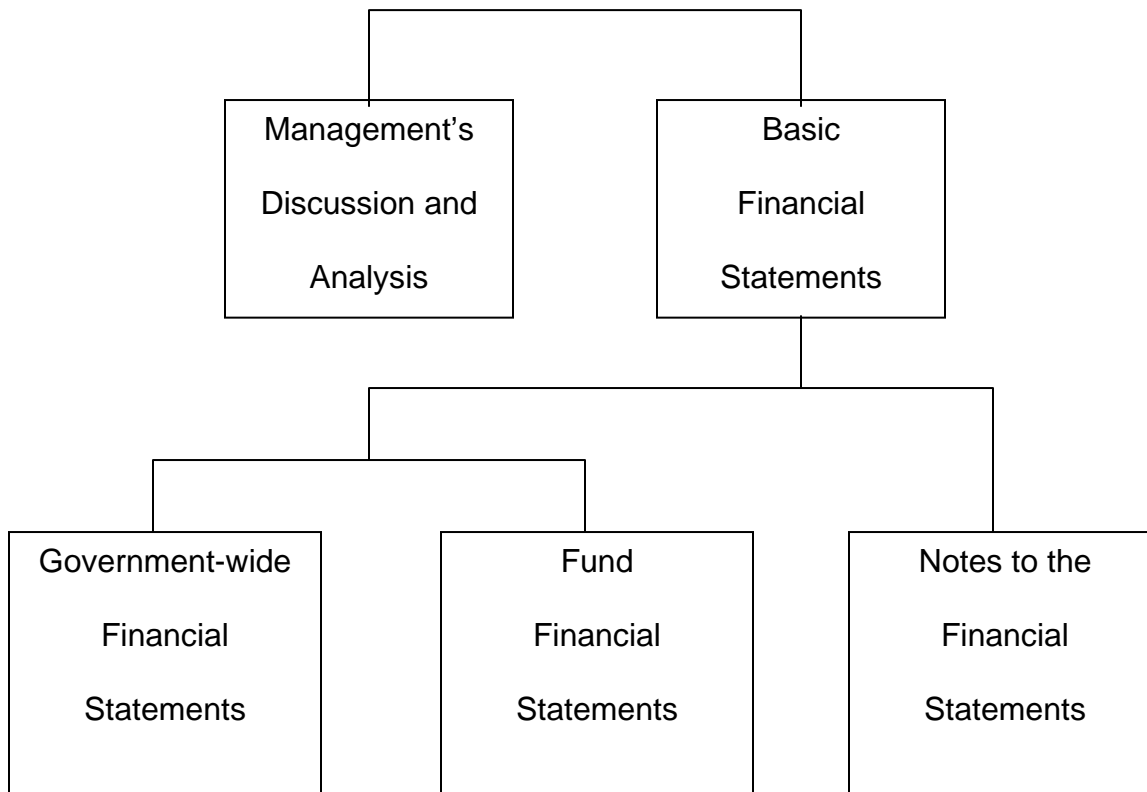
Overview of the Financial Statements

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 - 56 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 57 - 113 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 eighth 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 10,484,113	\$ 11,085,435	\$ 5,457,826	\$ 6,464,088	\$ 15,941,939	\$ 17,549,523
Capital assets	12,640,115	11,408,445	27,050,936	25,993,311	39,691,051	37,401,756
Total assets	<u>23,124,228</u>	<u>22,493,880</u>	<u>32,508,762</u>	<u>32,457,399</u>	<u>55,632,990</u>	<u>54,951,279</u>
Long-term liabilities outstanding	692,657	1,151,827	10,483,483	11,820,085	11,176,140	12,971,912
Other liabilities	1,351,503	1,829,609	1,785,632	1,841,818	3,137,135	3,671,427
Total liabilities	<u>2,044,160</u>	<u>2,981,436</u>	<u>12,269,115</u>	<u>13,661,903</u>	<u>14,313,275</u>	<u>16,643,339</u>
Net assets:						
Invested in capital assets, net of related debt	12,068,363	10,506,563	15,231,207	12,867,301	27,299,570	23,373,864
Restricted	1,322,854	1,110,038	2,081,342	2,051,211	3,404,196	3,161,249
Unrestricted	7,688,851	7,895,843	2,927,098	3,876,984	10,615,949	11,772,827
Total net assets	<u>\$ 21,080,068</u>	<u>\$ 19,512,444</u>	<u>\$ 20,239,647</u>	<u>\$ 18,795,496</u>	<u>\$ 41,319,715</u>	<u>\$ 38,307,940</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 \$41,319,715 as of June 30, 2011. The City's net assets increased by \$3,011,776 for the fiscal year ended June 30, 2011. However, the increase in net assets 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 represents resources that are subject to external restrictions on how they may be used. Of the amount of net assets remaining not reflective of investment in capital assets, the City has unrestricted net assets in the amount of \$10,615,949.

Several aspects of the City operations influenced total unrestricted net assets, which decreased by \$1,156,878 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, expenditures exceeded revenue by \$201,930. The City completed the latest phase of its streetscape project which resulted in net assets being shifted from unrestricted to invested in capital assets classification.
- In the Hospitality Fund, revenue exceeded expenditures by \$131,277 – which when added to the \$56,263 expenditure over revenue in the Southside fund – resulted in excess revenue over expenditure for the non-major governmental funds amounting to \$75,014.
- In the Gross Revenue Fund, revenue exceeded expense by \$1,348,778. One large wastewater treatment project was completed and one started which resulted in net assets being shifted from unrestricted to invested in capital assets classification.



- In the Solid Waste Fund, revenue exceeded expense by \$95,374. The City completed its transfer station upgrade project which resulted in net assets being shifted from unrestricted to invested in capital assets classification.

City of Lancaster Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 789,955	\$ 716,664	\$ 7,189,607	\$ 6,928,793	\$ 7,979,562	\$ 7,645,457
Operating grants and contributions	631,897	596,489	-	-	631,897	596,489
Capital grants and contributions	-	-	1,135,749	731,674	1,135,749	731,674
General revenues:						
Property taxes	5,064,683	4,897,937	-	-	5,064,683	4,897,937
Other taxes	3,955,793	3,960,039	-	-	3,955,793	3,960,039
Grants and contributions not restricted to specific programs						
	1,026,000	325,019	-	-	1,026,000	325,019
Other	458,408	165,477	32,423	406,647	490,831	572,124
Total revenues	11,926,736	10,661,625	8,357,779	8,067,114	20,284,515	18,728,739
Expenses:						
General government	3,693,014	3,653,829	-	-	3,693,014	3,653,829
Public safety	4,848,268	4,482,373	-	-	4,848,268	4,482,373
Public Works	909,897	864,617	-	-	909,897	864,617
Planning	196,393	187,303	-	-	196,393	187,303
Parks and Playgrounds	134,555	102,767	-	-	134,555	102,767
Community Service	539,769	401,993	-	-	539,769	401,993
Interest and fees	37,216	52,630	-	-	37,216	52,630
Water and sewer	-	-	5,445,120	5,363,105	5,445,120	5,363,105
Solid Waste	-	-	1,468,507	1,323,073	1,468,507	1,323,073
Total expenses	10,359,112	9,745,512	6,913,627	6,686,178	17,272,739	16,431,690
Increase in net assets	1,567,624	916,113	1,444,152	1,380,936	3,011,776	2,297,049
Net assets, July 1	19,512,444	18,596,331	18,795,496	17,414,560	38,307,940	36,010,891
Net assets, June 30	<u>\$ 21,080,068</u>	<u>\$ 19,512,444</u>	<u>\$ 20,239,648</u>	<u>\$ 18,795,496</u>	<u>\$ 41,319,716</u>	<u>\$ 38,307,940</u>

Governmental activities. Governmental activities increased the City's net assets by \$1,567,624 thereby accounting for 52.0% of the total growth in the net assets of the City of Lancaster. Key elements of this increase are as follows:

- Hospitality Fund revenue in excess of expenditures amounted to \$131,277.
- In the General Fund, expenditures exceeded revenue by \$201,930. This was largely due to the capital outlay that was budgeted and paid from reserve funds this year.



Business-type activities: Business-type activities increased the City of Lancaster’s net assets by \$1,444,152, accounting for 48.0% of the total growth in the government’s net assets. Key elements of this increase are as follows:

- The Gross Revenue Fund yielded \$1,348,778 of the increase in business-type activity net assets. This was largely attributable to \$1,135,749 of revenue from grant income.
- The Solid Waste Fund yielded \$95,374 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 increase in net assets is a decrease from the \$199,733 increase recorded by the fund last year. This was largely due to an increase in overall revenue from operations of \$43,842 and an increase in the operating expenses of \$148,188 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, unassigned fund balance of the General Fund was \$5,536,433 while total fund balance was \$7,524,419. The Governing Body of the City of Lancaster has determined that the City should maintain an unassigned fund balance of 40% to 60% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55.1% of total General Fund expenditures, while total fund balance represents 74.8% of that same amount.

At June 30, 2011, the governmental funds of City of Lancaster reported a combined fund balance of \$8,823,080, a 1.4% decrease over last year (\$8,949,996).

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 1011 budget amendments.

Ord No	Eff Date	Budget Impact	Comment - Primary Reasons for Change
011-01	2/22/11	\$659,850	To fund 15 th Street Building renovation expenditures and other projects/expenditures approved after passing of original budget.
011-05	6/14/11	\$77,300	To fund large project change orders and balance individual line items for year-end closing.
011-09	9/27/11	\$76,285	To fund compensated absences accrued and approved expenditures at year-end.



Some of the significant differences in the General Fund between budgeted amounts and actual amounts for FY 1011 were as follows:

- Actual revenue for privilege licenses exceeded budgeted amounts by \$137,233 due to better than anticipated collections.
- Current real property tax revenue was less than budgeted by \$369,372 due to the increased delinquency in collections by the City and the property tax assessment reclassification of a large industrial property by Lancaster County from real property taxes to the fee in lieu of taxes revenue category.
- Collections in delinquent property taxes exceeded budget by \$69,963.

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 \$2,222,115, and those for the Solid Waste Fund amounted to \$704,983. The total growth in net assets for both funds was \$1,348,778 and \$95,374 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, 2011, totals \$39,691,051 (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 \$1,264,192 including building/equipment/infrastructure additions at \$2,223,368, land acquisition of \$5,000, and transfers from construction in progress of \$964,176.
- Capital asset additions for business-type activities amounted to \$1,057,625 including \$3,149,959 for building/equipment/infrastructure additions and \$2,695,857 in transfers from construction in progress.



City of Lancaster's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,196,503	\$ 3,191,503	\$ 364,554	\$ 364,554	\$ 3,561,057	\$ 3,556,057
Buildings, systems and improvements	4,618,145	3,483,211	24,211,107	22,322,202	28,829,252	25,805,413
Machinery and equipment	965,491	977,607	1,933,838	1,935,833	2,899,329	2,913,440
Infrastructure	3,859,976	3,346,867	-	-	3,859,976	3,346,867
Construction in progress	-	409,257	541,437	1,370,722	541,437	1,779,979
Total	\$ 12,640,115	\$ 11,408,445	\$ 27,050,936	\$ 25,993,311	\$ 39,691,051	\$ 37,401,756

Additional information on the City's capital assets can be found in note II-A-4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2011, the City of Lancaster had total bonded debt outstanding of \$630,000. Of this, \$425,000 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	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 425,000	\$ 550,000	\$ -	\$ -	\$ 425,000	\$ 550,000
Capital lease obligations	146,752	351,882	2,767,005	3,093,533	2,913,757	3,445,415
Revenue bonds	-	-	205,000	400,000	205,000	400,000
Revolving loans	-	-	8,847,724	10,032,477	8,847,724	10,032,477
Total	\$ 571,752	\$ 901,882	\$ 11,819,729	\$ 13,526,010	\$ 12,391,481	\$ 14,427,892

During the past fiscal year, the City's total debt decreased by \$2,036,411 (14.1%).

The City maintains a Standard and Poors rating of A. Additional information regarding the City of Lancaster's long-term debt can be found in note II-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	1521
Red Ventures	Call Center	813
Lancaster County	County government	767
Wal-Mart	Retail goods	670
Cardinal Health	Healthcare	600
Springs Memorial Hospital	Hospital	584
Duracell	Batteries manufacturing	405
Continental Tire	Tire manufacturing	400
Founders Federal Credit Union	Credit union	275
Kershaw Correctional Institution	Prison facility	262

Lancaster County's unemployment rate at June 2011 was 15.3%, down by 1 percentage point from the June 2010 rate of 16.3%. This compares to statewide rates of 10.5% as of June 2011 versus 11% for June 2010. The labor force decreased from 31,045 (June 2010) to 30,600 (June 2011). (Source: SC Department of Employment and Workforce – Newsline)

The following chart reflects the City of Lancaster retail businesses and sales from 2005 through 2010. (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%)
2010	417	\$405,078,218	9.20%

Estimated median household income for Lancaster County was \$32,396 which amounts to 77.7% of statewide median household income (\$41,709) for 2010.

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities: Given uncertainty as to economic conditions, there was no property tax increase for FY 1011. 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.



Business – Type Activities: Water and sewer rates for FY1011 remained the same as FY0910. Expense reductions – similar to those described for governmental activities – were implemented. Capital projects for FY1011 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. The hydrochloride project was completed in FY1011 and the effluent pump replacement project was started in FY1011 with an anticipated completion occurring in FY1112. In the Solid Waste Fund – the city’s transfer station was updated and expanded at a cost of some \$1,050,000 and completed 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, 2011

	Governmental Activities	Business Type Activities	Total Primary Government
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,588,096	\$ 2,612,076	\$ 9,200,172
Accounts receivable			
Taxes, net	271,635	-	271,635
Grants	37,110	-	37,110
Internal balances	695,330	(695,330)	-
Mortgages	29,634	-	29,634
Water and Sewer	-	474,725	474,725
Garbage and Trash	-	90,101	90,101
Roll-off containers	-	13,974	13,974
Intergovernmental	348,949	-	348,949
Other	340,026	354,411	694,437
Inventory	6,276	91,918	98,194
Cash and cash equivalents - capital improvement account	-	163,571	163,571
Cash and cash equivalents - designated assets	694,187	-	694,187
Cash and cash equivalents - restricted assets	1,472,870	2,299,343	3,772,213
Deferred charges	-	53,037	53,037
Total current assets	10,484,113	5,457,826	15,941,939
Non-current assets:			
Capital assets:			
Nondepreciable	3,196,503	905,994	4,102,497
Depreciable, net of accumulated depreciation	9,443,612	26,144,942	35,588,554
Total non-current assets	12,640,115	27,050,936	39,691,051
Total assets	\$ 23,124,228	\$ 32,508,762	\$ 55,632,990
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,063,743	\$ 80,593	\$ 1,144,336
Customer deposits	-	218,001	218,001
Unearned revenue	89,998	-	89,998
Current portion of long-term liabilities	197,762	1,487,038	1,684,800
Total current liabilities	1,351,503	1,785,632	3,137,135
Long-term liabilities:			
Due in more than one year	692,657	10,483,483	11,176,140
Total liabilities	2,044,160	12,269,115	14,313,275
Net assets			
Invested in capital assets, net of related debt	12,068,363	15,231,207	27,299,570
Restricted for tourism	1,278,497	-	1,278,497
Restricted for Southside Housing	44,357	-	44,357
Restricted for debt service	-	2,081,342	2,081,342
Unrestricted	7,688,851	2,927,098	10,615,949
Total net assets	\$ 21,080,068	\$ 20,239,647	\$ 41,319,715

See notes to financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

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

Year ended June 30, 2011

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	\$ 3,693,014	\$ 135,530	\$ 631,897	\$ 1,026,000	\$ (1,899,587)	\$ -	\$ (1,899,587)
Public safety	4,848,268	401,010	-	-	(4,447,258)	-	(4,447,258)
Public works	909,897	-	-	-	(909,897)	-	(909,897)
Code enforcement	196,393	41,421	-	-	(154,972)	-	(154,972)
Parks and playgrounds	134,555	-	-	-	(134,555)	-	(134,555)
Community service	539,769	211,994	-	-	(327,775)	-	(327,775)
Interest and fees	37,216	-	-	-	(37,216)	-	(37,216)
Total governmental activities	<u>10,359,112</u>	<u>789,955</u>	<u>631,897</u>	<u>1,026,000</u>	<u>(7,911,260)</u>	<u>-</u>	<u>(7,911,260)</u>
Business-type activities:							
Water and Sewer	5,445,120	5,635,995	-	1,135,749	-	1,326,624	1,326,624
Solid waste	1,468,507	1,553,612	-	-	-	85,105	85,105
Total business-type activities	<u>6,913,627</u>	<u>7,189,607</u>	<u>-</u>	<u>1,135,749</u>	<u>-</u>	<u>1,411,729</u>	<u>1,411,729</u>
Total primary government	<u>\$ 17,272,739</u>	<u>\$ 7,979,562</u>	<u>\$ 631,897</u>	<u>\$ 2,161,749</u>	<u>(7,911,260)</u>	<u>1,411,729</u>	<u>(6,499,531)</u>
General revenues:							
Ad valorem taxes					5,064,683	-	5,064,683
Other taxes and licenses					3,955,793	-	3,955,793
Unrestricted intergovernmental					278,732	-	278,732
Unrestricted investment earnings					27,032	13,586	40,618
Miscellaneous					146,150	11,805	157,955
Gain on sale of capital assets					6,494	7,032	13,526
Total general revenues					<u>9,478,884</u>	<u>32,423</u>	<u>9,511,307</u>
Change in net assets					1,567,624	1,444,152	3,011,776
Net assets - beginning					<u>19,512,444</u>	<u>18,795,495</u>	<u>38,307,939</u>
Net assets - ending					<u>\$ 21,080,068</u>	<u>\$ 20,239,647</u>	<u>\$ 41,319,715</u>



CITY OF LANCASTER, SOUTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 6,573,373	\$ 14,723	\$ 6,588,096
Receivables:			
Taxes, net	271,635	-	271,635
Grants	37,110	-	37,110
Intergovernmental	348,949	-	348,949
Mortgages	-	29,634	29,634
Taxes - other	279,652	60,373	340,025
Due from other funds	484,381	-	484,381
Designated assets	694,187	-	694,187
Restricted assets	194,373	1,278,497	1,472,870
Inventory	6,276	-	6,276
Advances to other funds	295,515	-	295,515
Total assets	<u>\$ 9,185,451</u>	<u>\$ 1,383,227</u>	<u>\$ 10,568,678</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,063,743	\$ -	\$ 1,063,743
Compensated absences payable	53,111	-	53,111
Due to other funds	-	84,566	84,566
Unearned revenue	89,998	-	89,998
Deferred revenues - tax rollback	233,921	-	233,921
Deferred revenues - other	220,259	-	220,259
Total liabilities	<u>1,661,032</u>	<u>84,566</u>	<u>1,745,598</u>
Fund balances:			
Nonspendable:			
Inventory	6,276	-	6,276
Restricted:			
Debt payments	194,373	-	194,373
Drug fund	83,842	-	83,842
Hospitality tax	-	1,254,304	1,254,304
Southside Housing	-	44,357	44,357
Committed:			
Downtown development	553,285	-	553,285
Police department communications	67,842	-	67,842
Assigned:			
Main street project	5,000	-	5,000
Subsequent year's expenditures	1,077,368	-	1,077,368
Unassigned	5,536,433	-	5,536,433
Total fund balances	<u>7,524,419</u>	<u>1,298,661</u>	<u>8,823,080</u>
Total liabilities and fund balances	<u>\$ 9,185,451</u>	<u>\$ 1,383,227</u>	<u>\$ 10,568,678</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, 2011

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

Ending fund balance - governmental funds	\$	8,823,080
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets is \$20,932,700 and accumulated depreciation is \$8,292,585.		12,640,115
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Lot clearing fees	\$	12,128
Vehicle tax		34,485
Real property tax		173,646
Tax rollback		233,921
		<u>454,180</u>
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		425,000
Capitalized leases		146,670
Compensated absences payable		265,638
		<u>(837,308)</u>
Rounding		<u>1</u>
Net assets of governmental activities	\$	<u><u>21,080,068</u></u>



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 5,173,807	\$ 720,449	\$ 5,894,256
Fines, fees, licenses and permits	3,287,007	-	3,287,007
Intergovernmental	420,298	-	420,298
Charges for services	339,284	-	339,284
Grants	631,897	-	631,897
Interest	25,052	1,979	27,031
Other	152,644	-	152,644
Total revenues	<u>10,029,989</u>	<u>722,428</u>	<u>10,752,417</u>
Expenditures			
Current:			
General administration	3,145,953	435,310	3,581,263
Public safety	4,652,427	-	4,652,427
Public works	839,537	-	839,537
Code enforcement	191,894	-	191,894
Parks and playgrounds	124,245	-	124,245
Community service	539,976	-	539,976
Capital outlay	546,705	35,858	582,563
Debt service:			
Principal	330,212	-	330,212
Interest and fees	37,216	-	37,216
Total expenditures	<u>10,408,165</u>	<u>471,168</u>	<u>10,879,333</u>
Excess of revenues over (under) expenditures	<u>(378,176)</u>	<u>251,260</u>	<u>(126,916)</u>
Other financing sources (uses)			
Transfers in	176,246	-	176,246
Transfers out	-	(176,246)	(176,246)
Total other financing sources (uses)	<u>176,246</u>	<u>(176,246)</u>	<u>-</u>
Net change in fund balances	(201,930)	75,014	(126,916)
Fund balance - beginning	<u>7,726,349</u>	<u>1,223,647</u>	<u>8,949,996</u>
Fund balance - ending	<u>\$ 7,524,419</u>	<u>\$ 1,298,661</u>	<u>\$ 8,823,080</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, 2011

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

Net change in fund balances - total governmental funds	\$	(126,916)
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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	\$ 870,731	
Depreciation expense	<u>(665,061)</u>	
		205,670

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

Donated assets	1,026,000	
Lot clearing fees	8,240	
Vehicle tax	2,775	
Real property tax	44	
Tax rollback	<u>137,260</u>	
		1,174,319

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.

314,554

Rounding		<u>(3)</u>
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Change in net assets of governmental activities	<u>\$</u>	<u>1,567,624</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, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 5,358,000	\$ 5,388,000	\$ 5,173,807	\$ (214,193)
Fines, fees, licenses and permits	2,814,500	2,883,735	3,287,007	403,272
Intergovernmental	422,000	422,000	420,298	(1,702)
Charges for services	395,000	395,000	339,284	(55,716)
Grants	562,900	754,300	631,897	(122,403)
Interest	35,000	35,000	25,052	(9,948)
Other	68,500	133,000	152,644	19,644
Total revenues	<u>9,655,900</u>	<u>10,011,035</u>	<u>10,029,989</u>	<u>18,954</u>
Expenditures				
Current:				
General administration	2,878,943	3,339,803	3,145,953	193,850
Public safety	4,688,022	4,832,172	4,652,427	179,745
Public works	880,161	880,161	839,537	40,624
Code enforcement	214,879	214,879	191,894	22,985
Parks and playgrounds	98,000	126,004	124,245	1,759
Community service	543,465	565,315	539,976	25,339
Capital outlay	843,500	824,321	546,705	277,616
Debt service:				
Principal	330,300	330,300	330,212	88
Interest and fees	38,300	38,300	37,216	1,084
Total expenditures	<u>10,515,570</u>	<u>11,151,255</u>	<u>10,408,165</u>	<u>743,090</u>
Excess (deficiency) of revenues over expenditures	<u>(859,670)</u>	<u>(1,140,220)</u>	<u>(378,176)</u>	<u>762,044</u>
Other financing sources				
Transfers in	202,300	207,100	176,246	(30,854)
Transfers out	60,700	60,700	-	(60,700)
Fund balance appropriated	596,670	872,420	-	(872,420)
Total other financing sources	<u>859,670</u>	<u>1,140,220</u>	<u>176,246</u>	<u>(963,974)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(201,930)</u>	<u>\$ (201,930)</u>
Fund balance - beginning			<u>7,726,349</u>	
Fund balance - ending			<u>\$ 7,524,419</u>	



STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2011

	Enterprise Funds		
	Gross Revenue	Solid Waste	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,702,559	\$ 909,517	\$ 2,612,076
Receivables:			
Water and sewer	474,725	-	474,725
Garbage and trash	-	90,101	90,101
Roll-off containers	-	13,974	13,974
Other	294,121	60,290	354,411
Due from other funds	379	-	379
Inventory	91,918	-	91,918
Total current assets	2,563,702	1,073,882	3,637,584
Noncurrent assets			
Capital improvement account	163,571	-	163,571
Restricted assets:			
Customer deposits	218,001	-	218,001
Bond depreciation account	305,460	-	305,460
Bond contingency account	305,460	-	305,460
Bond debt service and reserve account	1,470,422	-	1,470,422
Total restricted assets	2,299,343	-	2,299,343
Deferred charges, net	53,037	-	53,037
Capital assets (net, where applicable, of accumulated depreciation)	25,371,837	1,679,099	27,050,936
Total noncurrent assets	27,887,788	1,679,099	29,566,887
Total assets	30,451,490	2,752,981	33,204,471
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	75,694	4,899	80,593
Compensated absences payable	110,748	40,044	150,792
Current portion of long-term debt	1,012,463	-	1,012,463
Capital leases payable - current	250,786	72,997	323,783
Customer deposits	218,001	-	218,001
Due to General Fund	371,753	28,441	400,194
Total current liabilities	2,039,445	146,381	2,185,826
Long-term liabilities			
Advances from other funds	-	295,515	295,515
Revenue bonds and notes payable	8,040,261	-	8,040,261
Capital leases payable - long-term	2,369,573	73,649	2,443,222
Total long-term liabilities	10,409,834	369,164	10,778,998
Total liabilities	12,449,279	515,545	12,964,824
Net assets			
Invested in capital assets, net of related debt	13,698,754	1,532,453	15,231,207
Restricted for debt payments	2,081,342	-	2,081,342
Net assets unrestricted	2,222,115	704,983	2,927,098
Total net assets	\$ 18,002,211	\$ 2,237,436	\$ 20,239,647

See notes to financial statements.



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 Year ended June 30, 2011

	Enterprise Funds		
	Gross Revenue	Solid Waste	Total
Operating revenues			
Water and sewer charges	\$ 5,415,248	\$ -	\$ 5,415,248
Water penalties	205,769	-	205,769
Tap fees	14,978	-	14,978
Garbage fees	-	1,040,335	1,040,335
Roll-off containers	-	81,624	81,624
Other	1,862	437,354	439,216
Total operating revenues	<u>5,637,857</u>	<u>1,559,313</u>	<u>7,197,170</u>
Operating expenses			
Public works administration	245,210	-	245,210
Residential garbage	-	531,257	531,257
Commercial garbage	-	283,984	283,984
Transfer station	-	323,176	323,176
Water service	1,296,067	-	1,296,067
Utility billing	185,409	-	185,409
Wastewater treatment	889,410	-	889,410
Wastewater collection	682,534	-	682,534
General expense	658,204	156,939	815,143
Depreciation and amortization	1,143,525	163,863	1,307,388
Total operating expenses	<u>5,100,359</u>	<u>1,459,219</u>	<u>6,559,578</u>
Operating income	<u>537,498</u>	<u>100,094</u>	<u>637,592</u>
Nonoperating revenue (expense)			
Interest income	9,018	4,568	13,586
Interest expense	(344,761)	(9,288)	(354,049)
Insurance proceeds	4,242	-	4,242
Gain on sale of fixed assets	7,032	-	7,032
Total other income (expense)	<u>(324,469)</u>	<u>(4,720)</u>	<u>(329,189)</u>
Income before capital contributions	213,029	95,374	308,403
Capital grant income	<u>1,135,749</u>	<u>-</u>	<u>1,135,749</u>
Change in net assets	1,348,778	95,374	1,444,152
Total net assets - beginning	<u>16,653,433</u>	<u>2,142,062</u>	<u>18,795,495</u>
Total net assets - ending	<u>\$ 18,002,211</u>	<u>\$ 2,237,436</u>	<u>\$ 20,239,647</u>

See notes to financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

Exhibit H

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year ended June 30, 2011

	ENTERPRISE FUNDS		
	Gross Revenue	Solid Waste	Total
Operating activities			
Cash received from customers	\$ 5,780,013	\$ 1,527,433	\$ 7,307,446
Cash paid to employees	(1,413,752)	(606,519)	(2,020,271)
Cash paid to suppliers	(2,596,212)	(722,118)	(3,318,330)
Net cash provided by operating activities	1,770,049	198,796	1,968,845
Noncapital financing activities			
Due from other funds	-	21,859	21,859
Due to other funds	(274,482)	(404,353)	(678,835)
Customer deposits	146	-	146
Net cash used in noncapital financing activities	(274,336)	(382,494)	(656,830)
Capital and related financing activities			
Proceeds from capital grants	1,135,749	-	1,135,749
Insurance proceeds	4,242	-	4,242
Proceeds from sale of capital assets	7,032	-	7,032
Acquisition of capital assets	(1,568,764)	(796,249)	(2,365,013)
Principal paid on capital leases	(255,534)	(70,994)	(326,528)
Principal paid on bond and note maturities	(979,753)	-	(979,753)
Interest and bond fees	(331,182)	(9,288)	(340,470)
Net cash used in capital and related financing activities	(1,988,210)	(876,531)	(2,864,741)
Investing activities			
Interest on investments	9,018	4,568	13,586
Net cash provided by investing activities	9,018	4,568	13,586
Net increase (decrease) in cash and cash equivalents/investments	(483,479)	(1,055,661)	(1,539,140)
Cash and cash equivalents/investments			
Beginning of year	4,648,952	1,965,178	6,614,130
End of year	\$ 4,165,473	\$ 909,517	\$ 5,074,990
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 537,498	\$ 100,094	\$ 637,592
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,143,525	163,863	1,307,388
Change in assets and liabilities			
Accounts receivable	142,156	(31,880)	110,276
Inventory	244	-	244
Accounts payable and accrued expenses	(60,925)	(36,994)	(97,919)
Compensated absences	7,551	3,713	11,264
Total adjustments	1,232,551	98,702	1,331,253
Net cash provided by operating activities	\$ 1,770,049	\$ 198,796	\$ 1,968,845
Reconciliation to statement of net assets			
Unrestricted cash and cash equivalents	\$ 1,702,559	\$ 909,517	\$ 2,612,076
Restricted cash and cash equivalents	2,462,914	-	2,462,914
	\$ 4,165,473	\$ 909,517	\$ 5,074,990



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Agency Funds
Assets	
Cash and temporary investments	\$ 16,118
Total assets	<u>\$ 16,118</u>
Liabilities	
Due to firemen's association	\$ 16,118
Total liabilities	<u>\$ 16,118</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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 \$2,081,342 at June 30, 2011, 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, 2011, \$1,278,497 was restricted in the Hospitality Tax Fund for tourism.

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, 2011

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, 2011

I. Summary of Significant Accounting Policies (continued)

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

10. Net Assets/Fund Balances (continued)

Fund Balances

Effective for the year ended June 30, 2011, the City adopted Statement No. 54 of the Governmental Accounting Standards Board – *Fund Balance Reporting and Governmental Fund Type Definitions*. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. Some portions of fund balance are limited in how they can be used and some can be used however the government decides, therefore the five classifications of fund balance.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance

There are differences between fund balance and liquidity in governmental funds because some assets reported in the governmental funds inherently cannot be spent. This classification of fund balance includes amounts that cannot be spent because they are either (a) assets that will never be converted into cash such as prepaid expenses and inventory or (b) resources that must be maintained intact based on legal or contractual requirements such as principal of an endowment or the capital of a revolving loan fund. The City of Lancaster has the following nonspendable fund balances recorded in its financial statements:

Inventory - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance

This classification includes resources that are limited in how they can be spent due to externally enforceable legal restrictions. Restricted fund balance includes assets restricted by (a) other governments through laws and regulations; (b) grantors or contributors through agreements; (c) creditors through debt covenants or other contracts; or (d) enabling legislation that limits how a revenue can be used. The City of Lancaster has the following restricted fund balances recorded in its financial statements:

Debt Payments – portion of fund balance that can only be used to satisfy debt service payments through existing debt covenants and contracts.

Drug Fund – portion of fund balance that can only be used per the laws and regulations established by the laws of the State of South Carolina.

Hospitality Tax – portion of fund balance that can only be used for purposes established by Section 6-1-730 of the State of South Carolina Code of Laws, 1976, as amended.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2011

I. Summary of Significant Accounting Policies (continued)

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

10. Net Assets/Fund Balances (continued)

Fund Balances (continued)

Restricted Fund Balance (continued)

Southside Housing – portion of fund balance that can only be used for the purpose of refurbishing or replacing housing for the City’s low income community through potentially forgivable loans. The use of the funds is dictated by federal grant agreements signed by the City when the funds were acquired.

Victims’ Services – portion of fund balance that can only be used for notification and assistance to victims of crime as established by laws of the State of South Carolina. The City of Lancaster has currently used all available fund balance as of June 30, 2011 to provide victims’ services.

Committed Fund Balance

This classification of fund balance includes resources that have had limits placed on their use though formal action by the majority of Lancaster City Council. The limitations placed can only be removed through similar action by a majority of City Council. The City of Lancaster has the following committed fund balances recorded in its financial statements:

Downtown Development – portion of fund balance committed through formal action of City Council for the improvement and redevelopment of the historic downtown area. Any use of these resources must be approved by City Council.

Police Department Communications – portion of fund balance committed through formal action of City Council to address the communication needs of the Lancaster County Police Department. Any use of these resources must be approved by City Council.

Assigned fund balance

The portion classification of fund balance includes resources that the government has intentions for its use, but the resources are not externally restricted or committed through formal action of the Lancaster City Council. The City of Lancaster has the following assigned fund balance recorded in its financial statements:

Main Street Project – portion of fund balance assigned to support projects on Main Street.

Subsequent Year’s Expenditures – portion of fund balance assigned to fund capital purchases and eliminate a projected deficit in the fiscal year 2011-2012 annual budget approved by City Council.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2011

I. Summary of Significant Accounting Policies (continued)

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

10. Net Assets/Fund Balances (continued)

Fund Balances (continued)

Unassigned fund balance

The portion of fund balance that has not been reported as nonspendable, restricted, committed, or assigned is reported in unassigned fund balance.

The City of Lancaster has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-city funds, city funds. For purpose of fund balance classifications, expenditures are to be spent from restricted funds first, followed in order by committed fund balance, assigned fund balance, and unassigned fund balance.

The City of Lancaster has also adopted a minimum unassigned fund balance policy for the General Fund. The purpose of the Fund Balance Reserve Policy ("Policy") of the City of Lancaster is to establish guidelines for the use and limits on reserve levels for the City's General Fund. This policy also sets forth the standards for setting reserve levels and is considered to be responsive to the recommended practices of the Government Finance Officers Association (GFOA) regarding the appropriate level of reserves in the General Fund.

An unassigned fund balance range is established for the General Fund. The percentage range set for this fund is based on predictability of revenues, volatility of expenditures, and liquidity requirements of the fund.

The proposed range as established by this Policy will be reviewed periodically by the Finance Director to ensure their continued relevance and appropriateness in light of the actual experience of the General Fund, and in accordance with any future reserve needs that may arise.

The unassigned fund balance range for the General Fund shall not be less than 40% and not more than 60% of the total budgeted expenditures of the General Fund budget.

If it is determined there is a surplus (an amount in excess of the upper limit of the unassigned fund balance range), the funds are to be appropriated upon approval of City Council for the following purposes:

1. One-time capital needs. Since a surplus does not represent a recurring source of revenue it should not be used to fund a recurring expenditure; however, if a one-time capital expenditure has been identified, but not already funded through an appropriation, the surplus may be appropriated for this use.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2011

I. Summary of Significant Accounting Policies (continued)

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

10. Net Assets/Fund Balances (continued)

Fund Balances (continued)

Unassigned fund balance (continued)

2. Reduction or avoidance of debt. If there is short-term debt within the fund the surplus may be applied to reduce or eliminate the debt if financial analysis proves this to be advantageous to the City. If borrowing is scheduled, the surplus may be used to reduce the principal amount the City needs to obtain if financial analysis proves this to be advantageous to the City.
3. Tax, fee, or rate stabilization. Surplus funds may be designated for stabilization in order to avoid raising taxes, fees, or rates related to the fund in subsequent years.
4. Eliminate unfunded liabilities related to the City's Other Post-Employment Benefits (OPEB). Any surplus may be transferred to reduce the unfunded liability in the Other Post-Employment Benefits Trust Fund or any other fund initiated by the City to provide post-employment benefits.

If it is determined there is a shortfall (an amount below the lower limit of the unassigned fund balance range), the unassigned fund balance is to be rebuilt through the following mechanisms in order of priority:

1. Impose millage in order to maintain the minimum percentage of reserve funds as stated in this policy pursuant to the exception to the millage cap restrictions as stated in Section 6-1-320(D) of the South Carolina Code of Laws, 1976, as amended. Section 6-1-320(D) states that the restriction contained in Section 6-1-320 does not affect millage that is used to maintain a reserve account.
2. An appropriation during the next annual budget process of at least 20% of the shortfall in the unassigned fund balance until the lower end of the limit has been reached. If this is financially unfeasible, a written plan shall be forwarded by the City Administrator to City Council for approval in order to restore the unassigned fund balance to an amount within the range within a reasonable time frame. This plan may require reduction of services, reduction of workforce, increases in fees or rates or some combination thereof.

Annually, after completion of the City's Comprehensive Annual Financial Statement, the Finance Director shall prepare a Fund Balance Level Status Report as part of the City's annual budget process to be approved by the City Administrator. At least every five (5) years, City Council will be required to affirm or revise the Policy including the percentage range established by the category described herein.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2011

I. Summary of Significant Accounting Policies (continued)

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

11. Reclassifications

For comparability, the 2010 figures have been reclassified, where appropriate, to conform with the financial statement presentation used in 2011.

12. Management Estimates

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

II. Detail Notes on All Funds

A. Assets

1. Deposits and Investments

At year-end the carrying amount of the City's cash deposits was \$2,931,015 and the bank balance was \$3,176,979. Of the bank balance, \$1,000,000 was covered by federal depository insurance and \$2,176,679 was covered by collateral held by the pledging financial institutions in the City's name.

At June 30, 2011, 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	\$ 1,470,422	N/A	Unrated
State Treasurer's Investment Pool	9,444,824	N/A	Unrated
Total Investments	<u>\$ 10,915,246</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.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2011

II. Detail Notes on All Funds (continued)

A. Assets (continued)

2. Deposits and Investments (continued)

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.

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	\$ 9,200,172
Fiduciary funds	16,118
Restricted and designated assets	<u>4,629,971</u>
Total	\$ <u>13,846,261</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2011

II. Detail Notes on All Funds (continued)

A. Assets (continued)

3. Receivables – Allowance for Doubtful Accounts

At June 30, 2011, 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						Total
	General Fund	Gross Revenue Fund	Solid Waste	Nonmajor Funds	Total	Adjustments to Full-Accrual	
Receivables:							
Taxes	\$ 305,041	\$ -	\$ -	\$ -	\$ 305,041	\$ -	\$ 305,041
Intergovernmental	348,949	-	-	-	348,949	-	348,949
Grants	37,110	-	-	-	37,110	-	37,110
Mortgages	-	-	-	163,497	163,497	-	163,497
Water and sewer	-	474,725	-	-	474,725	-	474,725
Garbage and trash	-	-	90,101	-	90,101	-	90,101
Roll-off containers	-	-	16,810	-	16,810	-	16,810
Other	390,504	299,443	60,290	60,373	810,610	-	810,610
Gross receivables	1,081,604	774,168	167,201	223,870	2,246,843	-	2,246,843
Less: allowance for uncollectibles	144,257	5,322	2,836	133,863	286,278	-	286,278
Net total receivables	\$ 937,347	\$ 768,846	\$ 164,365	\$ 90,007	\$ 1,960,565	\$ -	\$ 1,960,565



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2011

II. Detail Notes on All Funds (continued)

A. Assets (continued)

4. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2011 was as follows:

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

General administration	\$ 334,594
Public safety	248,498
Public works	68,141
Code Enforcement	3,518
Parks and playgrounds	<u>10,310</u>
Total depreciation expense	<u>\$ 665,061</u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,191,503	\$ 5,000	\$ -	\$ -	\$ 3,196,503
Construction in progress	409,257	554,919	-	(964,176)	-
Total capital assets not being depreciated	<u>3,600,760</u>	<u>559,919</u>	<u>-</u>	<u>(964,176)</u>	<u>3,196,503</u>
Capital assets being depreciated:					
Buildings and improvements	5,180,160	1,020,000	-	268,242	6,468,402
Machinery and Equipment	5,422,031	286,227	77,620	-	5,630,638
Infrastructure	4,910,639	30,585	-	695,934	5,637,158
Total capital assets being depreciated	<u>15,512,830</u>	<u>1,336,812</u>	<u>77,620</u>	<u>964,176</u>	<u>17,736,198</u>
Less accumulated depreciation for:					
Buildings and improvements	1,696,949	153,308	-	-	1,850,257
Machinery and Equipment	4,444,424	298,343	77,620	-	4,665,147
Infrastructure	1,563,772	213,410	-	-	1,777,182
Total accumulated depreciation	<u>7,705,145</u>	<u>\$ 665,061</u>	<u>\$ 77,620</u>	<u>\$ -</u>	<u>8,292,586</u>
Total capital assets being depreciated, net	<u>7,807,685</u>				<u>9,443,612</u>
Governmental activity capital assets, net	<u>\$ 11,408,445</u>				<u>\$ 12,640,115</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2011

II. 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, 2011 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	853,867	1,331,315	-	(1,643,745)	541,437
Total capital assets not being depreciated	1,218,421	1,331,315	-	(1,643,745)	905,991
Capital assets being depreciated:					
Buildings	1,494,840	-	-	-	1,494,840
Equipment	4,886,434	167,165	44,340	-	5,009,259
Water and Sewer System	36,172,486	70,284	-	1,643,745	37,886,515
Total capital assets being depreciated	42,553,760	237,449	44,340	1,643,745	44,390,614
Less accumulated depreciation for:					
Building and building improvements	758,420	34,282	-	-	792,702
Equipment	3,480,459	276,807	44,340	-	3,712,926
Water and Sewer System	14,586,704	832,436	-	-	15,419,140
Total accumulated depreciation	18,825,583	\$ 1,143,525	\$ 44,340	\$ -	19,924,768
Total capital assets being depreciated, net	23,728,177				24,465,846
Gross Revenue capital assets, net	24,946,598				25,371,837
<i>Solid Waste</i>					
Capital assets not being depreciated:					
Construction in progress	\$ 516,855	\$ 535,259	\$ -	\$ (1,052,114)	\$ -
Capital assets being depreciated:					
Buildings	126,528	-	-	-	126,528
Equipment	3,006,258	260,990	-	-	3,267,248
Infrastructure	127,001	-	-	1,052,114	1,179,115
Total capital assets being depreciated	3,259,787	260,990	-	1,052,114	4,572,891
Less accumulated depreciation for:					
Buildings	126,528	-	-	-	126,528
Equipment	2,476,401	153,342	-	-	2,629,743
Infrastructure	127,000	10,521	-	-	137,521
Total accumulated depreciation	2,729,929	\$ 163,863	\$ -	\$ -	\$ 2,893,792
Total capital assets being depreciated, net	529,858				1,679,099
Solid Waste capital assets, net	1,046,713				1,679,099
Business-type activities capital assets, net	\$ 25,993,311				\$ 27,050,936



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2011

II. Detail Notes on All Funds (continued)

A. Assets (continued)

3. Capital Assets (continued)

Construction commitments

The government has active water and sewer construction projects in the Gross Revenue Fund as of June 30, 2011. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
WWTP Effluent Pump Station	\$ 467,052	\$ 469,197
Westwood Subdivision Project	73,104	9,057
Brooklyn Avenue, Phase II	17,255	44,445
Total	<u>\$ 557,411</u>	<u>\$ 522,699</u>

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at June 30, 2011, 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	Total	
Payables:							
Accounts and vouchers	\$ 941,307	\$ -	\$ 18,484	\$ -	\$ 959,791	\$ -	\$ 959,791
Accrued payroll and related liabilities	36,325	-	1,171	(653)	36,843	-	36,843
Accrued interest payable	4,817	-	54,924	1,652	61,393	-	61,393
Other	81,294	-	1,115	3,900	86,309	-	86,309
Total accounts payable and accrued liabilities	<u>\$ 1,063,743</u>	<u>\$ -</u>	<u>\$ 75,694</u>	<u>\$ 4,899</u>	<u>\$ 1,144,336</u>	<u>\$ -</u>	<u>\$ 1,144,336</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2011

II. 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 proprietary 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, 2011, the City leased buildings, infrastructure, vehicles, and equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 180,505	\$ 39,861	\$ 140,644
Infrastructure	2,943,975	325,064	2,618,911
Vehicles	783,368	314,692	468,676
Total	\$ 3,907,848	\$ 679,617	\$ 3,228,231

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, 2011 were as follows:

Fiscal Year Ending June 30	Governmental Activities		Business - Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 9,651	\$ 5,738	\$ 323,783	\$ 102,011
2013	10,516	5,338	340,706	90,682
2014	11,428	4,903	247,300	79,732
2015	12,390	4,431	199,670	71,411
2016	13,406	3,920	216,046	63,168
2017-2021	84,354	10,388	1,359,411	167,411
2022	5,007	4,926	80,089	727
	\$ 146,752	\$ 39,644	\$ 2,767,005	\$ 575,142

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, 2011

II. 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
2012	\$ 135,000	\$ 21,265
2013	140,000	14,650
2014	150,000	7,650
	<u>\$ 425,000</u>	<u>\$ 43,565</u>

4. Bond Refunding and State Revolving Loans

The City's bond refunding and state revolving loans at June 30, 2011 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. \$ 205,000

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. 1,893,443

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. 165,720



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2011

II. 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. \$ 793,624

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. 674,945

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. 5,319,992

Total Bond Refunding and State Revolving Loans	9,052,724
Less amount representing current portion	<u>1,012,463</u>
Long-term portion	<u>\$ 8,040,261</u>

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

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2012	\$ 1,012,463	\$ 185,323
2013	830,997	156,921
2014	839,340	132,536
2015	814,769	108,977
2016	838,125	85,621
2017 - 2021	2,260,498	259,145
2022 - 2026	1,859,332	82,685
2027 - 2028	597,200	5,999
	<u>\$ 9,052,724</u>	<u>\$ 1,017,207</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2011

II. 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, 2011:

	Balance July 1, 2010	Additions	Payments	Balance June 30, 2011	Current Portion of Long-term Liabilities
Governmental Activities:					
Capitalized leases	\$ 351,882	\$ -	\$ 205,130	\$ 146,752	\$ 9,651
General Obligation Bonds	550,000	-	125,000	425,000	135,000
Compensated absences	299,932	205,232	186,497	318,667	53,111
Total governmental activities	<u>\$ 1,201,814</u>	<u>\$ 205,232</u>	<u>\$ 516,627</u>	<u>\$ 890,419</u>	<u>\$ 197,762</u>
Business-type Activities:					
Capitalized leases	\$ 3,093,533	\$ -	\$ 326,528	\$ 2,767,005	\$ 323,783
Refunding bond and State Revolving loans	10,032,477	-	979,753	9,052,724	1,012,463
Compensated absences	139,528	110,074	98,810	150,792	150,792
Total business-type activities	<u>\$ 13,265,538</u>	<u>\$ 110,074</u>	<u>\$ 1,405,091</u>	<u>\$ 11,970,521</u>	<u>\$ 1,487,038</u>

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

The total interest incurred for the year ended June 30, 2011 was \$364,642. 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, 2011 was \$34,754,357. The computation of legal debt limits is as follows:

General obligation debt limitation (\$34,754,357 x 8%)	\$2,780,349
General obligation debt at June 30, 2011	<u>425,000</u>
Excess of debt limit over general obligation debt	<u>\$2,355,349</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2011

II. 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, 2011

II. 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, 2011, were 9.24% for SCRS and 11.13% 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, 2012</u>	<u>Fiscal Year Ending June 30, 2011</u>	<u>Fiscal Year Ending June 30, 2010</u>
<u>SCRS</u>				
Employee contributions	6.5%	\$233,630	\$216,244	\$210,606
Employer contributions	9.24%	\$332,766	\$317,818	\$307,708
<u>PORS</u>				
Employee contributions	6.5%	\$175,312	\$164,705	\$167,110
Employer contributions	10.65%	\$279,993	\$279,998	\$273,803

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 2011, 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, 2011

II. 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, 2010 and active employees who retire on or before January 1, 2011 with at least 10 years of service with the City as of their retirement date or who retire after January 1, 2011 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, 2011 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, 2011

II. 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 2011, the City's annual OPEB cost (expense) of \$161,800 for the Plan is as follows:

Annual required contribution	\$ 161,800
Annual OPEB cost	161,800
Contributions made	<u>161,800</u>
Decrease in net OPEB obligation	<u>\$ -</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 and 2011 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 211,000	40%	\$127,000
6/30/2010	210,400	160%	(600)
6/30/2011	161,800	100%	-

Contributions included \$65,000 paid by the City to the Plan to pre-fund benefits and \$38,400 and \$58,400, respectively, made by the City paid for covered participants' explicit and implicit subsidized benefits for the year ended June 30, 2011.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2011

II. 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); an annual healthcare cost trend rate of 8.10 percent initially, graded to a rate of 4.5 percent over 80 years; and an inflation rate assumption of 4.0 percent.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2011

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

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

Actuarial Methods and Assumptions (continued)

The asset valuation method used is market value. The Plan's UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 27 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)	\$ 12,128	\$ -
Vehicle Tax (General Fund)	34,485	-
Real Property Tax (General Fund)	173,646	-
Tax Rollback (General Fund)	233,921	-
Performing Arts (General Fund)	-	89,998
Total	<u>\$ 454,180</u>	<u>\$ 89,998</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, 2011

II. 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 the 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, 2011 are as follows:

	Payable Fund				Total
	General Fund	Gross Revenue Fund	Solid Waste Fund	Hospitality Fund	
Receivable Fund					
General Fund	\$ -	\$ 484,514	\$ 395,259	\$ 84,566	\$ 964,339
Solid Waste Fund	-	-	379	-	379
	<u>\$ -</u>	<u>\$ 484,514</u>	<u>\$ 395,638</u>	<u>\$ 84,566</u>	<u>\$ 964,718</u>

The interfund balances, except for \$352,197 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, 2011 and ending April 1, 2017. As of June 30, 2011, the outstanding balance on this loan was \$352,197. Principal payments on the loan are expected to total \$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 2011 fiscal year, the City made a one-time transfer from the Hospitality Tax Fund of \$176,246 to the General Fund.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2011

II. 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 are estimated to be \$89,000 and will be funded by a grant from Lancaster County, South Carolina.

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, 2011 was \$516,906.

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 \$536,394 for the year ended June 30, 2011.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2011

II. Detail Notes on All Funds (continued)

D. Subsequent Events

The City has evaluated all events subsequent to the balance sheet date of June 30, 2011, through December 6, 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, 2011
(Unaudited)

Schedule of Funding Progress

Fiscal Year Ended June 30,	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)
2009	July 1, 2007	\$ -	\$ 1,944,000	\$ 1,944,000	0%	\$ 4,626,000	42%
2010	July 1, 2009	127,000	1,549,800	1,422,800	8%	5,241,300	27%
2011	July 1, 2009	323,322	1,549,800	1,226,478	21%	5,241,300	23%

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	160%
2011	161,800	161,800	100%



COMBINING AND INDIVIDUAL FUND STATEMENT SECTION



GOVERNMENTAL FUNDS



General Fund
Comparative Balance Sheets

June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 6,573,373	\$ 6,472,656
Receivables:		
Taxes, net	271,635	237,821
Grants	37,110	102,254
Intergovernmental	348,949	338,867
Taxes - other	279,652	276,051
Due from other funds	484,381	1,036,829
Designated assets	694,187	792,097
Restricted assets	194,373	194,007
Inventory	6,276	59,040
Advances to other funds	295,515	352,197
Total assets	<u>\$ 9,185,451</u>	<u>\$ 9,861,819</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,063,743	\$ 1,677,851
Compensated absences payable	53,111	49,988
Unearned revenue	89,998	101,770
Deferred revenues - tax rollback	233,921	96,661
Deferred revenues - other	220,259	209,200
Total liabilities	<u>1,661,032</u>	<u>2,135,470</u>
Fund balances:		
Nonspendable:		
Inventory	6,276	59,040
Restricted:		
Debt payments	194,373	194,007
Victims' services	-	11,558
Drug fund	83,842	107,673
Committed:		
Downtown development	553,285	429,749
Police department communications	67,842	67,842
Assigned:		
Main street project	5,000	5,000
Subsequent year's expenditures	1,077,368	596,670
Unassigned	5,536,433	6,254,810
Total fund balances	<u>7,524,419</u>	<u>7,726,349</u>
Total liabilities and fund balances	<u>\$ 9,185,451</u>	<u>\$ 9,861,819</u>



CITY OF LANCASTER, SOUTH CAROLINA

General Fund

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

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Revenues:				
Taxes:				
Property taxes	\$ 3,450,000	\$ 3,080,628	\$ (369,372)	\$ 3,203,068
Vehicle taxes	176,000	191,933	15,933	208,529
Motor carrier taxes	85,000	55,593	(29,407)	66,450
Homestead	174,000	171,988	(2,012)	176,659
Delinquent taxes	100,000	169,963	69,963	152,578
Tax penalties	30,000	32,126	2,126	73,646
Local option sales tax	1,373,000	1,471,576	98,576	1,538,674
Total taxes	<u>5,388,000</u>	<u>5,173,807</u>	<u>(214,193)</u>	<u>5,419,604</u>
Fines, fees, licenses, and permits:				
Victim's services	30,000	26,256	(3,744)	26,821
Court fines	350,000	374,755	24,755	385,748
Duke power fees	600,000	629,854	29,854	592,626
Certification fees	1,700	2,700	1,000	2,000
Franchise fees	137,000	143,599	6,599	146,413
Privilege licenses	1,469,235	1,606,468	137,233	1,656,818
Building permits	40,000	41,421	1,421	71,498
Payments in lieu of taxes	255,800	461,954	206,154	292,550
Total fines, fees, licenses, and permits	<u>2,883,735</u>	<u>3,287,007</u>	<u>403,272</u>	<u>3,174,474</u>
Intergovernmental revenues:				
State shared revenue	188,000	177,515	(10,485)	213,629
Merchants inventory	71,000	71,687	687	71,687
Accommodations tax	45,000	29,530	(15,470)	39,702
Exemption	118,000	141,566	23,566	140,654
Total intergovernmental	<u>422,000</u>	<u>420,298</u>	<u>(1,702)</u>	<u>465,672</u>



CITY OF LANCASTER, SOUTH CAROLINA

General Fund

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

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Revenues (continued):				
Charges for services:				
Lot clearing	\$ 4,000	\$ 9,531	\$ 5,531	\$ 5,694
Fire protection contracts	41,000	49,749	8,749	41,925
School guards	60,000	68,010	8,010	68,012
See Lancaster	40,000	32,039	(7,961)	49,887
Performing arts	250,000	179,955	(70,045)	67,778
Total charges for services	395,000	339,284	(55,716)	233,296
Grants	754,300	631,897	(122,403)	596,489
Interest	35,000	25,052	(9,948)	30,654
Other revenues:				
Insurance proceeds	52,800	53,787	987	7,134
Sale of assets	10,000	6,494	(3,506)	-
Police revenues	25,000	31,177	6,177	24,118
Miscellaneous	32,200	52,431	20,231	89,562
Cemetery fees	10,000	6,325	(3,675)	9,125
Planning and zoning	3,000	2,430	(570)	2,470
Total other	133,000	152,644	19,644	132,409
Total revenues	10,011,035	10,029,989	18,954	10,052,598
Expenditures:				
General administration:				
Mayor and council:				
Personnel services	71,394	67,125	4,269	71,159
Operating expenses	56,900	37,718	19,182	37,199
Total mayor and council	128,294	104,843	23,451	108,358



CITY OF LANCASTER, SOUTH CAROLINA

General Fund

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

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Expenditures (continued):				
General administration (continued):				
City administrator:				
Personnel services	\$ 141,895	\$ 141,703	\$ 192	\$ 138,414
Operating expenses	28,625	24,938	3,687	19,798
Total city administrator	<u>170,520</u>	<u>166,641</u>	<u>3,879</u>	<u>158,212</u>
Building and grounds maintenance:				
Personnel services	131,635	131,103	532	128,722
Operating expenses	90,600	89,767	833	59,747
Total building and grounds maintenance	<u>222,235</u>	<u>220,870</u>	<u>1,365</u>	<u>188,469</u>
Human Resources:				
Personnel services	104,726	101,485	3,241	98,389
Operating expenses	65,175	44,959	20,216	44,924
Total human resources	<u>169,901</u>	<u>146,444</u>	<u>23,457</u>	<u>143,313</u>
Finance:				
Personnel services	219,880	219,716	164	211,878
Operating expenses	27,600	26,740	860	24,379
Total finance	<u>247,480</u>	<u>246,456</u>	<u>1,024</u>	<u>236,257</u>
Legal services:				
Personnel services	10,225	7,381	2,844	7,829
Operating expenses	107,200	107,048	152	92,488
Total legal services	<u>117,425</u>	<u>114,429</u>	<u>2,996</u>	<u>100,317</u>
General expense:				
Personnel services	694,400	694,373	27	682,608
Operating expenses	1,383,400	1,019,814	363,586	948,049
Capital outlay	-	227,025	(227,025)	-
Total general expense	<u>2,077,800</u>	<u>1,941,212</u>	<u>136,588</u>	<u>1,630,657</u>



CITY OF LANCASTER, SOUTH CAROLINA

General Fund

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

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Expenditures (continued):				
General administration (continued):				
Administrative services:				
Personnel services	\$ 183,773	\$ 183,643	\$ 130	\$ 171,991
Operating expenses	22,375	21,415	960	23,054
Total administrative services	206,148	205,058	1,090	195,045
Total general administration	3,339,803	3,145,953	193,850	2,760,628
Public safety:				
Police:				
Personnel services	2,193,029	2,172,480	20,549	2,061,005
Operating expenses	526,850	420,767	106,083	268,194
Capital outlay	75,500	53,500	22,000	6,823
Total police	2,795,379	2,646,747	148,632	2,336,022
Victims' services:				
Personnel services	44,672	44,550	122	43,294
Operating expenses	5,850	5,014	836	4,572
Total victims' services	50,522	49,564	958	47,866
Law enforcement block grant:				
Capital outlay	34,400	7,643	26,757	5,060
Judiciary:				
Personnel services	258,966	258,668	298	245,670
Operating expenses	245,750	244,347	1,403	238,174
Total judiciary	504,716	503,015	1,701	483,844
Fire:				
Personnel services	1,232,655	1,213,882	18,773	1,191,644
Operating expenses	214,500	231,576	(17,076)	148,865
Total fire	1,447,155	1,445,458	1,697	1,340,509
Total public safety	4,832,172	4,652,427	179,745	4,213,301



CITY OF LANCASTER, SOUTH CAROLINA

General Fund

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

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Expenditures (continued):				
Public works:				
Street division:				
Personnel services	\$ 245,569	\$ 244,673	\$ 896	\$ 217,388
Operating expenses	424,300	393,527	30,773	401,735
Total street division	<u>669,869</u>	<u>638,200</u>	<u>31,669</u>	<u>619,123</u>
Vehicle maintenance:				
Personnel services	166,092	164,316	1,776	161,850
Operating expenses	44,200	37,021	7,179	34,763
Total vehicle maintenance	<u>210,292</u>	<u>201,337</u>	<u>8,955</u>	<u>196,613</u>
Total public works	<u>880,161</u>	<u>839,537</u>	<u>40,624</u>	<u>815,736</u>
Code enforcement:				
Personnel services	151,354	150,850	504	148,385
Operating expenses	63,525	41,044	22,481	35,429
Total code enforcement	<u>214,879</u>	<u>191,894</u>	<u>22,985</u>	<u>183,814</u>
Parks and playgrounds:				
Operating expenses	<u>126,004</u>	<u>124,245</u>	<u>1,759</u>	<u>97,858</u>
Community service:				
Other community services:				
Operating expenses	<u>50,000</u>	<u>37,000</u>	<u>13,000</u>	<u>6,000</u>
Total other community services	<u>50,000</u>	<u>37,000</u>	<u>13,000</u>	<u>6,000</u>
See Lancaster:				
Personnel services	121,365	113,903	7,462	107,563
Operating expenses	117,600	113,494	4,106	112,440
Total See Lancaster	<u>238,965</u>	<u>227,397</u>	<u>11,568</u>	<u>220,003</u>
Performing Arts:				
Operating expenses	<u>276,350</u>	<u>275,579</u>	<u>771</u>	<u>173,633</u>
Total Performing Arts	<u>276,350</u>	<u>275,579</u>	<u>771</u>	<u>173,633</u>
Total community service	<u>565,315</u>	<u>539,976</u>	<u>25,339</u>	<u>399,636</u>
Debt service:				
Principal	330,300	330,212	88	315,524
Interest and fees	38,300	37,216	1,084	52,630
Total debt service	<u>368,600</u>	<u>367,428</u>	<u>1,172</u>	<u>368,154</u>



CITY OF LANCASTER, SOUTH CAROLINA

General Fund

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

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Expenditures (continued):				
Capital improvements:				
Capital outlay	\$ 824,321	\$ 546,705	\$ 277,616	\$ 637,134
Total expenditures	11,151,255	10,408,165	743,090	9,476,261
Excess of revenues over (under) expenditures	(1,140,220)	(378,176)	762,044	576,337
Other financing sources (uses):				
Fund balance appropriated	872,420	-	(872,420)	-
Transfer from Hospitality Tax Fund	207,100	176,246	(30,854)	229,087
Transfer to Solid Waste Fund	60,700	-	(60,700)	-
Total other financing sources	1,140,220	176,246	(963,974)	229,087
Excess of revenues and other sources over (under) expenditures	\$ -	(201,930)	\$ (201,930)	805,424
Beginning of year, July 1		7,726,349		6,920,925
End of year, June 30		\$ 7,524,419		\$ 7,726,349



CITY OF LANCASTER, SOUTH CAROLINACombining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	Southside Project	Hospitality Tax Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 14,723	\$ -	\$ 14,723
Receivables:			
Mortgages	29,634	-	29,634
Taxes - other	-	60,373	60,373
Restricted assets	-	1,278,497	1,278,497
Total assets	<u>\$ 44,357</u>	<u>\$ 1,338,870</u>	<u>\$ 1,383,227</u>
Liabilities and fund balances			
Liabilities:			
Due to other funds	\$ -	\$ 84,566	\$ 84,566
Total liabilities	<u>-</u>	<u>84,566</u>	<u>84,566</u>
Fund balances			
Restricted:			
Hospitality tax	-	1,254,304	1,254,304
Southside Housing	44,357	-	44,357
Total fund balances	<u>44,357</u>	<u>1,254,304</u>	<u>1,298,661</u>
Total liabilities and fund balances	<u>\$ 44,357</u>	<u>\$ 1,338,870</u>	<u>\$ 1,383,227</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, 2011

	Southside Project	Hospitality Tax Fund	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ -	\$ 720,449	\$ 720,449
Interest	972	1,007	1,979
Total revenues	<u>972</u>	<u>721,456</u>	<u>722,428</u>
Expenditures			
Current:			
General administration	57,235	378,075	435,310
Capital outlay	-	35,858	35,858
Total expenditures	<u>57,235</u>	<u>413,933</u>	<u>471,168</u>
Other financing sources (uses)			
Transfers out	-	(176,246)	(176,246)
Total other financing uses	<u>-</u>	<u>(176,246)</u>	<u>(176,246)</u>
Net change in fund balances	(56,263)	131,277	75,014
Fund balance - beginning	<u>100,620</u>	<u>1,123,027</u>	<u>1,223,647</u>
Fund balance - ending	<u>\$ 44,357</u>	<u>\$ 1,254,304</u>	<u>\$ 1,298,661</u>



CITY OF LANCASTER, SOUTH CAROLINASouthside Project
Comparative Balance Sheets*June 30, 2011 and 2010*

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ 14,723	\$ 67,947
Mortgages	29,634	32,673
Total assets	<u>\$ 44,357</u>	<u>\$ 100,620</u>
Liabilities and fund balances		
Fund balances:		
Restricted	44,357	100,620
Total fund balances	<u>44,357</u>	<u>100,620</u>
Total liabilities and fund balances	<u>\$ 44,357</u>	<u>\$ 100,620</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Interest	\$ 972	\$ 1,179
Total revenues	<u>972</u>	<u>1,179</u>
Expenditures		
Current:		
General administration	<u>57,235</u>	<u>60,578</u>
Total expenditures	<u>57,235</u>	<u>60,578</u>
Net change in fund balances	(56,263)	(59,399)
Beginning of year, July 1	<u>100,620</u>	<u>160,019</u>
End of year, June 30	<u>\$ 44,357</u>	<u>\$ 100,620</u>



CITY OF LANCASTER, SOUTH CAROLINAHospitality Tax Fund
Comparative Balance Sheets*June 30, 2011 and 2010*

	<u>2011</u>	<u>2010</u>
Assets		
Receivables		
Taxes - other	\$ 60,373	\$ 61,206
Restricted assets	1,278,497	1,098,480
Total assets	<u>\$ 1,338,870</u>	<u>\$ 1,159,686</u>
Liabilities and fund balances		
Due to other funds	\$ 84,566	\$ 36,720
Total liabilities	<u>84,566</u>	<u>36,720</u>
Fund balances:		
Restricted	1,254,304	1,122,966
Total fund balances	<u>1,254,304</u>	<u>1,122,966</u>
Total liabilities and fund balances	<u>\$ 1,338,870</u>	<u>\$ 1,159,686</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, 2011 and 2010

	2011	2010
Revenues		
Taxes	\$ 720,449	\$ 707,745
Interest	1,007	1,235
Total revenues	<u>721,456</u>	<u>708,980</u>
Expenditures		
Current:		
General administration	378,044	535,383
Capital outlay	35,858	-
Total expenditures	<u>413,902</u>	<u>535,383</u>
Excess of revenues over expenditures	<u>307,554</u>	<u>173,597</u>
Other financing sources (uses)		
Transfers out	(176,246)	(229,087)
Total other financing uses	<u>(176,246)</u>	<u>(229,087)</u>
Net change in fund balances	131,308	(55,490)
Beginning of year, July 1	<u>1,122,996</u>	<u>1,178,486</u>
End of year, June 30	<u>\$ 1,254,304</u>	<u>\$ 1,122,996</u>



ENTERPRISE FUNDS



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund
Comparative Balance Sheets

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,702,559	\$ 2,216,315
Receivables:		
Water and sewer	474,725	495,647
Other	294,121	415,355
Due from Solid Waste Fund	379	-
Inventory	91,918	92,162
Total current assets	<u>2,563,702</u>	<u>3,219,479</u>
Noncurrent assets		
Capital improvement account	<u>163,571</u>	<u>163,571</u>
Restricted assets		
Customer deposits	218,001	217,855
Bond depreciation account	305,460	290,360
Bond contingency account	305,460	290,360
Bond debt service and reserve account	1,470,422	1,470,491
Total restricted assets	<u>2,299,343</u>	<u>2,269,066</u>
Deferred charges, net	<u>53,037</u>	<u>66,616</u>
Capital assets (net, where applicable, of accumulated depreciation)	<u>25,371,837</u>	<u>24,946,598</u>
Total noncurrent assets	<u>27,887,788</u>	<u>27,445,851</u>
Total assets	<u>30,451,490</u>	<u>30,665,330</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	75,694	136,617
Compensated absences payable	110,748	103,197
Current portion of long-term debt	1,012,463	979,754
Capital leases payable - current	250,786	255,191
Customer deposits	218,001	217,855
Due to General Fund	371,753	623,997
Due to Solid Waste Fund	-	21,859
Total current liabilities	<u>2,039,445</u>	<u>2,338,470</u>
Noncurrent liabilities		
Revenue bonds and notes payable	8,040,261	9,052,723
Capital leases payable - long-term	2,369,573	2,620,702
Total noncurrent liabilities	<u>10,409,834</u>	<u>11,673,425</u>
Total liabilities	<u>12,449,279</u>	<u>14,011,895</u>
Net assets		
Invested in capital assets, net of related debt	13,698,754	12,038,228
Restricted for debt payments	2,081,342	2,051,211
Net assets unrestricted	2,222,115	2,563,996
Total net assets	<u>\$ 18,002,211</u>	<u>\$ 16,653,435</u>



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund

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

*For the Fiscal Year Ended June 30, 2011**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)*

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Revenues				
Water and sewer charges	\$ 5,804,000	\$ 5,415,248	\$ (388,752)	\$ 5,535,645
Water penalties	207,000	205,769	(1,231)	218,310
Tap fees	31,000	14,978	(16,022)	33,044
Interest income	10,000	9,018	(982)	12,000
Other	17,000	1,862	(15,138)	10,350
Total revenues	6,069,000	5,646,875	(422,125)	5,809,349
Expenditures				
Public works administration:				
Salaries and employee benefits	158,231	157,454	777	158,072
Clothing	400	121	279	388
Vehicle maintenance	8,000	7,030	970	2,112
Communications	20,000	19,823	177	10,506
Utilities	27,875	22,690	5,185	23,309
Repairs and maintenance	4,600	4,558	42	-
Special contracts	21,700	21,673	27	14,114
Materials and supplies	5,600	5,399	201	4,548
Miscellaneous	7,700	6,462	1,238	4,289
Total public works administration	254,106	245,210	8,896	217,338
Water service:				
Salaries and employee benefits	358,745	350,141	8,604	347,687
Clothing	9,700	9,681	19	8,244
Vehicle maintenance	66,800	66,781	19	67,794
Communications	3,000	2,981	19	3,266
Repairs and maintenance	143,000	126,493	16,507	52,286
Special contracts	70,000	69,979	21	51,892
Materials and supplies	150,650	150,630	20	202,885
Miscellaneous	530,900	519,381	11,519	530,201
Total water service	1,332,795	1,296,067	36,728	1,264,255



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund

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

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures (continued):				
Utility billing:				
Salaries and employee benefits	\$ 153,022	\$ 125,898	\$ 27,124	\$ 152,798
Communications	6,500	6,455	45	4,992
Repairs and maintenance	250	-	250	165
Special contracts	51,000	44,976	6,024	50,965
Materials and supplies	8,250	7,557	693	3,677
Miscellaneous	1,100	523	577	202
Total utility billing	<u>220,122</u>	<u>185,409</u>	<u>34,713</u>	<u>212,799</u>
Wastewater treatment:				
Salaries and employee benefits	319,264	318,284	980	307,331
Clothing	5,000	4,046	954	4,103
Vehicle maintenance	18,700	18,619	81	16,614
Communications	10,000	9,601	399	8,416
Utilities	198,500	171,393	27,107	193,594
Repairs and maintenance	127,300	30,832	96,468	107,414
Special contracts	25,000	24,164	836	31,995
Materials and supplies	37,950	37,736	214	24,794
Miscellaneous	327,550	274,735	52,815	237,447
Total wastewater treatment	<u>1,069,264</u>	<u>889,410</u>	<u>179,854</u>	<u>931,708</u>
Wastewater collection:				
Salaries and employee benefits	476,094	469,526	6,568	454,963
Clothing	8,900	8,856	44	8,671
Vehicle maintenance	69,650	69,610	40	49,356
Communications	1,800	1,597	203	1,667
Repairs and maintenance	32,000	31,435	565	34,215
Special contracts	39,200	39,128	72	34,259
Materials and supplies	58,250	58,243	7	61,102
Miscellaneous	5,100	4,139	961	3,844
Total wastewater collection	<u>690,994</u>	<u>682,534</u>	<u>8,460</u>	<u>648,077</u>



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund

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

*For the Fiscal Year Ended June 30, 2011**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)*

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Expenditures (continued):				
General:				
Communications	\$ 19,900	\$ 40,873	\$ (20,973)	\$ 17,201
Insurance	217,550	206,582	10,968	191,474
Repairs and maintenance	20,000	10,707	9,293	13,196
Special contracts	217,100	82,437	134,663	48,641
Miscellaneous	519,053	317,605	201,448	284,241
Total general	<u>993,603</u>	<u>658,204</u>	<u>335,399</u>	<u>554,753</u>
Debt service:				
Principal payments	1,335,800	979,694	356,106	1,183,213
Interest	339,700	344,761	(5,061)	381,182
Total debt service	<u>1,675,500</u>	<u>1,324,455</u>	<u>351,045</u>	<u>1,564,395</u>
Capital outlay	<u>2,094,400</u>	<u>1,568,764</u>	<u>525,636</u>	<u>960,805</u>
Total expenditures	<u>8,330,784</u>	<u>6,850,053</u>	<u>1,480,731</u>	<u>6,354,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,261,784)</u>	<u>(1,203,178)</u>	<u>1,058,606</u>	<u>(544,781)</u>
Other financing sources (uses)				
Fund balance appropriated	396,784	-	(396,784)	-
Loan proceeds	-	-	-	23,675
Capital grant income	1,865,000	1,135,749	(729,251)	731,674
Proceeds from capital lease	-	-	-	1,006
Total other financing sources (uses)	<u>2,261,784</u>	<u>1,135,749</u>	<u>(1,126,035)</u>	<u>756,355</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (67,429)</u>	<u>\$ (67,429)</u>	<u>\$ 211,574</u>



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund

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

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:		
Revenues and other sources over (under) expenditures	\$ (67,429)	\$ 211,574
Payment of debt principal	979,694	1,183,213
Loan proceeds	-	(23,675)
Proceeds from capital lease	-	(1,006)
Insurance proceeds and other	11,274	3,282
Depreciation	(1,143,525)	(1,152,988)
Capital outlay	<u>1,568,764</u>	<u>960,805</u>
Change in net assets per full accrual basis - Exhibit G	<u>\$ 1,348,778</u>	<u>\$ 1,181,205</u>



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010
Operating activities		
Cash received from customers	\$ 5,780,013	\$ 5,404,712
Cash paid to employees	(1,413,752)	(1,413,460)
Cash paid to suppliers	(2,596,212)	(2,390,058)
Net cash provided by operating activities	<u>1,770,049</u>	<u>1,601,194</u>
Noncapital financing activities		
Due to other funds	(274,482)	454,142
Customer deposits	146	1,006
Net cash provided by (used in) noncapital activities	<u>(274,336)</u>	<u>455,148</u>
Capital and related financing activities		
Loan proceeds	-	23,675
Proceeds from capital lease	-	1,006
Proceeds from capital grants	1,135,749	731,674
Insurance proceeds	4,242	3,282
Proceeds from sale of capital assets	7,032	-
Acquisition of capital assets	(1,568,764)	(960,805)
Principal paid on capital leases	(255,534)	(237,876)
Principal paid on bond and note maturities	(979,753)	(945,337)
Interest and bond fees	(331,182)	(367,603)
Net cash used in capital and related financing activities	<u>(1,988,210)</u>	<u>(1,751,984)</u>
Investing activities		
Interest on investments	9,018	12,000
Net cash provided by investing activities	<u>9,018</u>	<u>12,000</u>
Net increase (decrease) in cash and cash equivalents/investments	(483,479)	316,358
Cash and cash equivalents/investments		
Beginning of year	<u>4,648,952</u>	<u>4,332,594</u>
End of year	<u>\$ 4,165,473</u>	<u>\$ 4,648,952</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 537,498	\$ 815,431
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,143,525	1,152,988
Change in assets and liabilities		
Accounts receivable	142,156	(392,637)
Inventory	244	(27,515)
Accounts payable and accrued expenses	(60,925)	45,536
Compensated absences	7,551	7,391
Total adjustments	<u>1,232,551</u>	<u>785,763</u>
Net cash provided by operating activities	<u>\$ 1,770,049</u>	<u>\$ 1,601,194</u>



CITY OF LANCASTER, SOUTH CAROLINA

Solid Waste Fund Comparative Balance Sheets

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 909,517	\$ 1,965,178
Receivables:		
Garbage and trash	90,101	91,220
Roll-off containers	13,974	11,157
Other	60,290	30,108
Due from other funds	-	21,859
Total current assets	<u>1,073,882</u>	<u>2,119,522</u>
Capital assets (net, where applicable, of accumulated depreciation)	<u>1,679,099</u>	<u>1,046,713</u>
Total noncurrent assets	<u>1,679,099</u>	<u>1,046,713</u>
Total assets	<u>2,752,981</u>	<u>3,166,235</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	4,899	41,892
Compensated absences payable	40,044	36,331
Capital leases payable - current	72,997	70,981
Due to General Fund	28,441	376,112
Total current liabilities	<u>146,381</u>	<u>525,316</u>
Noncurrent liabilities		
Advances from other funds	295,515	352,197
Capital leases payable - long-term	73,649	146,659
Total noncurrent liabilities	<u>369,164</u>	<u>498,856</u>
Total liabilities	<u>515,545</u>	<u>1,024,172</u>
Net assets		
Invested in capital assets, net of related debt	1,532,453	829,073
Net assets unrestricted	704,983	1,312,990
Total net assets	<u>\$ 2,237,436</u>	<u>\$ 2,142,063</u>



CITY OF LANCASTER, SOUTH CAROLINA

Solid Waste Fund

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

*For the Fiscal Year Ended June 30, 2011**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)*

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Revenues				
Garbage fees	\$ 1,075,500	\$ 1,040,335	\$ (35,165)	\$ 1,043,958
Roll-off containers	93,000	81,624	(11,376)	97,835
Interest	6,000	4,568	(1,432)	7,337
Other	336,250	437,354	101,104	373,678
Total revenues	<u>1,510,750</u>	<u>1,563,881</u>	<u>53,131</u>	<u>1,522,808</u>
Expenditures				
General:				
Insurance	98,200	98,194	6	61,710
Repairs and maintenance	180,500	-	180,500	-
Special contracts	25,650	5,709	19,941	5,724
Miscellaneous	73,400	53,036	20,364	57,904
Total general	<u>377,750</u>	<u>156,939</u>	<u>220,811</u>	<u>125,338</u>
Residential garbage:				
Salaries and employee benefits	383,360	381,403	1,957	382,305
Clothing	7,225	7,224	1	6,566
Communications	1,275	1,002	273	977
Vehicle maintenance	110,000	108,788	1,212	109,386
Materials and supplies	33,000	32,204	796	23,765
Miscellaneous	2,000	636	1,364	822
Total residential garbage	<u>536,860</u>	<u>531,257</u>	<u>5,603</u>	<u>523,821</u>



CITY OF LANCASTER, SOUTH CAROLINA

Solid Waste Fund

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

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Expenditures (continued):				
Commerical garbage:				
Salaries and employee benefits	\$ 84,501	\$ 83,251	\$ 1,250	\$ 77,028
Clothing	2,000	1,454	546	1,408
Vehicle maintenance	57,100	57,022	78	58,803
Repairs and maintenance	500	-	500	-
Special contracts	117,000	105,581	11,419	113,747
Materials and supplies	40,000	36,676	3,324	16,821
Miscellaneous	1,100	-	1,100	696
Total commercial garbage	<u>302,201</u>	<u>283,984</u>	<u>18,217</u>	<u>268,503</u>
Transfer station:				
Salaries and employee benefits	147,459	145,578	1,881	122,983
Clothing	3,000	2,952	48	2,622
Vehicle maintenance	160,200	160,159	41	100,808
Communications	1,250	1,221	29	1,336
Repairs and maintenance	7,200	6,500	700	2,262
Special contracts	2,500	1,949	551	939
Materials and supplies	5,000	4,038	962	903
Miscellaneous	1,650	779	871	-
Total transfer station	<u>328,259</u>	<u>323,176</u>	<u>5,083</u>	<u>231,853</u>



CITY OF LANCASTER, SOUTH CAROLINA

Solid Waste Fund

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

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Expenditures (continued):				
Debt service:				
Principal	\$ 126,700	\$ 70,995	\$ 55,705	\$ 70,768
Interest	10,500	9,288	1,212	12,044
Total debt service	<u>137,200</u>	<u>80,283</u>	<u>56,917</u>	<u>82,812</u>
Capital outlay	<u>843,600</u>	<u>796,249</u>	<u>47,351</u>	<u>485,085</u>
Total expenditures	<u>2,525,870</u>	<u>2,171,888</u>	<u>353,982</u>	<u>1,717,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,015,120)</u>	<u>(608,007)</u>	<u>407,113</u>	<u>(194,604)</u>
Other financing sources (uses)				
Fund balance appropriated	1,015,120	-	(1,015,120)	-
Proceeds from capital lease	-	-	-	1,006
Transfer from General Fund	-	-	-	-
Total other financing uses	<u>1,015,120</u>	<u>-</u>	<u>(1,015,120)</u>	<u>1,006</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (608,007)</u>	<u>\$ (608,007)</u>	<u>\$ (193,598)</u>
			2011	2010
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues and other sources over expenditures			\$ (608,007)	\$ (193,598)
Payment of debt principal			70,995	70,768
Proceeds from capital lease			-	(1,006)
Depreciation			(163,863)	(161,516)
Capital outlay			<u>796,249</u>	<u>485,085</u>
Change in net assets per full accrual basis - Exhibit G			<u>\$ 95,374</u>	<u>\$ 199,733</u>



Solid Waste Fund
Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010
Operating activities		
Cash received from customers	\$ 1,527,433	\$ 1,599,849
Cash paid to employees	(606,519)	(583,468)
Cash paid to suppliers	(722,118)	(536,777)
Net cash provided by operating activities	<u>198,796</u>	<u>479,604</u>
Noncapital financing activities		
Due from other funds	21,859	(19,017)
Due to other funds	(404,353)	677,182
Net cash provided by noncapital activities	<u>(382,494)</u>	<u>658,165</u>
Capital and related financing activities		
Acquisition of capital assets	(796,249)	(485,085)
Proceeds from capital lease	-	1,006
Principal paid on capital leases	(70,994)	(70,769)
Interest and bond fees	(9,288)	(12,044)
Net cash used in capital and related financing activities	<u>(876,531)</u>	<u>(566,892)</u>
Investing activities		
Interest on investments	4,568	7,337
Net cash provided by investing activities	<u>4,568</u>	<u>7,337</u>
Net increase (decrease) in cash and cash equivalents/investments	(1,055,661)	578,214
Cash and cash equivalents/investments		
Beginning of year	1,965,178	1,386,964
End of year	<u>\$ 909,517</u>	<u>\$ 1,965,178</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 100,094	\$ 204,440
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	163,863	161,516
Change in assets and liabilities		
Accounts receivable	(31,880)	84,378
Accounts payable and accrued expenses	(36,994)	30,422
Compensated absences	3,713	(1,152)
Total adjustments	<u>98,702</u>	<u>275,164</u>
Net cash provided by operating activities	<u>\$ 198,796</u>	<u>\$ 479,604</u>



FIDUCIARY FUND



CITY OF LANCASTER, SOUTH CAROLINA

Fiduciary Fund Type- Agency Fund- Firemen's Fund

Comparative Statement of Fiduciary Net Assets
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and temporary investments	\$ 16,118	\$ 16,591
Total assets	<u>\$ 16,118</u>	<u>\$ 16,591</u>
Liabilities		
Due to firemen's association	\$ 16,118	\$ 16,591
Total liabilities	<u>\$ 16,118</u>	<u>\$ 16,591</u>



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Changes in Fiduciary Assets and Liabilities Agency Funds

For the Fiscal Year Ended June 30, 2011

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2011</u>
Firemen's Fund				
Assets				
Cash and temporary investments	\$ 16,591	\$ 14,246	\$ 14,719	\$ 16,118
Total assets	<u>\$ 16,591</u>	<u>\$ 14,246</u>	<u>\$ 14,719</u>	<u>\$ 16,118</u>
Liabilities				
Due to firemen's association	\$ 16,591	\$ 14,246	\$ 14,719	\$ 16,118
Total liabilities	<u>\$ 16,591</u>	<u>\$ 14,246</u>	<u>\$ 14,719</u>	<u>\$ 16,118</u>



OTHER FINANCIAL INFORMATION SECTION



CITY OF LANCASTER, SOUTH CAROLINASchedule of Debt Coverage
Gross Revenue Fund*For the Fiscal Year Ended June 30, 2011*

Operating revenues	<u>\$ 5,637,857</u>
Operating expenses (including depreciation)	4,583,453
Contract with Lancaster Water and Sewer District	<u>516,906</u>
Total operating expenses	<u>5,100,359</u>
Nonoperating revenues (expenses):	
Interest income	9,018
Interest expense and bond fees	(344,761)
Insurance proceeds	4,242
Capital grant income	1,135,749
Gain on sale of fixed assets	<u>7,032</u>
Total nonoperating expense	<u>811,280</u>
Net income	<u>1,348,778</u>
Add:	
Depreciation allowance	1,143,525
Interest and fees on bonds	<u>344,761</u>
Total additions	<u>1,488,286</u>
Net earnings	<u>\$ 2,837,064</u>
Debt service requirements	<u>\$ 1,197,786</u>
Debt coverage ratio	<u>2.37</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, 2011*

Funds available for the year ended June 30, 2010	<u>\$ 11,558</u>
Victims' percentage of assessments	<u>26,256</u>
Total revenues	26,256
Actual expenditures	<u>(49,564)</u>
Grant and assessment receipts under expenditures	<u>(23,308)</u>
Funds available for the year ended June 30, 2011	<u><u>\$ (11,750)</u></u>



CITY OF LANCASTER, SOUTH CAROLINA

Schedule of Victims' Fines, Assessments and Fees Collected

For the Fiscal Year Ended June 30, 2011

	Retained By City				Remitted to State		Total Collected
	Victim Assessment	Victim Surcharge	Fines Collected	Other Revenue	Assessment	Other Fees	
July-10	\$ 1,503	\$ 730	\$ 8,786	\$ 994	\$ 11,965	\$ 6,358	\$ 30,336
August-10	1,491	457	7,688	873	11,849	4,454	26,812
September-10	1,717	845	15,955	1,516	13,623	7,055	40,711
October-10	1,398	636	12,120	818	11,128	5,329	31,429
November-10	1,694	625	13,886	719	13,456	5,252	35,632
December-10	1,289	372	7,091	628	10,264	5,260	24,904
January-11	1,322	562	15,324	635	10,523	5,118	33,484
February-11	1,795	647	16,906	839	14,288	6,691	41,166
March-11	1,787	877	16,136	1,265	14,092	5,884	40,041
April-11	1,127	440	9,346	1,246	8,968	4,344	25,471
May-11	1,488	662	11,789	1,225	11,820	5,435	32,419
June-11	1,859	933	12,990	1,001	14,797	7,026	38,606
	<u>\$ 18,470</u>	<u>\$ 7,786</u>	<u>\$ 148,017</u>	<u>\$ 11,759</u>	<u>\$ 146,773</u>	<u>\$ 68,206</u>	<u>\$ 401,011</u>



STATISTICAL SECTION - UNAUDITED

This section of the City of Lancaster, South Carolina's comprehensive annual financial report presents detailed trend and other information as a context for understanding what the information in the basic financial statements, notes to the basic financial statements, required supplementary information and other supplementary information says about the City's overall financial health.

Financial Trends Information

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Pages

94 - 98

Revenue Capacity Information

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

99 - 103

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

104 - 108

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

109 - 110

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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CITY OF LANCASTER, SOUTH CAROLINA

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 12,068,363
Restricted for tourism	92,316	409,141	705,201	1,095,633	821,582	979,272	1,144,521	1,098,480	1,278,497
Restricted for debt service	171,694	179,433	181,197	184,256	187,659	191,129	193,522	-	-
Restricted for Southside project	-	-	-	-	-	-	-	-	44,357
Restricted for victims' services	-	-	-	-	-	-	-	11,558	-
Unrestricted	4,232,441	4,391,770	5,189,683	5,470,942	6,343,575	6,961,829	7,074,358	7,895,843	7,688,851
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	21,080,068
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	\$ 15,231,207
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	2,081,342
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	2,927,098
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	20,239,647
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	\$ 27,299,570
Restricted for tourism	92,316	409,141	705,201	1,095,633	821,582	979,272	1,144,521	1,098,480	1,278,497
Restricted for Southside project	-	-	-	-	-	-	-	-	44,357
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	2,081,342
Restricted for victims' services	-	-	-	-	-	-	-	11,558	-
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	11,772,827	10,615,949
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	38,313,940	41,319,715

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 Nine Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 3,693,014
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	4,848,268
Public works	843,840	905,991	853,950	826,893	874,349	925,599	899,345	864,617	909,897
Code enforcement	194,122	206,679	236,330	223,674	235,403	234,941	240,646	187,303	196,393
Parks and playgrounds	90,063	93,819	96,954	96,954	101,470	101,470	101,470	102,767	134,555
Community service	28,500	42,000	80,444	109,071	68,313	42,629	51,557	401,993	539,769
Interest and fees	87,341	78,199	67,873	60,601	101,629	75,436	66,723	52,630	37,216
Total governmental activities expense	7,618,924	7,881,676	8,081,292	8,707,069	9,690,776	9,556,834	9,779,701	9,745,512	10,359,112
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	5,445,120
Solid waste	835,695	872,471	869,309	1,012,012	1,081,289	1,221,561	1,150,412	1,323,073	1,468,507
Total business-type activities expense	5,243,337	5,377,491	5,511,697	5,714,801	5,928,660	6,261,214	6,906,211	6,686,178	6,913,627
Total primary government expenses	\$ 12,862,261	\$ 13,259,167	\$ 13,592,989	\$ 14,421,870	\$ 15,619,436	\$ 15,818,048	\$ 16,685,912	\$ 16,431,690	\$ 17,272,739
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	\$ 135,530
Public safety	398,550	432,874	515,992	567,776	500,795	492,520	417,344	412,569	401,010
Public works	-	-	-	-	-	-	-	-	-
Code enforcement	36,661	79,808	40,956	60,510	49,505	58,813	35,245	71,498	41,421
Parks and playgrounds	-	-	-	-	-	-	-	-	-
Community service	-	-	-	-	-	-	-	117,665	211,994
Interest and fees	-	-	-	-	-	-	-	-	-
Operating grants and contributions	173,345	178,302	101,150	1,315,171	568,572	364,464	292,626	596,489	1,657,897
Capital grants and contributions	-	-	-	-	-	-	9,795	-	-
Total governmental activities program revenues	730,634	814,556	794,809	2,056,766	1,210,358	1,026,076	845,655	1,313,153	2,447,852
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	5,635,995
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	1,553,612
Operating grants and contributions	-	-	-	180,044	502,805	609,084	32,801	-	-
Capital grants and contributions	-	106,000	161,879	-	-	-	-	731,674	1,135,749
Total business-type activities program revenues	5,577,249	6,018,939	6,467,562	6,635,769	7,278,520	7,076,385	7,463,170	7,660,467	8,325,356
Total primary government program revenues	\$ 6,307,883	\$ 6,833,495	\$ 7,262,371	\$ 8,692,535	\$ 8,488,878	\$ 8,102,461	\$ 8,308,825	\$ 8,973,620	\$ 10,773,208

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 Nine Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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)	\$ (7,911,260)
Business-type activities	333,912	641,448	955,865	920,968	1,349,860	815,171	556,959	974,289	1,411,729
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>	<u>(6,499,531)</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	5,064,683
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	3,955,793
Unrestricted intergovernmental	326,192	337,191	344,288	372,110	366,282	387,057	374,003	325,019	278,732
Unrestricted investment earnings	44,740	45,035	69,671	171,880	263,169	216,594	73,893	33,068	27,032
Miscellaneous	55,400	72,543	76,144	79,478	105,041	65,258	108,890	82,119	146,150
Donations	-	-	-	-	-	-	-	50,290	-
Gain on sale of capital assets	-	-	-	-	27,655	400	11,409	-	6,494
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>	<u>9,478,884</u>
Business-type activities									
Unrestricted investment earnings	30,142	28,549	60,003	186,112	258,609	184,807	43,672	19,337	13,586
Miscellaneous	-	-	8,312	4,266	4,218	147,200	349,017	387,310	11,805
Gain on sale of capital assets	80,063	12,425	2,512	1,600	21,997	92	2,602	-	7,032
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>	<u>32,423</u>
Change in net assets									
Governmental activities	700,647	824,328	990,022	2,167,989	946,051	841,085	274,471	916,113	1,567,624
Business-type activities	444,117	682,422	1,026,692	1,112,946	1,634,684	1,147,270	952,250	1,380,936	1,444,152
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>	<u>\$ 3,011,776</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Nonspendable	\$ 15,442	\$ 17,939	\$ 10,692	\$ 11,780	\$ 12,533	\$ 6,548	\$ 5,055	\$ 2,999	\$ 59,040	\$ 6,276
Restricted	171,694	335,188	326,360	313,083	1,289,985	471,497	349,528	332,079	313,239	278,215
Committed	225,328	152,968	153,597	143,376	190,413	246,019	312,059	390,289	497,591	621,127
Assigned	89,094	77,264	89,608	599,600	524,600	476,400	52,600	105,000	587,770	1,082,368
Unassigned	2,953,493	3,093,066	3,543,425	3,807,330	4,539,825	4,858,137	5,857,957	6,090,558	6,268,709	5,536,433
Total General Fund	<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>	<u>\$ 7,524,419</u>
All Other Governmental Funds										
Restricted	\$ 250,937	\$ 344,071	\$ 646,180	\$ 974,949	\$ 878,638	\$ 1,067,378	\$ 1,251,110	\$ 1,365,465	\$ 1,223,616	\$ 1,298,661
Total all other governmental funds	<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>\$ 1,365,465</u>	<u>\$ 1,223,616</u>	<u>\$ 1,298,661</u>



CITY OF LANCASTER, SOUTH CAROLINA

Changes in Fund Balances, Governmental Funds
Last Nine Fiscal Years

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 5,894,256
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	3,287,007
Intergovernmental	368,681	375,153	421,431	446,129	487,705	520,489	510,197	465,672	420,298
Charges for services	122,078	123,572	119,682	129,113	88,216	110,163	90,760	233,296	339,284
Grants	173,345	178,302	115,511	429,228	568,572	364,464	292,626	596,489	631,897
Interest	44,740	45,035	69,671	171,874	263,170	216,594	73,894	33,068	27,031
Other	61,707	81,537	85,459	104,940	75,527	65,659	127,872	132,409	152,644
Total revenues	8,142,125	8,717,911	9,041,445	9,930,011	10,483,037	10,437,405	10,194,034	10,762,757	10,752,417
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	3,581,263
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	4,652,427
Public works	794,095	860,681	804,792	790,905	800,594	855,822	837,673	815,736	839,537
Code enforcement	194,013	206,679	233,950	222,623	234,977	232,238	237,909	183,814	191,894
Parks and playgrounds	86,306	90,050	93,195	93,195	97,778	97,778	97,778	97,858	124,245
Community service	28,500	42,000	80,444	109,071	68,313	42,629	50,050	399,636	539,976
Capital outlay	658,055	276,489	217,699	1,011,144	1,699,778	599,768	597,616	637,134	582,563
Debt service:									
Principal	274,427	204,368	214,576	189,763	349,103	339,700	272,279	315,524	330,212
Interest and fees	87,229	78,199	67,873	60,601	101,629	75,436	66,723	52,630	37,216
Total expenditures	7,827,617	7,968,545	7,961,189	9,423,596	10,793,052	9,735,075	9,762,913	10,072,222	10,879,333
Excess of revenues over (under) expenditures	314,508	749,366	1,080,256	506,415	(310,015)	702,330	431,121	690,535	(126,916)
Other financing sources (uses)									
Transfers in	-	197,500	148,000	283,126	39,178	-	-	229,087	176,246
Transfers out	-	(197,500)	(148,000)	(283,126)	(39,178)	-	-	(229,087)	(176,246)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balance	\$ 314,508	\$ 749,366	\$ 1,080,256	\$ 506,415	\$ (310,015)	\$ 702,330	\$ 431,121	\$ 690,535	\$ (126,916)
Debt service as a percentage of noncapital expenditures	5.04%	3.67%	3.65%	2.98%	4.96%	4.54%	3.70%	3.90%	3.57%



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>
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
2011	3,080,628	1,606,468	720,449	5,407,545
Change 2002-2011	\$ 575,660	\$ 386,198	\$ 720,449	\$ 1,682,307



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		
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
2011	25,499,690	481,563,033	9,254,667	84,365,382	34,754,357	565,928,415	6.14%	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>
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
2011	143.50	83.60	3.40	175.25	405.75

Source: Lancaster County Auditor

Notes:

- 1.) Millage rates were rolled back in fiscal year 2007 due to real property reassessments.
- 2.) The City's direct rate is approved for all operational and debt service expenditures and is not broken down in the budget ordinance by those categories.



CITY OF LANCASTER, SOUTH CAROLINA

Principal Property Taxpayers,
Current and Ten Years Ago

Taxpayer	Tax Year 2010			Tax Year 2001		
	Taxable Assessed Value	Rank	% of Total City Assessed Value	Taxable Assessed Value	Rank	% of Total City Assessed Value
The Gillette Company	\$ 4,890,945	1	14.07%	\$ 1,922,267	2	6.99%
Lancaster Hospital Corp	4,122,420	2	11.86%	3,647,080	1	13.25%
Springland Associates, LLC	2,289,520	3	6.59%	1,811,250	3	6.58%
Springmaid Federal Credit Union	896,919	4	2.59%			
Kanawha Insurance Company	837,510	5	2.41%	679,250	5	2.47%
Duke Energy Corp	750,680	6	2.16%	800,300	4	2.91%
Lancaster Telephone Company	565,140	7	1.63%	678,300	6	2.46%
Laner Center LLC	445,280	8	1.28%			
HD Development of Maryland Inc.	421,190	9	1.21%			
Springland Inc.	307,020	10	0.89%	337,366	8	1.23%
Founders Federal Credit Union				290,620	9	1.06%
Safeco Title Insurance Co Trust				458,860	7	1.67%
Pardue St Limited				286,580	10	1.04%
Total	\$ 15,526,624		44.69%	\$ 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 Ten 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%	5,679	2,871,811	99.93%
2005	3,205,955	7,525	3,213,480	2,982,590	92.81%	226,788	3,209,378	99.87%
2006	3,351,538	17,252	3,368,790	3,122,112	92.68%	241,932	3,364,044	99.86%
2007	3,297,417	27,178	3,324,595	3,030,884	91.17%	285,821	3,316,705	99.76%
2008	3,382,932	28,306	3,411,238	3,085,104	90.44%	312,009	3,397,113	99.59%
2009	3,566,312	235	3,566,547	3,203,068	89.81%	327,762	3,530,830	99.00%
2010	3,615,080	248,873	3,863,953	3,158,016 (1)	81.73%			

Source: Lancaster County Auditor and Treasurer

(1) Collection percentage is less than would be expected due to the reclassification of revenue from a large industrial property from real property to fee in lieu by Lancaster County. This amounted to a decrease in collections from levy of \$206,154.



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		
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
2011	425,000	146,752	205,000	2,767,349	8,847,667	12,391,768	1,453

Notes:

- 1) Population data can be found in the Schedule of Demographic and Economic Statistics
- 2) There is no personal income information for the City of Lancaster available. Therefore, percentage of personal income information is not provided in this schedule.



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>
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
2011	425,000	0.08%	50

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, 2011

<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	\$ 425,000	100%	\$ 425,000
Overlapping:			
Lancaster County	21,278,707	100%	21,278,707
Lancaster School District	<u>20,445,000</u>	100%	<u>20,445,000</u>
	<u>41,723,707</u>		<u>41,723,707</u>
 Total direct and overlapping debt	 <u>\$ 42,148,707</u>		 <u>\$ 42,148,707</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	2011
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	\$ 2,780,349
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>	<u>425,000</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>	<u>\$ 2,355,349</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%	15.29%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 34,754,357
Debt limit (8% of assessed value)	2,780,349
Debt applicable to limit (GO bonds)	<u>(425,000)</u>
Legal debt margin without referendum	<u>\$ 2,355,349</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
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
2011	6,793,898	3,956,834	2,837,064	1,197,787	2.37

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)</u>	<u>County Per Capita Income</u>	<u>County Unemployment Rate</u>
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	1,822,945	23,441	16.3%
2011	8,526	76,652	1,450,946	18,929	15.3%

Source: Bureau of Census/SC Budget and Control Board Office of Research & Statistics/Bureau of Economic Analysis/SC Department of Employment and Workforce. 2011 data based on 2010 US Census.

* 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 Eight Years Ago

<u>Employer</u>	<u>2011</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	1,521	1	4.94%	1,374	2	4.95%
Red Ventures	813	2	2.64%	-		0.00%
Lancaster County (3)	767	3	2.49%	426	7	1.53%
Wal-Mart	670	4	2.17%	-		0.00%
Cardinal Health	600	5	1.95%	700	4	2.52%
Springs Memorial Hospital	584	6	1.89%	800	3	2.88%
Duracell	405	7	1.31%	601	5	2.16%
Continental Tire	400	8	1.30%	-		0.00%
Founders Federal Credit Union	275	9	0.89%	-		0.00%
Kershaw Correctional Institution	262	10	0.85%	-		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	6,297		20.43%	6,276		22.60%
Total County Labor Force (3)	30,819			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 Eight Fiscal Years

Function/Program	FTE Employees as of June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
General Administration								
City Administrator	3.0	3.0	4.0	3.0	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	4.0
Human Resources	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0
Finance	4.0	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	1.0
Support Services	3.0	3.0	4.0	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	3.0
Public Safety								
Police	49.5	48.5	48.5	48.5	46.5	46.5	48.5	48.5
Victims' Services	1.0	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	6.5
Fire	26.0	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	6.0
Vehicle Maintenance	4.0	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	3.0
Utilities								
Public Works Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	5.0
Water Service	11.0	11.0	11.0	10.0	10.0	10.0	10.0	10.0
Utility Billing	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Wastewater Treatment	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.0
Wastewater Collection	11.0	12.0	12.0	11.0	11.0	13.0	13.0	13.0
Solid Waste								
Residential	7.0	7.0	9.0	10.0	10.0	10.0	10.0	10.0
Commercial	2.0	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	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>	<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,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Administration										
Human Resources										
Employment applications processed(1)	441	402	285	251	165	331	343	387	537	274
Workers Compensation cases (1)	89	81	39	38	30	22	29	10	24	62
Public Safety										
Police Department										
Arrest warrants served(1)(2)	n/a	n/a	n/a	1,271	1,350	994	964	1,144	1,109	562
Traffic cases(1)(2)	n/a	n/a	n/a	2,280	3,129	3,584	3,774	3,266	2,630	2,975
Fraudulent check warrants served(1)(2)	n/a	n/a	n/a	368	323	71	29	68	1,109	15
Fire Department										
Fire responses(1)	129	159	185	147	200	182	212	196	167	197
Medical responses(1)	1,088	959	1,041	549	500	622	734	608	497	471
Other responses(1)	34	102	164	550	511	539	442	418	415	430
Judiciary										
Criminal Docket total cases filed(2)	829	2,031	676	733	670	622	786	1,891	2,137	1,962
Traffic Docket total cases filed(2)	2,157	3,214	1,771	2,071	2,982	3,854	3,572	2,874	3,034	3,061
DUI Docket total cases filed(2)	47	57	37	56	49	38	65	151	112	102
Code Enforcement										
Building, Planning & Zoning										
Number of projects(2)	n/a	730	772	711	627	648	518	474	488	168
Number of inspections(2)	n/a	3,698	4,469	5,663	4,875	3,716	4,416	4,355	4,726	1,254
Utilities										
Utility Billing										
Number of utility customers(2)	5,893	5,843	5,870	5,872	5,859	6,027	5,749	5,876	5,921	5,846
Wastewater Treatment										
Number of gallons treated (in millions)	813.674	1,068.985	864.630	963.360	871.569	942.261	800.928	849.913	932.267	952.185
Solid Waste										
Transfer Station										
Tons of household garbage disposed of (2)	9,463	9,197	9,051	9,019	9,253	9,335	12,926	20,862	21,578	21,425

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,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	12	12	12	12	12	14	14

Sources: Various city departments



COMPLIANCE SECTION



CITY OF LANCASTER, SOUTH CAROLINA

Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures
Federal Grants:			
<u>U. S. Department of Commerce</u>			
Direct:			
ARRA - Investments for Public Works and Economic Development Facilities	11.300	04-01-06257	224,250
Total U.S Department of Commerce			<u>224,250</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed-through S.C. Department of Commerce:			
Community Development Block Grant:			
ARRA - South Main Street Improvement Project	14.255	4-S-08-0008	278,926
Total U.S. Department of Housing and Urban Development			<u>278,926</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	2JC0100066	19,526
Highway Safety Mini-Grant	20.600	2JC1100066	7,647
Total U.S. Department of Transportation			<u>27,173</u>
<u>U. S. Department of Justice</u>			
Direct:			
2007 Justice Assistance Grant	16.592	2007-DJ-BX-0318	13,196
ARRA - 2009 Justice Assistance Grant	16.804	2009-SB-B9-1986	14,835
2009 Justice Assistance Grant	16.592	2009-DJ-BX-0519	9,795
Total U.S Department of Justice			<u>37,826</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	911,518
Total assistance			<u>\$ 1,479,693</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2011

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, 2011. 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.



**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, 2011, which collectively comprise the City of Lancaster's basic financial statements and have issued our report thereon dated December 6, 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.

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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

December 6, 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 the City's major federal program for the year ended June 30, 2011. 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, 2011.

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

December 6, 2011



City of Lancaster, South Carolina

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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, 2011

Section II – Financial Statement Findings

None reported.

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, 2011

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

